

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

Final Evaluation Report

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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”

LIST OF ACRONYMS

ADB	African Development Bank
ADC	Area Development Committee
ADMARC	Agriculture Development and Marketing Co-operation
AEC	Area Executive Committee
AfDB	African Development Bank
AIP	Annual Investment Plan
APW	Association of Progressive Women
AS	Assembly Secretariat
CAD	Computer Aided Design
CBO	Community Based Organization
CBR	Crude Birth Rate
CCF	Country Cooperation Framework
CDA	Community Development Assistants
CDA/O	Community Development Assistant /Officer
CDD	Community driven development programmes
CDR	Crude Death Rate
CDSS	Community Day Secondary School
CES	Capacity Enhancement Studies
CHAM	Christian Hospital Association of Malawi
CIDA	Canadian International Development Agency
CO	Clerical Officer
CPR	Contraceptive Prevalence Rate
CSP	Community Sub- Project
DA	District assembly
DANIDA	Danish Agency for International Development
DAS	District Assembly
DC	District Commissioner
DDF	District Development Fund
DDP	District development Plan
DDPF	District Development Planning Framework
DDPFMS	District development plan financial management system
DDPS	District Development Planning System
DEC	District Executive Committee
DEM	District Education Manager
DEMAT	Development of Malawi Enterprises Trust
DEP	District Education Plan
DFID	Department For International Development
DHIP	District Health Implementation Plan
DHRM&D	Department of Human Resources Management and Development
DHRMD	Department of Human Resources Management and Development
DIP	Decentralization Implementation Plan
DLG	Department of Local Government
DOF	Director of Finance
DoLG	Department of Local Government
DPD	Director of Planning and Development
DPFMS	District Planning and Financial Management System
DPWs	Director of Public Works

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DS	Decentralization Secretariat
DSER	District State of the Environment Report
ECI	ECIAfrica Consulting (Pty) Ltd
EPA	Extension Planning Area
ESAMI	Eastern and Southern Africa Management Institute
ESCOM	Electricity Supply Corporation of Malawi
EU	European Union
FE	Final Evaluation
FEW	Forestry Extension Worker
FGD	Focus group discussion
FP	Family Planning
GoM	Government of Malawi
GRF	Government Resource Fund
GVH	Group Village Head man/women
HIPC	Highly Indebted Poor Country
HRCBP	Human Resources Capacity Building Plan
IDA	International Development Agency
IEC	Information, Education Communication
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IGFTS	Inter-governmental Fiscal Transfer 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
MAs	Members of Assembly
MASAF	Malawi Social Action Fund
MDGP	Malawi Decentralised Governance Programme
MFIs	Microfinance Institutions
MIM	Malawi Institute of Management
MLGDMP	Malawi Local Governance & Development Management Programme
MoF	Ministry of Finance
MoLGRD	Ministry of Local Government and Rural Development
MoV	Means of Verification
MPRSP	Malawi Poverty Reduction Strategy Paper
MRFC	Malawi Rural Finance Company
MTE	Mid term evaluation
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
MU	Management Unit

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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
NRA	National Roads Authority
NRM	Natural resource management
PD	Programme document
PEM	Public expenditure management
PMAS	Poverty Monitoring and Assessment Systems
PMC	Project Management Committees
POP	Program Operations Plan
PPP	Public private partnerships
PPT	Project Preparation Team
PSC	Program Steering Committee
PSD	Program Support Document
PSIP	Public Sector Investment Programme
PWP	Public Works Programme
RFP	Request for proposal
RLSP	Rural Livelihood Support Programme
SCF	Save The Children Fund
SDI	Staff Development Institute
SEP	Social Economic Profile
SF	Social Funds
SSP	Sponsored Sub-Project
SWAP	Sector wide approach
TA	Technical assistance
TCP	Technical Cooperation Program
TNA	Training Needs Assessment
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

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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. PURPOSE OF THE EVALUATION

2.1 Evaluation Purpose

The objectives of the Final Evaluation (FE) are:

1. To assist the Government of Malawi (GoM), in particular the executing agency, the Ministry of Finance (MoF), the implementing agencies, Ministry of Local Government and Rural Development (MoLGRD), National Local Government Finance Committee (NLGFC), and the District Assemblies (DAs) and the concerned co-financing partners, the United Nations Development Programme (UNDP) and United Nations Capital Development Fund (UNCDF), to understand:
 - a. the efficiency, effectiveness, relevance and impact of the Malawi Decentralised Governance Programme (MDGP),
 - b. the sustainability of programme results,
 - c. the level of satisfaction of programme stakeholders and beneficiaries with the results, and
 - d. Whether UNDP and UNCDF were effectively positioned and partnered to achieve maximum impact;
2. To contribute to UNDP and UNCDF learning from programme experience.
3. To help programme stakeholders assess the value and opportunity for broader replication of the Malawi Decentralised Governance Programme (MDGP).
4. To help programme stakeholders determine the need for follow-up on the intervention, and general direction for the future course.
5. To ensure accountability for results to the programme's financial backers, stakeholders and beneficiaries.
6. To comply with the requirement of the programme document/funding agreement and UNDP and UNCDF Evaluation Policy.

2.2 Programme Cycle

The MDGP was approved in September 2002, started in May 2003 and planned to end in December 2006. It follows an earlier UNCDF/UNDP programme entitled the Malawi Local Governance and Development Management Programme (MLGDM) which started in 1997 and ended in 2001. The Mid Term Review of the MDGP took place between November and December 2004. An amendment of the Project Document in 2006 extended the MDGP to December 2007, and added two further components: 1. Piloting the DA's role in promoting a businesses supportive environment in rural areas and technical assistance and financial resources to local micro- and small-scale enterprises, and 2. Assessing, reviewing, documenting and disseminating the activities and results of the programme. The present Final Evaluation took place in June-July 2007, mid-way through the extension.

3. EVALUATION METHODOLOGY

3.1 Methodology and Tools Used

The evaluation methodology is based on the guidelines in the Evaluation Manual, with some adaptations that were made as experience was gained during the course of the mission. The main adaptation was the introduction of facilitated team Findings Workshops in each of the three regions in preparation for the Regional Debriefings and the holding of debriefing meetings with the Programme Officer (PO), Mr Bill Chanza and Desk Officer in the Ministry of Local Government and Rural Development, Mr Hastings Bota. The team Findings Workshops were made up of the team members and were facilitated by the team leader. They helped build a shared approach to the evaluation and a common understanding of the emerging findings. The debriefing sessions with the PO and Desk Officer, the two key drivers of the Programme, helped test the accuracy of the team's findings and deepen understanding of the underlying issues.

Prior to the mission, the team leader assembled and distributed documents on the programme and its context to team members, and sent a questionnaire to the PO on the status of the programme.

In Lilongwe, the mission began with a facilitated team Hypothesis Workshop using display cards whose contents were captured photographically. This was followed by a briefing session with the UNCDF Programme Officer, and another with Resident Representative of the UNDP. After meeting with the UNDP, the team met with the Donor Decentralisation Committee and the Ministry of Local Government and Rural Development (MoLGRD) before travelling to Mzuzu for work in the Northern Region.

The team sampled and visited 7 districts (out of total of 28 in Malawi): Mzimba and Nkhatabay in the Northern Region, Mangochi, Thyolo and Chikwawa in the Southern Region, and then Dedza and Kasungu in the Central Region. A pre-arranged sequence was followed in each district, beginning with an introductory meeting with District Commissioner (DC), followed by a general meeting with District Executive Committee (DEC) and other invited participants such as NGOs, donors active locally, United Nations Volunteers and ex-councillors. The DEC meetings were followed by focus group discussions (FGDs) generally made up as follows:

- Directorate of Finance,
- DC, Directorate of Administration, Directorate of Human Resources, officials involved in devolved sectors (mainly Health, Education, Environment)
- Officials involved in planning and project implementation (Directorate of Planning, Directorate of Public Works)
- Officials involved in Monitoring and Evaluation (M&E)
- United Nations Volunteers (UNVs)
- Ex-Councillors (in the last three districts)

Following the FGDs at the District Assembly, the team visited project sites. At each project site, the sequence followed was to do a site inspection, hold a plenary community meeting and then, if the number of participants was large enough and there was sufficient time, break into FDGs with the following categories of people:

- Project implementation committee members
- Village headmen and chiefs
- Teachers
- Parents and Teachers Association members
- Clinic administrators and nurses
- Police officers
- Water pump committee members
- Community women
- Community men

In the Northern Region, the team held a workshop to review the evaluation methodology after its experiences in Mzimba. In each of the three regions, the team held a team Findings Workshop, facilitated by the team leader, to share and capture findings and to prepare presentation slides. This was followed by a Regional Debriefing Workshop, facilitated by the team members, using slide presentations and display cards and sheets. Ten representatives from each of the districts visited in each region were invited to the Regional Debriefing.

On returning to Lilongwe after the district work, the team members held interviews with key national stakeholders, mostly representatives from the government departments involved in the MDGP, but also a number of other donors involved in decentralisation or involved other forms of local development delivery. The aim of these meetings was to compare their approaches to that of the MDGP. In addition, the team had a meeting with some members of the Lilongwe District District Executive Committee, a district which receives African Development Bank support. The aim of the latter meeting was to hear the views of the DC for Lilongwe, who has had much experience with the MDGP in a number of districts, and who has a reputation for effective district management. The meeting also enabled the team to compare its sample districts with the experiences of a one that was being supported by another donor.

Following the meetings in Lilongwe, the team held a Synthesis Workshop, facilitated by the team leader, to share and capture main findings, lessons and recommendations. The results of this workshop were used to prepare for three debriefing meetings: a Debriefing Workshop with the PO and the Decentralisation Desk Officer from the MOLGRD, a Debriefing Session with the UNDP Resident Representative and the Debriefing Workshop for national stakeholders and DCs from the sampled districts.

Table 1 shows the number and gender composition of participants at the different meetings. The participation of women was 34% overall, but ranged from 58% in the focus group discussions (taken together) to only 11% in the key stakeholder interviews (taken together).

MALAWI LDP EVALUATION: FINAL REPORT**Table 1: Attendance at meetings conducted during the mission***

Kind of meeting	Men	Women	% women
Community	249	84	33.7
District Executive Committee	143	22	15.4
Focus Group Discussion	251	87	34.7
Key Stakeholder	57	6	10.5
National Debriefing	29	4	13.8
Regional Debriefing	64	10	15.6
Total	793	213	26.9

* Note: These figures include people who met with team members more than once, as was the case in the districts where a plenary meeting with the DEC would be followed by focus group meetings. The figures provide conservative estimates of the numbers at the larger community meetings.

3.2 Methodological Issues

The original field work plan was to sample three or four districts. Following discussions with the PO, and ECI coordinator, the team leader extended the number to seven, which constitutes a quarter of all 28 districts in the country. These districts provide a good geographical spread and contain some of the poorest and better off rural populations in the country.

The choice of seven rather than three or four districts favoured spread over depth (one day in each district and only 3.5 days for interviews with national stakeholders). More depth and less spread would have been preferable from an evaluation perspective, as evidenced by the fact that the team found the same or very similar responses coming up from one district assembly and project meeting to the next. However, there were advantages to having a larger sample. One was that it widened participation, which proved valuable in stimulating discussion at the Regional Debriefing workshops. Another was that it deepened the legitimacy of the Final Evaluation in the eyes of the MoLGRD and PO. In order to accommodate the larger sample of districts, the mission was extended from 21 to 24 days to enable a adequate coverage of national stakeholders in addition to the district work.

Focus Group Meetings were added to the plenary Community meetings at project sites from Thyolo District onwards. This change was introduced to enable team members to penetrate more deeply into the views of groups who were silent at the plenary meetings, notably women. The FDG meetings with women were successful in that they enabled the participants to express themselves more freely and to raise issues that would otherwise have been suppressed or downplayed in the larger meetings which were dominated by men.

The fact that most investments from the UNCDF through the District Development Fund (DDF) took place between 2003 and 2004, meant that memories had to some degree dimmed in the District Assemblies and the villages. There was some confusion in the minds of local actors over

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whether a project fell within the MDGP or the predecessor MLGDM, or indeed if it had been funded by another donor through the District Development Fund (DDF). The team's efforts to clarify these matters were not entirely successful in all districts. It proved difficult to obtain accurate and detailed financial, monitoring and evaluation information from some of the districts. This was a reflection of the poor state of financial, accounting and M&E systems, a problem also reflected in the national data sources. As will be further explained in the course of this report, the roots of these problems lie in the financial cut back in UNCDF capital funding and in the focus of the programmes resources on capacity building at national rather than at the district level.

Two or three days prior to the mission, the PO approached the team leader to include the United Nations Volunteers (UNVs) involved in decentralisation support as part of the Final Evaluation. This request was not translated into an amendment of the TOR, but the team leader interviewed a total of 9 UNVs, as well as the UN Volunteer Programme Officer, who accompanied the team during the work in the Southern and Central Regions.

Also just prior to the mission, the UNCDF Monitoring and Evaluation Officer requested the team leader to visit a Millennium Development Village (MDV) in Malawi during the mission. An attempt to arrange this was made through the PO, but on the day concerned the MDV contact cancelled the meeting as a funeral was being held there on that day. Thus this exercise fell away.

The PO and Desk Officer for Decentralisation in the MoLGRG accompanied the team almost throughout the mission. They greatly aided the team in organising and facilitating the meetings. Their presence may have inhibited respondents to some degree, but no more so, it seems, than the presence the DEC officials in relation to the community meetings, and the traditional authorities in relation to ordinary citizens at the community meetings. Hierarchical and patriarchal power relations are pervasive in Malawi and the team, it appeared, was perceived by local actors as part of this hierarchy. This was illustrated by the fact that at all the community meetings the team members were perceived as donors, rather than evaluators, and requests were made to it for additional funding for new projects. Although the team took care to explain that its role was merely to evaluate, and not to fund, there is no doubt that local actors nevertheless perceived the team as a conduit to the donors and this influenced their responses to questions. The team had to constantly bear in mind that virtually all actors, from national government down to the village level, were seeking to present the programme in the best possible light, partly out of gratitude to the donors for their support and partly, it appears, believing that this would provide the best guarantee of future funding.

3.3 Workplan

The mission work was undertaken in the following steps:

Pre-mission (21st May – 10th June)

Prepare for mission: documents, PO's questionnaire, assemble team, organise itinerary.

Mission (11th June- 3rd July)

In Lilongwe (11th June – 12th June)

Team hypothesis workshop, UNDP briefing, meetings with stakeholders.

In Northern Region (12th – 16th June)

Fieldwork in Mzimba and Nkhatabay, team Findings Workshop, Regional Debriefing.

In Southern Region 17th June – 24th June

Fieldwork in Mangochi, Thyolo and Chikwawa, team Findings Workshop, Regional Debriefing.

In Central Region – district work (25th – 27th June)

Fieldwork in Dedza and Kasungu, team Findings Workshop, Regional Debriefing.

In Lilongwe – national work (27th June – 3rd July)

National stakeholder interviews, team synthesis workshop, debriefing for Decentralisation Desk Officer and Programme Officer, debriefing for Resident Representative, debriefing for national stakeholders. A more detailed workplan is provided in Annex 3.

Post mission (4th -23rd June)

Writing of report.

3.4 Team Composition

The team was made up of:

International consultants:

Dr. Doug Hindson (team leader)

Mr. Hamish Scott

National consultants:

Dr Asiyati Chiweza

Mr Justin Nyondo

Dr. Hindson took responsibility for the overall direction and facilitation of the team's work. At the district level he took responsibility for the interviews with M&E officers, ex-Councillors and UNVs.

Mr. Hamish Scott took responsibility for evaluating the third component of the programme, namely district and project level Planning and Infrastructure and Service Delivery which entailed interviews with planners, engineers and project managers.

Dr. Asiyati Chiweza took responsibility for evaluating the second component of the programme, namely Fiscal Decentralisation, and for the cross-cutting issue of Gender, which entailed interviews with financial officers and women.

Mr. Justin Nyondo took responsibility for evaluating the first component of the programme, namely Institutions and Capacity Building, and for the cross-cutting issues of the Environment and HIV and AIDS, which entailed interviews with district managers, trainers and environmental officers.

4. PROGRAMME PROFILE

4.1 Understanding the Context

4.1.1 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 GoM adopted the National Decentralisation Policy and passed the Local Government Act (1998). The Act established Local Assemblies (LAs) as the key institutions for delivery of social and economic services.

Decentralisation in Malawi has taken the form of devolution of administrative and political authority to Districts. The devolved functions and responsibilities assigned to the District Authorities (DAs) should lead ultimately to devolution of both staff and budgets, but devolution has, in practice, mainly taken the form of geographical de-concentration of these activities, with the officials concerned continuing to account vertically to the Ministries, while also reporting horizontally to the District Commissioners (DCs).

Decentralisation is intended to promote participatory planning at sub-district level and representative democracy at the district level through the election of councillors to the DAs. The theory on which this was based is that democratic decentralisation leads to improved service delivery. Pillar four of the government's Poverty Reduction Strategy Paper (PSRP) 2000-2005 is defined as "good governance", and democratic decentralisation was seen as a way of achieving this goal.

The PSRP was replaced by the Malawi Growth and Development Strategy 2006 to 2011 (MGDS), which makes inclusive economic growth its centre-piece. The MGDS mentions decentralisation as an important means of improving social service delivery at the local level and also seeks to enhance the aims of the DAs in Promoting Local Economic Development (LED).

The government adopted an incremental implementation strategy to devolution through a 10 year National Decentralisation Programme (NDP). During the first phase, 2000/1 and 2003/4, NDP I gave priority to seven components: legal reform, institutional development and capacity building, building a democratic culture, fiscal decentralisation, accounting and financial management, local development planning and financing mechanisms.

A Mid Term Review of NDP 1 in 2004 found substantial commitment to decentralisation within the LAs, but a reluctance from a number of national ministries to devolve functions to the district level. The review made a large number of recommendations for NDP II, but identified the following four as the key ones: 1) further sector devolution, 2) institutional development and capacity building, 3) fiscal devolution and financial management, and 4) local development planning and financing mechanisms.

Although adopted by parliament in 2004, the NDP II has not been implemented at the time of the mission. Local government elections were not held in 2005 and this seriously undermined efforts to pursue democratic decentralisation. Failure to hold the local government elections removed the main pillar of local democracy and an essential condition of good local governance. It re-enforced de-concentration while undermining decentralisation. National ministries provide services,

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sometimes in consultation with district officials, but without the involvement of elected local councillors, since there are none in office. Elected local councils are an indispensable condition for democratic decentralisation and an essential institution of good local governance.

De-concentration refers to a process in which decision making power and resources are devolved to local units within the central government bureaucracy that are accountable upwards to their ministries. This contrasts with decentralisation in which decision making powers and resources are devolved to local governments that have a constitutionally defined area of autonomous of action and are accountable administratively to national government and democratically to local constituencies through locally elected councillors. The point is not that local development is not taking place with Malawi. The evidence gathered by this evaluation shows that there has actually been a sharp upturn in development expenditure in the districts since 2003. The point is that this expenditure is being made on the basis of decision making processes within the central government ministries, with a degree of consultation with district officials, but without the involvement of democratically elected representatives at the local level. Democratic participation through the councils and through community participation processes is sine qua non of decentralisation and a fundamental underpinning of the MDGP, at least in its conception. The hypothesis underlying the programme, as stated at the beginning of this report, is that decentralisation of a form that enables communities to participate (through their democratically elected representatives and through direct participation in local planning processes) in the decision making, implementation, monitoring and evaluation of development, leads to the delivery of services that is more relevant to their needs and is more cost effective. At present (the time of the mission), in Malawi, de-concentrated, rather than decentralised, local development is, in practice, taking place.

4.1.2 The Programme Context

The UNCDF and UNDP's support for decentralisation in Malawi closely parallels the national processes described above. The UNDP's Country Programme 1992 to 1996 piloted decentralised management, participatory planning and the District Development Fund (DDF) in six districts: Nkhatabay, Mchinji, Dedza, Nsanje, Thyolo and Mangochi. Lessons derived from the pilot districts fed into decentralisation policy formulation in 1998 and the promulgation of the Local Government Act (1998).

These successes led to a further programme, called the Local Governance and Development Management Programme (LGDMP), whose aims were twofold: 1) to support further decentralisation policy development and, 2) to replicate the district planning system in all of Malawi's districts. The LGDMP was implemented from 1998 to 2001. It had the following three components: 1) strengthening the capacity of central and local government to formulate and implement decentralisation, 2) strengthening the capacities of central and local government, districts and communities in planning and management of local development and service delivery, and 3) instituting appropriate procedures and processes for financing local authorities in support of their decentralised service responsibilities.

The Mid-Term Evaluation of the LGDMP found that it had made "remarkable progress" in decentralisation policy formulation, most notably, the development and approval of the NDP and Local Government Act, referred to in the section above. However it highlighted three shortcomings: 1) that government had not yet legally recognised the role of sub-district planning and development structures, 2) that sector devolution plans had not yet been formulated by the ministries and 3) that

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there was a need for capacity building to strengthen local government in the performance of its functions. As will be seen, these findings remained broadly true up to the time of the Final Evaluation.

The Malawi Decentralised Governance Programme (MDGP), which is under final review here, was formulated by the Government of Malawi in collaboration with the UNCDF & UNDP. It was intended to support the achievement of three of the main objectives of NDP II described above, namely, 1) institutional development and capacity building, 2) fiscal devolution and financial management, and 3) local development planning and financing mechanisms.

4.2 Programme Summary

4.2.1 The Programme hypothesis

There is no explicitly stated hypothesis in the MDGP's Programme Document. However, drawing on its logical framework, which is illustrated below, the following hypothesis may be attributed to it:

“Building the capacity of central and local government in Malawi to implement the National Decentralisation Programme, manage local government finances and plan and implement projects identified through community participatory planning processes will empower communities to access more efficiently produced and run, less costly and more relevant social and economic services, and thereby reduce levels of poverty in these communities”.

4.2.2 Intervention strategy

The MDGP was implemented as a partnership between the UNCDF and UNDP in which the NEX modality was applied in practice.

The Ministry of Finance acts as authorising agency. The MOLGRD acts as executing agency, with the support of the Decentralisation Secretariat (DS), which has management responsibility for implementation, and the Inter-Ministerial Technical Committee (IMTC) which oversees implementation. These roles of these government agencies apply to both the MDGP and wider NDP II.

4.2.3 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, and other donors providing the rest.

The basic division in the contributions of the UNDP and the UNCDF was between support for capacity building and provision of investment capital for infrastructure and service provision. The UNDP was to provide support for a local government management adviser, professional staff for the decentralisation Secretariat, short term national and international consultants, United Nations Volunteers, human resources capacity building (training), equipment and supplies, game monitoring and evaluation professional, operations and maintenance costs for the decentralisation Secretariat office. The UNCDF was to provide capital assistance to the DDFs for infrastructure and service provision, and funding for external consultants involved in studies and reviews, a regional technical adviser and programme administration costs.

The programme was approved in September 2002 but implementation began only in 2003. During this interlude, the UNCDF's contribution fell from a planned US\$6 million to an actual US\$1.5m,

namely at 75% cut, due to difficulties the organisation faced raising funds from some bi-lateral donors. The UNDP's contribution of US\$6 million remained unchanged. Attempts to make up this difference were made within Malawi, and US\$3.2 million was secured from African Development Bank (ADB) and just under US\$1 million from NORAD.¹ Although clearly helped to some degree, it fell far short of the Programme cost which was estimated at US\$21 million, even if the contributions of the UNDP (US\$6 million) and UNCDF (US\$1.5 million) over the period 2003 to 2007 are taken into account. Despite this, no revision was undertaken of the programme document to accommodate this dramatic cut back in the UNCDF's contribution to the programme. As will emerge, the implications of the cut back were to be profound for the programme.

4.2.4 Intended results

The intended results of the MDGP are set out in the results framework reproduced in annex 2. Table 1 below illustrates the MDGP's logical framework in summary form.

There are a number of weaknesses in the MDGP design. Firstly, it is important to understand the role of institutional development and capacity building for national and local government officials in the design. These activities are conceived as the means by which improved infrastructure and service delivery can be achieved and are reflected in the outputs under all three components of the logical framework. Institutional development and capacity building are essential parts of a Local Development Programme, so that having them placed centrally within the design is not in itself a cause for concern. The difficulty with the MDGP logical framework is that provision of infrastructure and services for the poor, which is at the heart of the UNCDF's LDPs, disappears as a development objective, opening the programme to a loss of direction. In this design, capital investment in social and economic infrastructure and services is subsumed under component 3 which is, itself, a capacity building output rather than an infrastructure and service delivery output. The danger this design holds is that institutions are developed and the capacities of the officials within them are built without this leading to improved service delivery for the poor. If this happens then the overall objective of poverty reduction is not attained. Using a mechanical metaphor, the main effort (expenditure on institutional development and capacity building) goes into retooling the vehicle (developing national and local government institutions and building the capacities of the officials working within them) but this means there is insufficient fuel (investment capital) to enable the vehicle to move forward (provide improved services on a substantial scale for the poor) so that the destination (significant poverty reduction) is never reached.

Secondly, the stated development objective is to empower local communities as a step towards their poverty reduction. Thus empowerment (in the form of capacity building) is both the means and the end of the MDGP, opening the programme to means-ends confusion.²

¹ The source for these figures is the MoLGRD and ADB Poverty Project Report. See Chart 3, page 35 below. The MKW amounts have been converted to dollars at a rate of US\$1 = MKW 138.

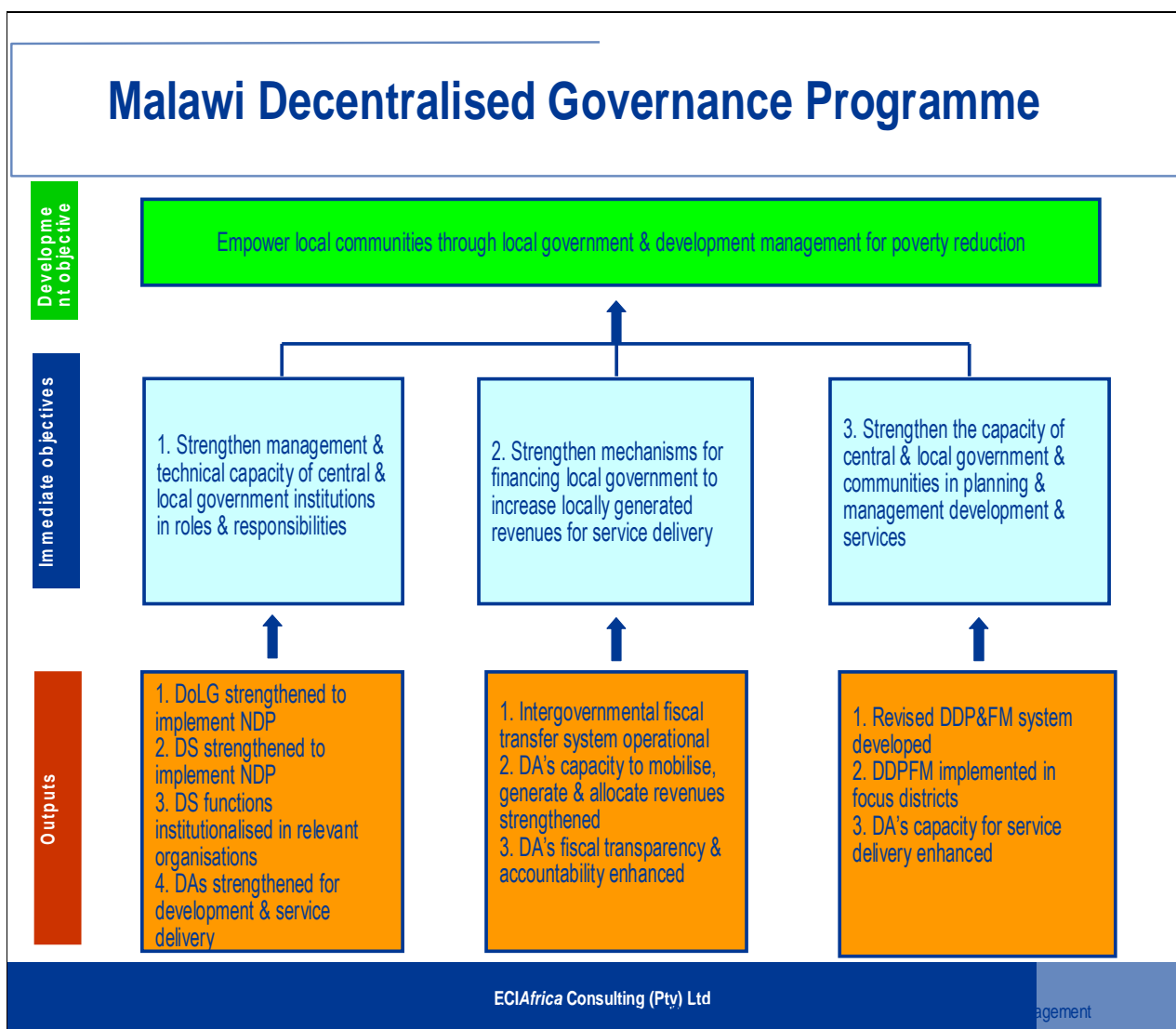
² The Nobel Economics Laureate A.K. Sen has famously argued that democracy is both a means to development and one of its ends. Sen AK (1999) *Development as Freedom*, OUP. The same could be said of "empowerment", but this does not absolve the programme design from clarifying the means-ends logic. The logical connections between empowerment as a means and as an end have to be shown.

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Thirdly, output 4 under component 1 (“DAs strengthened for development & service delivery”) is essentially the same as output 3 under component 3 (“DA’s capacity for service delivery”), again creating potential for confusion or, at best, overlapping activities and duplicated expenditures.

The upshot is that the logical framework provides a design that is oriented towards capacity building rather than capital investment as a means to reducing poverty, and holds the potential for means-ends and cross-output confusion. As will be seen later in this report, the effect of these design weaknesses was hugely amplified by the cut-back in UNCDF funding for capital investments in infrastructure and services, which skewed its implementation further towards institutional development and capacity building.

Figure 1: Malawi Decentralised Governance Programme: Logical Framework



4.2.5 The scope and location of the programme

The MDGP focused on 12 districts, six defined as local impact areas (LIAs) and six as non-local impact areas (non-LIAs). The term non-local impact area is that of the MDGP. It refers to those areas that have not been the principal beneficiaries of capital investment grants and capacity building. The non-LIAs were twinned with LIAs to foster cross-district sharing of experiences and learning, as illustrated in table 2, below. The districts highlighted in bold are those sampled for this evaluation.

Table 2: Districts Supported by the MDGP

Region	Local Impact Area	Twinned area
Northern	Nkhatabay	Mzimba
Central	Mchinji	Kasungu
	Dedza	Ntcheu
Southern	Mangochi	Machinga
	Thyolo	Chiradzulu
	Nsanje	Chikwawa

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

In contrast with the predecessor MLGDMP, in which the districts were to act as “pilots” that would test models of decentralised development, financial management and participatory planning, 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. The scale of the programme represented an unwieldy compromise between the Government’s understandable desire to see decentralisation “consolidated and deepened” and the UNCDF’s mandate to test innovative models through pilots that would inform policy and national replication. Expanding the number of districts had the effect of stretching even further the sharply reduced capital investment funds made available by the UNCDF, which made it difficult to have a meaningful impact within the existing districts, let alone “consolidate and deepen” the Programme.

4.2.7 Expected added value of the programme

The expected value added of the programme was essentially twofold: 1) assistance to government in further policy formulation and 2) assistance to government in consolidating and deepening decentralisation at the district level.

4.2.8 Partnerships foreseen in the programme document

Within the United Nations family in Malawi, the programme is founded on a partnership between the UNCDF and UNDP, with the UNDP providing funding and technical assistance for capacity building, including the salaries of government staff hired to support the decentralisation programme, and the UNCDF providing funding and technical assistance relating to investment capital, its use and management.

The primary country partnership for implementation of the programme is between the UNCDF and UNDP on the one hand, and the government of Malawi, on the other hand. The country partner is the Government of Malawi. In practice the UNCDF has worked with the Ministry of Finance as the authorising agency, the MOLGRD and the DS as the management body (until the DS was dissolved in December 2005). Other key national partners were the IMTC and NLGFC. The local partners were the twelve District Assemblies (DAs).

The MDGP’s main donor partners have been the Norwegian Agency for Development Cooperation (NORAD) and the African Development Bank (ADB). NORAD undertook to fund the DDF under a basket arrangement. The ADB funded districts outside the MDGP list of twelve.

4.3 Programme Status

4.3.1 Programme status against plan

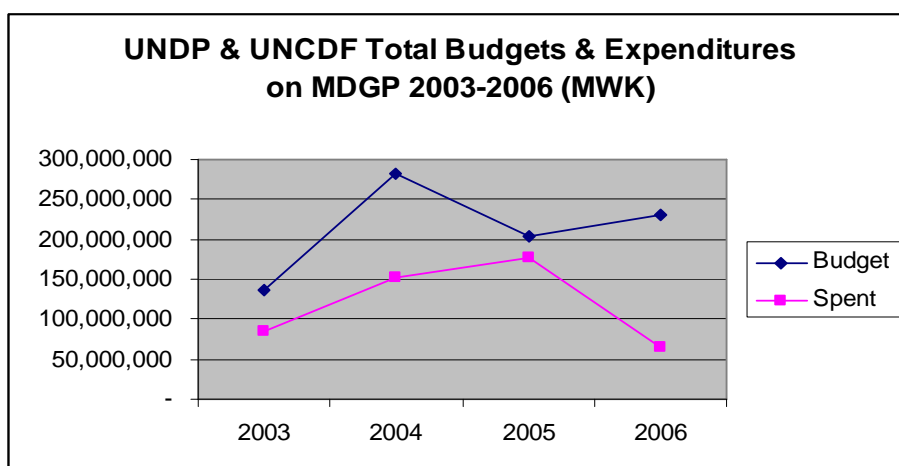
The section below on the evaluation of the three components of the programme provides details of the implementation status against the plan. In summary, the major achievements of the MDGP have been in the area of Institutional Development and Capacity Building. The Fiscal Decentralisation and Planning and Service Delivery components have lagged behind, as emerges clearly from the budget and expenditure analysis undertaken next.

4.3.2 Fiscal status and performance

The total programme cost was estimated at US\$21,274,820. The UNDP and UNCDF planned to contribute US\$6 million each and the GoM US\$6 million, while the balance was to be sought from other donors. After signing the PD in September 2002, and before commencement of the programme in May 2003, the UNCDF cut back its allocation to US\$1,5 million due to unanticipated funding problems not connected with the Programme in Malawi itself.

Chart 1, below presents data on budget allocations and expenditure between 2003 and 2006. It can be seen that expenditure was substantially below budget for every year, except 2003 when expenditure peaked. After 2006, expenditure dropped off sharply, while the budget continued to rise.

Chart 1: Budget and Expenditures, 2003 – 2006



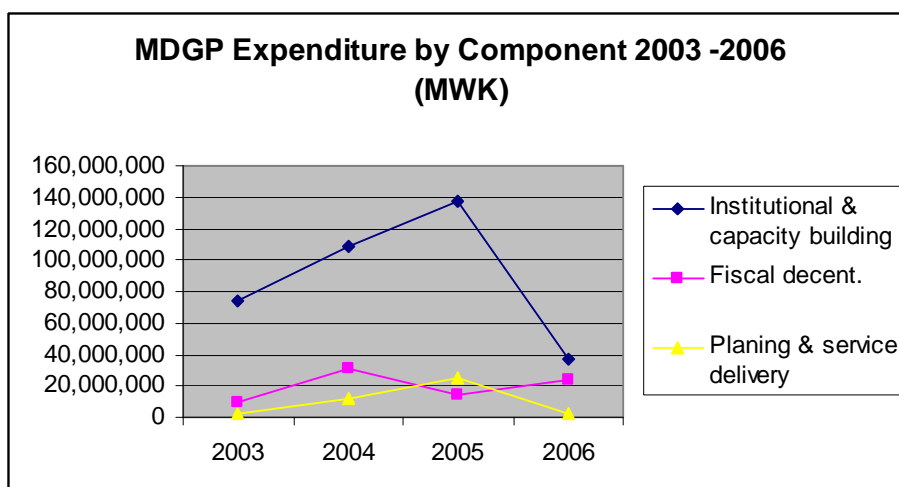
Source: Ministry of Local Government and Rural Development

Chart 2 illustrates the distribution of expenditures between the three main components of the MDGP over the same period. Institutional Development and Capacity Building received the bulk of funding (74% of the total), followed by Fiscal Decentralisation (17%) and Planning and Service Delivery (9%). Not shown from the chart, but evident from the data, is that under-spending of the

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budgets was much greater in the areas of Fiscal Decentralisation and Planning and Service Delivery than in the case of Institutions and Capacity Building.³

Chart 2: Expenditures by Components 2003-2004



Source: Ministry of Local Government and Rural Development

The team distinguished between expenditures that went into programme support at the national and local levels, based on an analysis of annual reports and workplans. The table below represents the outcome of this analysis, which are then illustrated in Chart 3 on the following page.

Table 3: Distribution of Expenditure: Estimated National and Local (MWK)

Component	Institutional	Fiscal	Plan. & services	Total
National	264,225,123	51,500,311	24,762,568	340,488,003
Local	82,124,024	27,730,937	12,381,284	122,236,246
Other	10,711,829	0	4,127,094	14,838,924
Total	357,060,977	79,231,248	41,270,947	477,563,173
	% Institutional	% Fiscal	% Plan. + Service	% total
National	0.74	0.65	0.60	0.71

³ Mr Bill Chanza, Programme Officer for the MDGP has provided a set of figures from the UNDP's Combined Delivery Reports for 2004 to 2006 which indicate that expenditure for those years was, respectively 1.4, 2.1 and 1.3 million Malawian Kwacha, indicating that the drop off in expenditure within the UNCDF component itself was less steep than for the total budget for the MDGP between 2005 and 2006.

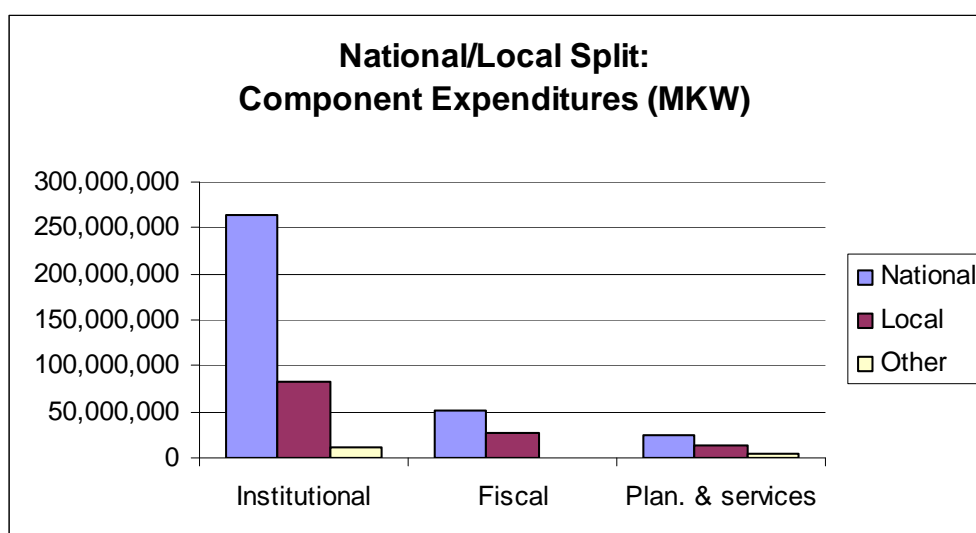
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Local	0.23	0.35	0.30	0.26
Other	0.03	0.00	0.10	0.03
Total	1.00	1.00	1.00	1.00

Sources: These estimates are based on the MTR and programme annual reports and work plans between 2004-2006.

Of the total expenditure laid out on the MGD by the UNDP and UNCDF, 75% went to institutional capacity building, 17% on fiscal decentralisation and only 9% on planning and service delivery. The split between national and local expenditure is also revealing: 71% went to the national level and only 26% to the local level. In terms of the split between national and local, the skew was most pronounced in relation to institutional capacity building, where 74% went to national, but also high for the fiscal and planning and service components, 65% and 60% respectively.

Chart 3: National and Local Expenditures by Component (USD)



Source: Table 3 above.

The upshot is that an LDP that aimed to empower communities through local government and development management for poverty reduction, ended up focussing mainly on institutional development and capacity building at the national level with relatively little in the way of infrastructure and service delivery. This reflects the design of the programme, which subsumed investment in infrastructure and service delivery, the cut back of funding for investment expenditure by the UNCDF, and management choices which favoured national over local capacity building. With hindsight, it is evident that the UNCDF's capital cut back should have triggered revision of the Programme design and a re-organisation of the programme management to reflect the changed

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financial balance of the programme and the change in the roles of the government, UNDP and UNCDF that this implied.

5. EVALUATION OF COMPONENT 1: RESULTS ACHIEVEMENT IN INSTITUTIONAL DEVELOPMENT AND CAPACITY BUILDING

5.1 Introductory Comment

Proper planning, management and coordination of the implementation of the decentralisation process are key factors that influence its successful institutionalisation. To this end, a number of institutions considered central in managing the process of decentralisation of Malawi were targeted by the MDGP:

1. The Cabinet Committee on Decentralisation, now renamed the Cabinet Committee on Governance and Rural Transformation;
2. The Department of Local Government, now renamed to Ministry of Local Government and Rural Development (MoLGRD);
3. The Ministry of Finance;
4. The Inter-Ministerial Technical Committee on Decentralisation;
5. Decentralisation Secretariat;
6. The Local Government Finance Committee;
7. Local Administration Services Commission (LASCOM);
8. Malawi Association of Local Government Authorities;
9. National Audit Office;
10. Staff Development Institute;
11. District Assemblies;
12. Area Development Committees; and
13. Village Development Committees.

A number of program reviews have demonstrated that these institutions suffered from inadequate capacity in one form or another to enable them to effectively carry out their roles and responsibilities, and concluded that they needed strengthening.⁴

⁴ Government of Malawi, UNCDF/UNDP (2000) Local Governance and Development Management Programme, Mid Term Evaluation, Draft Report; Government of Malawi and United Nations Capital Development Fund (2000) Local Governance and Development Management Programme, Mid Term Evaluation, January; Government of Malawi (2002) Pre-Programme Situation Assessment Report, October; Government of Malawi (2004) Review of the National Decentralisation Programme, of Malawi, 2001-2004, Joint Government Donor Review; Government of Malawi and Donors (2004) Review of the National Decentralisation Programme of Malawi 2001-2004; UNCDF (2002) Malawi Decentralised Governance Programme, 2002 to 2006, Programme, Document.

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The MDGP was not expected to address all the Government institutions named above. It only focused on strengthening the capacities of the Ministry of Finance (MoF), Ministry of Local Government and Rural Development (MoLGRD), the Decentralisation Secretariat (DS), the Staff Development Institute (SDI), and the District Assemblies (DAs). Other donors such as the Norwegian Embassy, USAID were expected to support the Inter-Ministerial Technical Committee on Decentralisation, the National Audit Office (NAO), the Local Government Finance Committee (LGFC), Malawi Association of Local Government Authorities (MALGA), and Local Authorities Service Commission (LASCOM).

5.2 Likely attainment of the Immediate Objective for Component 1

1. Some progress has been made in achieving the immediate objective for this component which would certainly contribute in some way towards the achievement of the development objective.
 2. The management and technical capacity of central and local governments' institutions in relation to their roles and responsibilities have improved if one considers developments on the ground, which include:
 - a. The districts have basic management structures in place that provide for a measure of coordinated planning and execution of services.
 - b. The number and quality of professional staff at district level has significantly improved.
 - c. There is increased understanding by devolved sectors of their roles and responsibilities in a decentralised setting with District Commissioners emerging as local champions of decentralisation.
 - d. Decentralised management structures have improved coordination of HIV/AIDS activities, as well as maximised involvement of various partners at district level. In addition, the employment of District AIDS Coordinators has strengthened management of HIV/AIDS activities.
 - e. Decentralised planning processes have helped identify environmental degradation as a serious threat to sustainable development. This is reflected in key assembly documents such as the SEP and DDP.
 - f. Monitoring and reporting on programmes and service delivery has improved.
 - g. Many of the staff have been exposed to some of form of training to equip them for their work.
-

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- h. Although ill equipped, steps have been made to establish a Decentralisation Unit within the MoLGRD whose mandate is to coordinate the entire decentralisation programme as well as provide technical back stopping services to assemblies.

5.3 Other Critical Issues related to results achievement

1. Funding from a number of development of partners, notably UNDP/UNCDF, Norwegian Embassy, GTZ, and ADB in particular contributed significantly to the results achieved during the life of the MDGP.
2. The Decentralisation Policy and LGA did provide for some measure of clarity in the design and implementation of programme activities.
3. The Government/Donor Committee which remained active throughout the life of the MDGP did help in coordinating specific support required, particularly in supporting consultancies and technical support of various kinds.
4. The structures and systems that had been put in by the predecessor programme formed a basis for developing new initiatives as well as consolidating the said structures and systems.
5. A strong advocacy programme on decentralisation evident during the first phase of the programme contributed to generating demand for services among local communities

5.4 Outputs and Components

The expected outputs from implementing this component of the Programme were:

1. DoLG strengthened for effective implementation of the NDP.
2. Decentralisation Secretariat strengthened for effective implementation of the National Decentralisation Programme.
3. Decentralisation Secretariat functions institutionalised in relevant institutions.
4. District Assemblies strengthened for gender mainstreamed development and effective service delivery.

5.4.1 Output 1: DoLG strengthened for effective implementation of the NDP**5.4.1.1 Activities**

Key activities under this output were as follows:

1. Organize regular Cabinet and Technical Committee meetings
2. Undertake regular monitoring visits to assemblies
3. Develop data base and dissemination mechanism
4. Review and refine the existing reporting system
5. DLG to undertake advocacy and resources initiatives
6. Train DLG Staff
7. Conduct joint annual reviews

8. Develop Gender strategy
9. Conduct gender training
10. Develop donor support map

5.4.1.2 Indicators

The programme document listed the following indicators:

1. Number of meetings of Cabinet Committee and Technical Committee
2. NDP supervised according to M&E plan
3. DLG Management Information System (MIS) installed and working properly
4. Number of strategic partnerships established with other development partners in the area of decentralization
5. NDP implemented according to schedule
6. Government/Donor joint reviews carried out
7. Gender mainstreaming strategy developed and implemented
8. Donor support map developed

5.4.1.3 Progress

1. Supervision of Decentralisation Implementation Plan (DIP) according to plan was, by and large, effective during the life of the Decentralisation Secretariat, but became problematic after the transfer of this role to DoLG.
2. Initial steps have been undertaken to develop a Management Information System through the creation of a database at MoLGRD, but it has yet to form an integral part of decision-making.
3. The program initially managed to establish partnerships with ADB and Norwegian Embassy to fund planned activities.
4. The Government/Donor reviews were undertaken more or less as planned.
5. Some attempt was made to develop a Gender Strategy. It was however reported to have been of poor quality and hence was never implemented.

5.4.1.4 Challenges

1. The funding factored into the program especially for Cabinet Committee was not forthcoming due to a decision made by UNDP after prior agreement to fund these activities. Although the Norwegian Embassy stepped in to fill the gap, funding for meetings of both Cabinet and Technical Committees did not consistently come through, due, it seems, to opposition from the donor to the idea of incentive payments. The lack of consistent meetings of the Cabinet and Technical Committees resulted in issues arising from the implementation of the decentralisation process not being resolved, which led to a loss of momentum. In its comments on the Global Debriefing, the MLGRD acknowledges these problems but explains current developments that are more encouraging., as follows, "While this is true (i.e. the lack of championship), Government has now in the Office of the

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President and Cabinet, created an office headed by a Principal Secretary that will coordinate all reform programmes in Malawi. It is this office that will provide leadership in driving this process. The Office of the President and Cabinet has also provided for a sub committee of Principal Secretaries on Local Government and Rural Transformation to technically over-see the decentralization process and advise the Cabinet Committee on Local Government and Rural Development. This committee has so far met twice since its inception, which may mean that issues of championship are now being addressed.”

2. There was adequate funding to support supervision activities and implementation compliance was high during the life of the DS. The reason for this was that the DS had to submit timely reports before it was given further funding. Supervision of activities under the responsibility of the African Development Bank (ADB) Poverty Reduction Project and NLGFC supervision were by and large maintained. One reason for the decline in supervision had to do with the loss of a number of technical personnel during the dissolution of the DS and the transfer of its functions to the DoLG.
3. The partnership with the Norwegian Embassy in terms of supporting the program was compromised by Government's failure to hold Local Government Elections, because the Embassy was unwilling to continue financial support until it was clear that they would be held.

5.4.2 Output 2: Decentralisation Secretariat strengthened for effective implementation of the National Decentralisation Programme

5.4.2.1 Activities

The key activities under this output were as follows:

1. Develop civic education programmes
2. Develop Information and Education Campaign (IEC) Plan
3. Develop IEC strategy
4. Undertake outreach IEC campaigns
5. Undertake TNRA of DS
6. Implement training programmes in Local Government and Decentralization
7. Establish training networks
8. Undertake impact studies
9. Develop and implement Programme Support Documents (PSDs)
10. Develop systems
11. Undertake periodic surveys
12. Undertake search for institutions to be strengthened
13. Undertake capacity needs assessment of SDI
14. Develop strategic plans for LASCOM and MALGA
15. Conduct functional review of LASCOM and MALGA

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16. Train staff of LASCOM, MALGA, SDI, CERT and MCA in Local Government and Decentralization
17. Train Ministry of Finance in Decentralization and LGA
18. Provide technical assistance to National institutions involved in decentralization

5.4.2.2 Indicators

Assessment was to be assessed using the indicators outlined below:

1. Number of civic education programmes conducted to increase understanding of the decentralization policy, LGA, systems and processes for participatory planning and financing of local development at both national and local levels.
2. Number of training programmes developed and evaluated for impact.
3. Number of additional donors supporting NDP.
4. Number of planning, financing, participatory, etc systems and sub-systems developed and working for effective implementation of the decentralization process.
5. Number of institutions strengthened for implementation of NDP.

5.4.2.3 Progress

1. The programme was fairly active in undertaking IEC activities. It mounted road shows, focus group discussions, and media briefings and produced radio shows to help various stakeholders understand the process of decentralisation. The pace of implementation of IEC activities was sustained during the life of the DS. After its dissolution the implementation of activities became intermittent.
2. A number of training programmes were undertaken with the majority of candidates coming from the central level institutions. The training programmes were never evaluated for impact.
3. Initially only UNDP, Norwegian Embassy and USAID were committed to supporting the programme, but these were later joined by GTZ and ADB.
4. Attempts were made to revise the District Planning Handbook and to link district planning to the national system of planning, but these had limited success.
5. A number of training programmes were developed and implemented at National, Sub-national and sub-district levels aimed at enhancing the capacity of institutions for effective implementation of the NDP. The targeted institutions at national level were MALGA, MoLGRD, NLG, Ministry of Finance, National Audit, SDI, MCA and LASCOM and at district level these were DEC, AEC, ADC, and VDC.
6. The ones that benefited the most from the training were MoLGRD, Ministry of Finance, DS, NLGFC, Accountant General and MCA.
7. At the district level it is mostly the DCs and senior secretariat staff that benefited from capacity building efforts.
8. Strategic plans for MALGA, LASCOM were undertaken.

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9. Since these training initiatives, a broad Capacity Needs Assessment and corresponding capacity building strategy have now been finalised through the support of GTZ, but this programme is tied to the implementation of the NDS.

5.4.2.4 Challenges

1. Implementation of IEC activities was negatively affected by the departure of the IEC officer and the withdrawal of funding.
2. The capacity building programmes were not implemented within the context of an updated needs assessment; neither did they follow a Capacity Building Plan.
3. There were additional donors such as the World Bank, DFID, EU, JICA that contributed in some way to enhancing the decentralisation process, but not within the context of the MDGP support document. Those that were initially committed to the programme such as the Norwegian Embassy have since suspended their support to decentralisation related activities citing lack of commitment by Government to local democratic processes.
4. The debate as to which institutional planning structure below the assembly should be officially recognized, the ward or the Area Development Committee (ADC) (democratic versus traditional structure) continues. In many areas the VDCs are dormant. Hence to enable the facilitation of the VAPS the development committees have to be reorganized. Most planning that takes place pays little attention to economic empowerment and the involvement of the private sector in development activities.
5. It was envisaged that Malawian training institutions would be twinned with Norwegian institutions. The twinning never occurred. National training institutions were not sufficiently strengthened and therefore were unable to respond appropriately to the training needs of decentralisation. It was envisaged that they would mount programs in decentralisation and local government. However, this has not happened. Notwithstanding this, significant capacity building took place at the centre, although this has not been sustained.

5.4.3 Output 3: Decentralisation Secretariat functions institutionalised in relevant institutions**5.4.3.1 Activities**

Key activities that were expected to be undertaken under this output were as follows:

1. Transfer planning, M&E, training and systems development functions to DLG
2. Transfer financial management functions to NLGFC
3. Transfer advocacy, training and information dissemination functions to MALGA
4. Undertake regular phasing out meetings
5. Develop and implement exit strategy

5.4.3.2 Indicators

Assessment was to be made using the indicators outlined below:

1. Number of functions of DS transferred to and operational in other institutions, i.e. DLG, LASCOM, MALGA, NLGFC, etc

5.4.3.3 Progress

1. The MoLGRD facilitated the transfer of functions hitherto managed by the DS to relevant bodies.
2. All functions were transferred and the DS itself dissolved.
3. An Exit Strategy was developed to facilitate the process.

5.4.3.4 Challenges

1. Due to the lack of adherence to the exit strategy, the transfer of functions to the MoLGRD was not as orderly as it might have been. This resulted in the MOLGRD not being able to effectively coordinate the decentralisation process or provide some of the technical backstopping services hitherto offered by the DS.
2. Although, functions were transferred successfully to all other relevant institutions, the functions of advocacy, training and information dissemination transferred to MALGA have posed a challenge in terms of implementation as the institution is not well supported in terms of donor funding.

5.4.4 Output 4: District Assemblies strengthened for gender mainstreamed development and effective service delivery

Key activities that were expected to be undertaken under this output were as follows:

1. Conduct Training Needs and Resource Assessment (TNRA)
2. Develop Human Resources Capacity Building Plan for DAs
3. Recruit qualified management staff
4. Train assembly management staff in Local Government management
5. Train assembly committees in their respective roles
6. Develop and implement DAs operational guidelines
7. Revise DAs operational guidelines
8. Develop DA corporate management strategic plans
9. Conduct functional review for restructuring of DAs
10. Review DA corporate management strategic plans

5.4.4.1 Indicators

Assessment was to be assessed using the indicators outlined below:

1. No of DAs capacity building plans
2. No of DAs with qualified and competent management staff
3. No of DAs using operational guidelines in their day to day management operations
4. No of DAs with corporate strategic plans that reflect gender issues

5.4.4.2 Progress

1. Although DAs do not have Capacity Building Plans, a comprehensive Capacity Building Strategy has been developed with the help of GTZ, which can guide DAs in the development of their own Capacity Building Plans. The GTZ's Capacity Building Strategy document remains to be approved by government.

5.4.4.3 Challenges

1. The DAs have not been able to retain staff in key areas such as finance. All the DAs visited during the review had vacancies at senior management level, especially in the accounting department.
2. An attempt was made to develop guidelines to facilitate management of human resources, but these have not been implemented.
3. Corporate Strategic Plans not as yet been produced, thereby denying the DAs a framework for guiding the development agenda of the districts in a manner that helps them maximise their strengths and opportunities, while dealing with their weaknesses and threats.

5.5 Results relating to specific thematic focus areas**5.5.1 Findings**

1. In relation to institutional and capacity building the numerous seminars and workshops on decentralisation conducted at various levels did help to clarify among stakeholders the concept of decentralisation adopted by Malawi and the steps being taken to implement it.
2. The retention of the DS for the first half of the MDGP did help facilitate strengthening of successor bodies, such as MALGA, NLGFC etc. by equipping them to play their mandated roles in implementing decentralisation related activities.
3. The willingness of a number of large national programmes such as Malawi Social Action Fund (MASAF), National AIDS Commission and others to begin to align their planning and implementation processes with that of the assemblies is a development likely to have significant impact on the building of the institutional capacity of assemblies.
4. Although compromised by inadequate resources and absence of officers dedicated to advising or managing environmental related interventions, the tools provided at the onset of decentralisation by the Department of Environmental Affairs have contributed to building capacity within the assemblies to plan and execute environmental related activities. These initiatives, however, lie outside the MDGP.

5.5.2 Challenges

1. The absence of a unified management structure is a major stumbling block to integration and absorption of devolved sector functions. It is understood that the Functional Review of 2004 made recommendations which have since been approved by Government in relation to a structure for District Assemblies but this has yet to be implemented by Treasury through issuance of an establishment warrant. The absence

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of an establishment warrant has also created a situation where there is considerable duplication and overlap in the provision of support services.

2. Significant gaps exist in the numbers and quality of personnel at assembly level. The level of vacancies in the Accounts Departments is especially acute given the need for accountability for the huge amounts of money being channelled through the District Assembly. This has been compounded by a non responsive recruitment process.
3. Capacity building efforts to support decentralisation have tended to favour individuals, many of whom then leave the DAs, rather than build lasting capacity that supports its activities.
4. Although the Ministry has established a Decentralisation Unit to coordinate the decentralisation process country wide, it lacks the technical capacity to perform its work adequately, as the majority of technical posts are vacant. Even when these are filled it is not likely that staff would be able to effectively perform their work without significant further capacity building.
5. Although, efforts by key national programmes to align their approaches with decentralised structures support decentralisation, they do place an extra burden on the weak capacity of the districts to manage their funds.
6. There is a noticeable absence of a body with sufficient authority to effectively drive the process of decentralisation at either political or technical level.
7. Feedback from MoLGRD on issues submitted to it by the districts has been limited.
8. Some national programmes and NGOs operating at district level have tended to undermine the objectives of decentralisation by operating outside laid down decentralised structures. The challenge is to build the capacity of local government to take on these programmes and then integrate them into the local government system.
9. Although, attempts have been made to clarify the roles of MPs and Chiefs in relation to local democratic structures these have not resulted in the amendments of the policy and legal frameworks guiding decentralisation or changes in the Chiefs Act.

5.5.3 Recommendations

1. Treasury should issue an Establishment Warrant for the DAs to facilitate absorption and integration of devolved sectors as well as rationalise support services.
2. A systematic recruitment plan for discussion with Treasury and DHRMD should be developed that facilitates a speedy filling in of key vacant posts in the District Assemblies. In particular, attention should be paid to recruiting accounting personnel. In this connection, the plan by Government to recruit energetic retired accounting officers is applauded, as long as care is taken to ensure that these are conversant with commercial accounting, have a minimum of a diploma in accounting/business studies, and have a working knowledge of accounting packages such as SAGE. It is understood that fresh graduates will be recruited to understudy them for a period of three years, by which time the recruits should be ready to take over. For the plan to work, it is further recommended that an incentive package be considered to ensure the retention of

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accounting graduates at district level. One idea would be to implement a top-up allowance similar to the one in operation in the Ministry of Health.

3. As a comprehensive Capacity Building Strategy for Assemblies has been finalised, it is recommended that it be used to facilitate capacity building efforts in a systematic fashion. Its implementation should include the development and implementation of Training Plans and a performance management system that can improve targeting of capacity building needs. In addition, the MoLGRD will have to put in place a transparent process for identification of candidates for training.
4. The Decentralisation Unit within the MoLGRD should be capacitated with staff to enable it to fulfil its mandate. In addition, specialised technical advisers in areas such as decentralisation, governance, development economics, private sector development, should be engaged to help the Unit provide the much needed technical backstopping at assembly level.
5. We support the initiative to develop a Local Development Fund (LDF) as a facility that could enable national programmes and development partners to work with Government to support local development. In this connection, MoLGRD should advocate for use of the LDF by national programmes currently operating outside the assembly. Where this cannot be achieved in the short run, there should be increased attempts to plan activities jointly between the programme and assembly structures, as well as joint monitoring and evaluation, to ensure sustainability.
6. The Ministry should encourage the Office of the President and Cabinet to take the lead in managing the decentralisation programme as part of a comprehensive public sector reform programme. Such an approach would not only ensure that there is an office with sufficient authority to drive it, but that it is intricately connected to the broad public sector reform agenda. The reactivation of a Committee for Principal Secretaries and regular meetings of the Cabinet Committee on Governance and Rural Transformation will go a long way to ensuring strong political and technical support for the ongoing implementation of decentralisation.
7. The reporting and feedback arrangements should be agreed between MoLGRD and the assemblies to improve communication and receiving of direction on matters requiring urgent resolution.
8. Formal written declarations are required to clarify the roles of Chiefs and MPs in relation to local democratic structures.

5.6 Sustainability of results

5.6.1 Institutional

1. The discontinuation of by UNDP on funding for the Cabinet Committee and intermittent nature of the funding of the technical committee meetings has meant these meetings were no longer held regularly thereafter, which has undermined the sustainability of the programme's overall direction.

5.6.2 Social – support to programme in terms of community, stakeholder buy in

1. Although, there is generally a great deal of interest in community participation in development endeavours in Malawi, in practice, it is government that is looked to by communities for provision of social services. One of the reasons for this within the MDGP is the heavy concentration of capacity building on central level and officials at assembly level at the expense of grass roots structures. This has left the communities not fully conversant with their roles in areas such as governance, maintenance of community projects and economic empowerment.

5.6.3 Environment

1. One area that the MDGP failed to address relates to the environment. In fact evidence on the ground suggests it actually contributed negatively to environmental conservation efforts, as many of the projects implemented under the programme did not have adequate environmental conservation interventions to mitigate the negative effects of development projects, such as the building of school blocks, which tended to be the bulk of projects implemented. In the process, sustainable development cannot be said to have been encouraged.
2. Even though it is understood by DCs that some of the funds received through DDF were to be used for environmental projects their own income base was so precarious that in many cases the funds were used to try and strengthen their own income base through building of rest houses and other business ventures.

5.7 Factors affecting successful implementation & results achievement**5.7.1 External factors**

1. Amongst the most damaging impacts on successful implementation of the MDGP was the absence of Councillors, due to the failure of government to hold the local government elections. Decentralisation was partly aimed at maximising participation of local communities in decision-making. The absence of Councillors has meant the use of structures that are not accountable to people on the ground. The holding of local government elections is a decision that lies beyond the MoLGRD.
2. Famine that affected most of Malawi during parts of the life of the MDGP had a negative impact on successful implementation of the programme as it diverted attention from planned activities to issues of a disaster and relief management nature for most assemblies.
3. The lack of clarity in the roles of central level Commissions such as Public Service Commissions, Health Service Commission, and Teacher Service Commission have complicated the management of personnel at DA level, as staff at this level are recruited, disciplined and promoted through various Commissions.
4. The failure by Treasury to issue an establishment warrant has compromised creation of a unified management structure at DA level. As things stand, there is no framework for properly integrating and absorbing functions devolved by the sectors to the DA. In the absence of a unified management structure, the current steps at devolution are likely to

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create a number of practical management problems for District Commissioners, especially as it relates to personnel management matters such as discipline.

5. The failure by Government to create a unitary salary structure for assembly staff is leading to a loss of motivation and building of a team spirit among assembly staff.
6. The process of recruitment is presently unresponsive to the needs of assemblies leading to vacancies not being filled on time.

5.7.2 Programme-related factors:**5.7.2.1 Programme design**

1. The failure to include specific interventions to tackle HIV/AIDS related issues did have a negative impact on results achieved in this area.
2. The failure to enforce measures to compel adherence to the use of the green window facility in the DDF impacted negatively on environmental interventions.
3. Geographical focusing brought about uneven geographical development, as some districts received more attention than others.

5.7.2.2 Institutional and implementation arrangements

1. The use of the DS for some part of the MDGP was appropriate, as MoLGRD did not have the required capacity to coordinate the implementation of the programme, or to provide adequate technical capacity to assemblies and other players.
2. The less than orderly manner in which the DS was phased out, negatively impacted on the coordination of the programme and the provision of technical backstopping services to DAs. There was lack of adherence to the Exist Strategy, especially in the area of ensuring that counterpart arrangements for transferred functions to MoLGRD. In the process momentum was lost in the management of the decentralisation process.
3. The Cabinet Committee on Governance and Rural Transformation and Inter-ministerial Committee were largely inactive during the life of MDGP, hence robbing it of a political and technical champion.

5.7.2.3 Programme management

1. Programme management was initially done by the DS until its dissolution in 2005, when this role was transferred to the newly created Decentralisation Unit in the MoLGRD.
2. The transfer in itself was necessary, but ill timed as staff in the Ministry were not fully prepared for it.
3. The newly created Decentralisation Unit lacked preparation in programme management, monitoring and evaluation, consequently these functions suffered greatly following the dissolution of the DS. Specific areas that have not fared very well include programme monitoring and tracking of progress in implementation of the decentralisation programme.

5.7.2.4 Technical backstopping from the UNCDF

1. There has also been a significant decline in technical support from the UNCDF to assemblies in some areas outside finance management and the ADB supported poverty reduction project, as the newly created Decentralisation Unit in the MoLGRD is not well endowed with technical capacity in areas required by the decentralisation process.

5.8 Lessons on Component 1

5.8.1 Output 1

1. Partners should be able to communicate their positions on such matters as funding upfront to avoid derailing critical activities as happened with the last minute withdrawal of funding by UNDP for Cabinet Committee meetings.
2. Failure to realign the programme outputs after the cut back in funding soon after signing of the programme document created unfulfilled expectations and may also have contributed to the programme not being implemented according to schedule.
3. Implementing a programme of this magnitude without strong political commitment might not lead to the desired results.

5.8.2 Output 2

4. Where there has been collaboration between development partners in funding various aspects of the MDGP this has led to a greater impact than where one actor has worked alone.

5.8.3 Output 3

1. Shifting responsibility for programme management from one institution to another in the middle of implementing a programme can only work if properly managed. In the case of Malawi, this did not happen, leading to poor coordination and execution of programme activities after the dissolution of the DS.
2. For any programme of this nature, which is introducing changes in the way development is planned and implemented requires significant levels of technical support for it to work. The dissolution of the DS in the middle of the programme did not help in this regard.

5.8.4 Output 4

1. Pre-requisites for successful implementation of a programme should be in place. In the case of the MDGP, sector devolution as a prerequisite for deepening and consolidating decentralisation was delayed and when it did finally happen, it was not properly managed.

5.9 Recommendations on Component 1

1. Treasury is encouraged to urgently consider issuing an Establishment Warrant to facilitate integration and absorption of devolved functions.

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2. Unresolved issues at technical level should be regularly forwarded to the Cabinet Committee on Governance and Rural Transformation for direction.
3. Decentralisation as a mode of service delivery should be clearly linked to the wider public sector reform programme being managed in the Office of the President and Cabinet. Such a link could help lend sufficient authority to such aspects of the decentralisation process as devolution of sector functions.
4. Reporting arrangements between assemblies and MoLGRD should be reviewed and clarified so as to make them more responsive to emerging issues at assembly level.

5.10 Sustainability of Results

- Capacity building efforts for staff at assembly level should be accompanied by other equally important aspects such as the introduction of performance management systems to improve targeting of such interventions. Government should also consider introducing a unitary salary structure for assembly staff if staff motivation and productivity is to be raised and sustained.
- Sub-district structures such as the ADC that reinforce the role of Chiefs vis a vis that of Councillors should be re-examined to make them more consistent with democratic ideals.
- The roles of MPs should be re-examined to minimise potential areas of conflict with Councillors in local development.

5.11 Factors affecting successful implementation and results achieved

1. Technical capacity within the Decentralisation Unit of MoLGRD should be strengthened with specialised skills appropriate to decentralisation, local governance, and economic development.
2. Lac of a clear timetable for Local Government elections is a major factor reducing the credibility of the Government's stated commitment to decentralisation, especially amongst development partners, and has led to them withholding support for the programme.
3. Vacant positions within the Decentralisation Unit of the MoLGRD are an obstacle to it being able to fill its functions of coordinating and monitoring the implementation of the decentralisation programme.
4. Review and streamline the recruitment procedures for DA staff to cut the time it takes to recruit assembly staff.
5. The role of Service Commissions should be redefined in relation to recruitment of DA staff and in relation to the Local Government Service Commission.
6. The absence of Directors of Finance should be remedied as a matter of urgency. The idea by Government of hiring retired civil servants to fill this gap is welcome as long the staff hired are have appropriate qualifications, have a working knowledge of modern accounting packages, are able to train others and are conversant with commercial accounting practices in force in the assemblies. Alternatively, Government should consider approaching the UNDP to facilitate engagement of the UNVs for this purpose.

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Both approaches should naturally be coupled with recruitment of fresh graduates to understudy their mentors.

6. EVALUATION OF COMPONENT 2: FISCAL DECENTRALISATION

6.1 Introductory comments

Fiscal decentralization is an essential component of any decentralization. Therefore the immediate objective of this component of the programme was to strengthen mechanisms for financing local government to increase locally generated revenues for service delivery. Locally generated revenues are of critical importance for local Assembly autonomy, accountability, sustainability, and viability of the entire system of decentralisation. The ability to mobilise and manage resources is an important aspect of the capacity of any Assembly to effectively deliver decentralised services.

6.2 Achievement of Results

6.2.1 Outputs for Component 2

In this regard this component aimed at achieving three outputs as listed below:

1. Intergovernmental fiscal transfer system operational
2. DA's capacity to mobilise, generate & allocate revenues strengthened
3. DA's fiscal transparency & accountability enhanced

Output 1: Intergovernmental Fiscal Transfer systems operational

Key activities that were planned under this output include the following:

1. Get approval of the formula from parliament
2. Allocate funds to DAs according to approved Inter-Governmental Fiscal Transfer System (IGFTS) formula in the budgeting process
3. Develop and implement reporting formats on intergovernmental fiscal transfers
4. Review the IGFTS formula to incorporate sector transfers and revenue generation potential
5. Review IGFTS reporting formats

Indicators

Given the outlined activities and the need to assess achievement of results for this output the programme document included the following indicators:

1. Formula for allocation of resources approved by National Assembly
2. Number of DAs receiving resources according to approved IGFTS formulas including:
 - a. General grants
 - b. Development grants
3. Number of districts where resource allocation is compliant to IGFTS formula.
4. Number of sectors disbursing funds to DAs according to approved sector grants formula

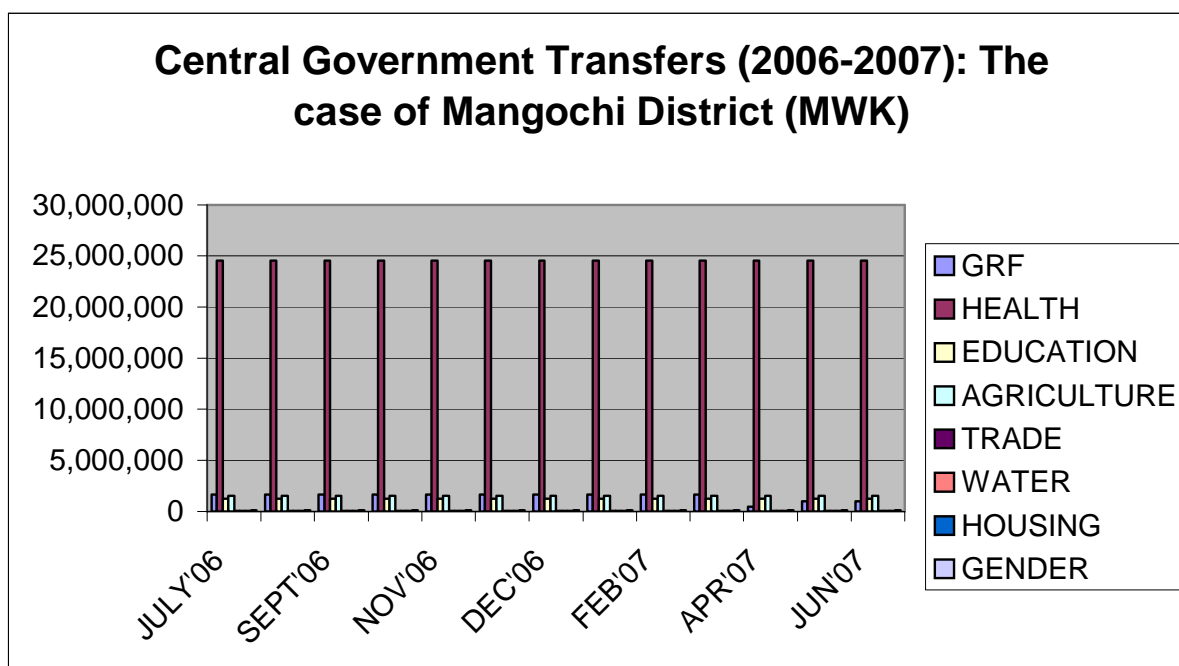
Progress

1. In 2002 Parliament approved an allocation formula for the General Resource Fund. The General resource Fund constitutes a central government unconditional transfer to the

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Assemblies. According to the decentralization policy (1998) this transfer is supposed to comprise 5% of the national revenues excluding grants to be used for the development of districts. According to the approved formula, 80 percent of the funds is allocated to the District Assemblies based on population while the remaining 20% is distributed based on above average poverty indicators where poverty head count weighs 40%, infant mortality weighs 25%, illiteracy rates weigh 20% and access to safe water weighs 15%. It was further decided that 25% of the GRF be earmarked for development purposes whereas the 75% is used unconditionally but mainly for meeting recurrent costs.

2. The approved formula is being used to transfer the GRF to all districts. Unlike the period of the Midterm Review, there has been some improvement in the consistency of flow of all central government transfers to all the districts. The absolute amounts are also according to planned budgets. However, of the seven sectors that are being said to be devolved the amounts are higher for health, education, and agriculture as compared to others like gender, water and rural housing. We use the example of one district to illustrate this point. **Figure 2: Trends in Central Government Transfers**



Source: Mangochi District Assembly local accounts.

A similar trend was evident in all the districts visited and was also supported by accounts of District sector staff who were generally pleased with this development.

3. Terms of reference for technical experts to review the IGFTS were developed.
4. To ensure adequate buy-in from the central government one officer from Ministry of Finance was trained in issues of fiscal decentralization
5. Parliament also approved an allocation formula for development grants and this is used to allocate funds provided under the DDF to all District Assemblies. 50% percent of the funds are allocated per capita while the remaining 50% is allocated based on agreed poverty

indicators in the districts.

Challenges

1. Although terms of reference to review the IGFTS to take into account sector transfers, revenue generation potential and intra-district allocation were developed, no review has actually taken place. This is mainly because the programme could not attract the required technical experts because of the restricted budgetary allocation for this exercise. This means that the old formula is being utilised. As a result:
 - a. The formula's applicability is restricted to the General Resource Fund (GRF) since sectors had not yet devolved at the time the formula was being approved.
 - b. Sector transfers are not strictly adhering to the formula and are mainly based on the government's budgeting system.
 - c. There is no built-in mechanism to ensure that the continued flow of central government transfers will not act as a deterrent to Assembly revenue generation efforts.
2. Although absolute flows of GRF are now higher than before, the amounts are far less than the policy requirement of 5% of net national revenues as is evident in table 1, which shows that these flows ranged from a quarter of a percent to just over half a percent over the years 2002/3-2006/7:

Table 4: GRF Trends

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
	MK'000	MK'000	MK'000	MK'000	MK'000
Net National Revenue	26,552,743,206	58,088,031,556	79,449,000,000	98,440,000,000	113,880,000,000
5% of Net National Revenue	1,327,637,160	2,904,401,578	3,972,450,000	4,992,000,000	5,694,000,000
Actual/Budgeted GRF	137,819,426	146,486,771	275,814,233	396,803,411	421,938,371
Actual as proportion of net revenue	0.52%	0.25%	0.35%	0.40%	0.37%

Source: National Local Government Finance Committee Records

1. We also noted that the requirement that 25% of the GRF be earmarked for development purposes was not being adhered to by many District Assemblies. With the exception of a few districts where the 25% of GRF was set aside for maintenance and provision of market facilities, in most districts the funds are mainly being used to cover recurrent costs since locally generated revenues are not substantial. Furthermore, other districts were utilising GRF for payment of direct staff salaries; costs that are supposed to be exclusively taken care of from the Assembly's own locally generated revenues.
2. Due to the geographical focusing that was adopted in the implementation of the MDGP,

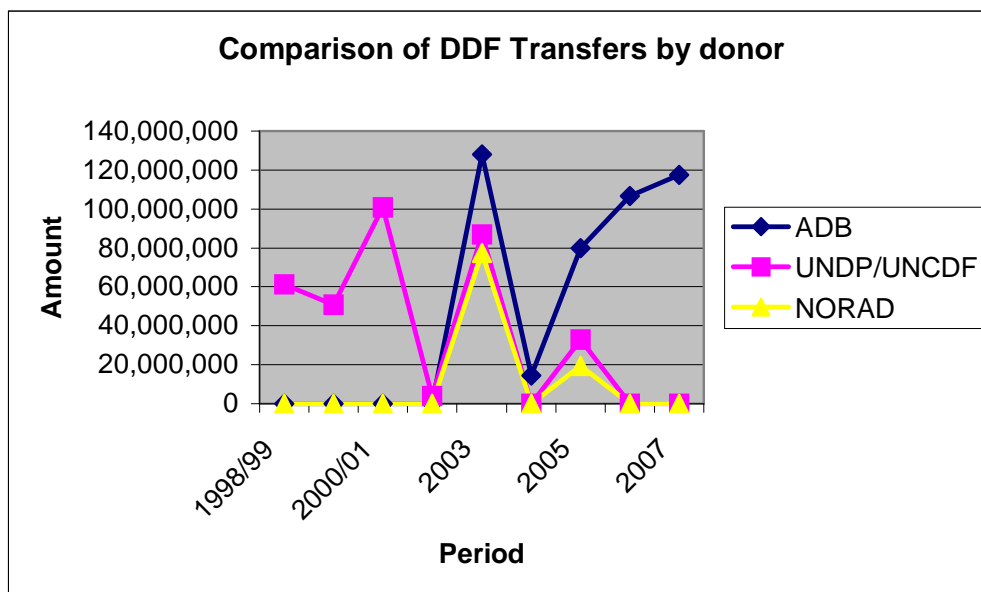
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the allocation of development grants to districts was largely determined by the level of funding provided by each donor as shown in figure 2. At the beginning of the implementation of MDGP, NORAD and ADB agreed to fund the programme activities, each focusing on a set of districts. A number of observations can be made here:

- a. There was some substantial and consistent flow of the UNCDF capital from 1997-2001 during the implementation of the Local Governance and Development Management Programme (LGDMP).
- b. During the implementation of the MDGP, however, the flow of the UNCDF capital grant was erratic and it also declined sharply after reaching a peak in 2003/4. From figure 3 we see that although the programme started in 2002, the discretionary capital grant was only available to the districts in 2003, with very little disbursed in 2005 and nothing in 2006 and 2007. A similar observation can also be made with respect to NORAD, which entered into a kind of basket funding with UNCDF when UNCDF's capital grant was significantly reduced from US\$6 million to US\$1,5 million⁵. This erratic flow of funds affected the planning and implementation of development projects in districts supported by both UNDP/UNDCF and NORAD.

⁵ DANIDA was also part of this basket arrangement, which meant that funding from the three bodies was used for both UNDCF/UNDP and NORAD districts.

Chart 3: Trends in DDF Transfers by donor



Source: Ministry of Local Government and Rural Development and African Development Bank, Poverty Reduction Project.

- c. Districts being supported by ADB received higher transfers than the rest during the programme period and also continued to benefit even after 2005;
- d. If all the development funding available from all the three donors could have been pulled together for the benefit of all the districts, this would have facilitated an even and consistent implementation of programme initiatives. However, the inadequate the flow of UNCDF and NORAD funding together with the geographical focusing adopted by the programme did not help to consolidate and deepen the gains made during the piloting and replication phase. Instead it resulted in fragmentation of effort and disparities in implementation of activities in favour of districts supported by ADB. For example, from 2006 to 2007, ADB was able to provide capacity building support to its districts in the form of IEC activities, training of Village Development Committees, production of Village Action Plans, Social Economic Profiles and District Development Plans, whereas funding from UNCDF and NORAD was not forthcoming
- e. There are also other donors and organisation such as NAC, UNICEF, JICA, DFID and GTZ who also channel resources for selected districts and thematic areas using different arrangements but it was not possible to capture their individual resource flows in this evaluation.

Output 2: DA's capacity to mobilise, generate & allocate revenues strengthened

The idea here was to boost the revenue generation and allocation capacity of the Assemblies so that there is a move away from an over-reliance on market fees as the key revenue source for the Assemblies. Unlike previous legislation, the 1998 Local Government Act and Decentralization policy provides for property rates and ceded revenues as important sources of revenues for District Assemblies.

Key activities

1. Submit Property Rates and Business Licensing study recommendations to government for approval
2. Implement approved recommendations on Property Rates and Business Licensing study to District Assemblies for implementation
3. Develop business licensing strategies
4. Review administration of user charges
5. Develop systems for ceded revenue collection and distribution
6. Develop reporting mechanisms on sources of funding of projects and services.
7. Collect data on revenue sources in assemblies

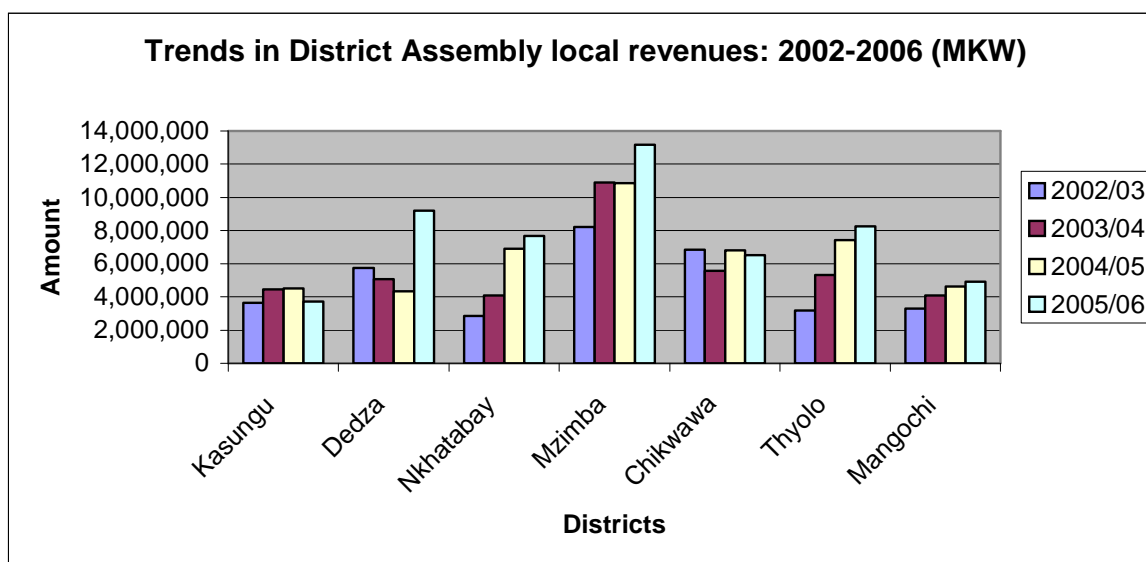
Indicators

1. Number of District Assemblies implementing revenue collection and enforcement mechanisms
2. Number of District Assemblies using own revenue to fund development projects and other services
3. Number of District Assemblies having data on potential revenue sources.

Progress

1. A strategy for transferring ceded revenue and administration user fees was developed and is being considered by Treasury.
2. Data collection and production of property and business registers was done for all districts.
3. For some districts, such as Nkhatabay, property rating areas were identified.
4. From our analysis of the revenue trends of the seven districts sampled for evaluation, District Assembly revenues as measured in monetary terms are increasing over time, but there is variation from district to district, and from year to year, as depicted in chart 4.

Chart 4: Trends in District Assembly local revenues



Source: National Local Government Finance Committee

A number of factors explain the observed trends

1. For districts where the revenues are not increasing substantially, we noted that there is insufficient diagnosis of the root problems by the district authorities, leading to ineffective strategies of dealing with the problems: more emphasis on training of revenue collectors or more commercial activities for the Assembly. There is also a considerable unwillingness on the part of the community to pay fees and charges due or perceived poor service provision.
2. Where districts are experiencing substantial improvement this seems to be attributable to dynamic Assembly management, notably in terms of close monitoring revenue trends and taking corrective actions as soon as problems are perceived. Apart from other strategies such as training of revenue collectors, staff rotation, these dynamic Assemblies engage in constant dialogue with their communities and invest in their communities with services that provide a conducive environment for businesses to operate e.g. water services, toilets, market shades etc. These initiatives appear to induce a sense of satisfaction among community members with Assembly services and this leads to greater willingness to pay.

Challenges

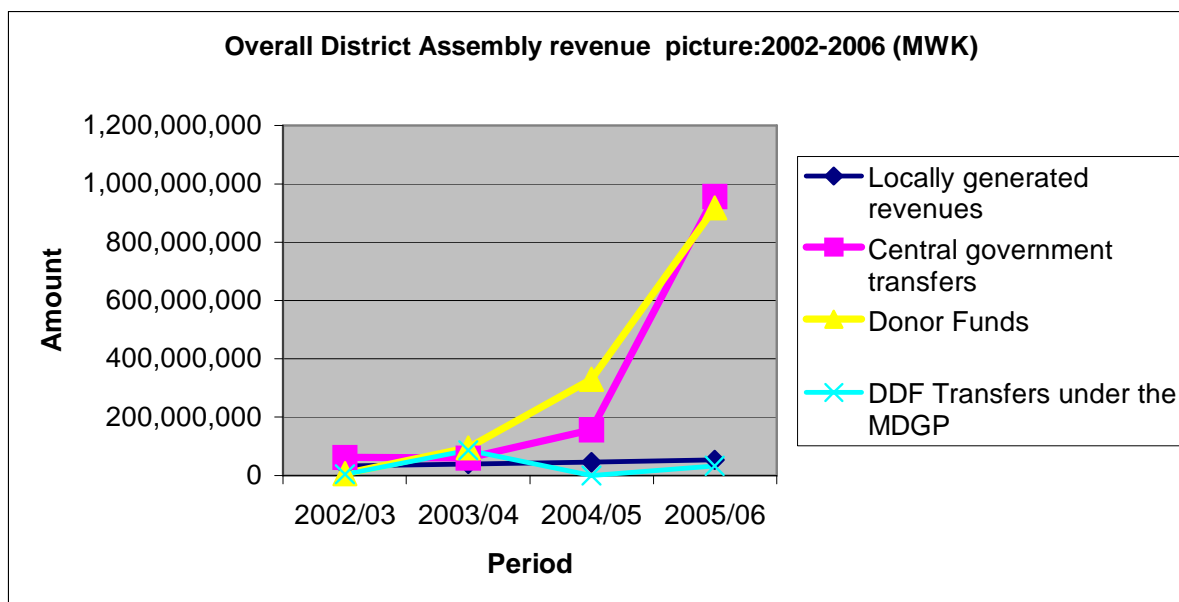
1. While strategies were devised for the utilisation of property rates and ceded revenues, these initiatives have not been fully rolled out because Government has not yet declared districts as rating areas and has not yet taken a decision on the report on ceded revenues. From the discussions with key stakeholder, it appears that there is some reluctance on the part of government to transfer ceded revenues to the Assemblies given the increased level of sector transfers government is making to the local Assemblies. Consequently, the District Assemblies are not utilising property rates and ceded revenues as a source of funding, even though they are legally provided for in the Act of Local Government.
2. With respect to business licensing fees, we noted that although significant efforts were made by the National Local Government Finance Committee to assist the Districts to produce business registers, the Assemblies did not take initiatives to update the registers

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either due to laxity or the transfer of staff who participated in the earlier development of the registers. As such the registers do not serve as effective monitoring tools for the administration of business licenses.

3. In addition, bylaws governing the license fees are outdated and the rates are on the lower side. For example, Kasungu was using 1997 bylaws while the other districts were using the bylaws that were approved between 2002-03.
4. The absence of councillors has been a major setback in the revision and approval of new bylaws to revise the business license and other rates.
5. As a result, the yield from business licensing has been very low in all the Assemblies. With the exception of a few districts, market fees still remain the main source of locally generated revenues. A weakness with this source is that there is great seasonal and annual variation in this revenue source.
6. Currently, local revenues are mainly spent on operations and maintenance, and only rarely apportioned to investment in new infrastructure and services. Of the seven districts visited only one reported that it had occasionally used some of the locally generated revenues for development purposes, for example, rehabilitating market sheds, providing toilets and other market facilities. The development budget is therefore largely donor supplied.
7. Using statistics for the 12 districts under the MDGP, chart 5, below, shows that, overall, the DDF transfers constitute a very small proportion of all donor development funding that is being channelled to the UNCDF/UNDP districts. In the same vein the share of locally generated revenues within the total basket of Assembly revenues is very minimal. The diagram also illustrates the rapidly growing relative share of central government and donor shares in revenues that reach the districts. Most of these revenues supported de-concentrated sector development driven by the sector Ministries, rather than decentralised development accountable to the Assemblies. This trend significantly reduces the autonomy and downward accountability of the Assemblies. According to principles of fiscal decentralization, such a trend may be expected during first few years of implementation. Over time, however, the trend is expected to reverse with local revenues growing in both absolute and relative terms. The big challenge that Malawi faces is how to boost the current growth of local revenues to reverse this trend.

Chart 5: Overall District Assembly Revenue picture



Sources: National Local Government Finance Committee and Ministry of Local Government and Rural Development

Output 3: Enhanced financial transparency and accountability in DAs

Activities

1. Develop training manuals for the computerized integrated financial management information system
2. Install the computerized Integrated Financial Management Information System
3. Develop Financial Instructions and Budget Manuals
4. Recruit and train accounting personnel
5. Train finance and management & procurement committees in financial management and procurement procedures respectively
6. DAs publish revenues received, generated, mobilized and allocated
7. Develop Internal Audit Guidelines for DAs
8. Audit DA accounts in accordance with LGA
9. Implement DAs operational guidelines
10. Review DA operational guidelines in view of sector devolution
11. Follow up audit queries.

Indicators

1. District Assemblies (DAs) producing timely, and accurate monthly and quarterly reports
2. DAs with public notices on revenues received, generated, mobilized and allocated
3. DAs with no irregularities and queries on audited accounts
4. DAs with timely audited final accounts submitted to LGFC

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5. DAs holding bi-annual briefing and consultative meetings with communities
6. DAs with no proven fraud and corruption cases.

Progress

1. Some progress has been made in implementing an Integrated Financial Management Information (IFMIS) system:
 - a. IFMIS was implemented in 7 districts
 - b. Seven core national IFMIS team were trained in Sage Line 100 in Kenya
 - c. Five officers from Assemblies were being trained at Malawi College of Accountancy
2. Progress has been made in producing overdue Assembly final accounts:
 - a. Twenty two Assemblies have been assisted to produce overdue final accounts from 2001/02 to date
 - b. Out of these 10 have been audited
3. The National Local Government Finance Committee has produced an internal auditor's manual.

Challenges

1. IFMIS has not been consistently implemented in all 12 districts:
 - a. Only a few accounting operations are automated
 - b. Implementation has been put on hold due to central government directive to transfer to another system that is intended to integrate central and local government financial information systems.
2. The training that was provided under this component has mainly for national level officers and very little of this training has trickled down to the district level.
3. Assemblies are producing financial reports mainly the for NLGFC, Accountant General and Donors.
4. In none of the districts visited was information on revenues received, generated, mobilized and allocated published on notice boards for the benefit of the general public. There is thus a dire lack of accountability to the general public. A clear indication of this problem was that communities visited had very little information about financial details of projects being implemented in their communities, a pre-requisite for being able to demand accountability from leaders.
5. From the DDF Audit reports for the year ended 2005 the message that emerges is the internal audit system is weak and does not provide management with information for monitoring and taking corrective actions:
 - a. All Assemblies visited except one had no internal auditors
 - b. There is serious flouting of accounting procedures
 - c. Accounting books that are not properly maintained

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6. In all Assemblies external audits had not been done for some time, from as far back as 2001/02.
7. Absence of councillors has left the Assemblies with no mechanism for consistent public oversight of the financial activities of the Assemblies except for that provided by the central government. In an environment where both internal and external oversight mechanisms are weak, Assemblies become prone to fraud.

6.3 Likely attainment of the Immediate Objective for Component 2

The immediate objective of this component of the programme was to strengthen mechanisms for financing local government to increase locally generated revenues for service delivery. A lot has actually been done in terms of producing strategies, studies, plans and manuals in relation to the allocation formula for central government and donor transfers, mobilising local revenues and enhancing the District Assembly's transparency and accountability. Not much has been done to enable Assemblies to increase locally generated revenues, which are critical for Assemblies' autonomy and accountability. Although absolute amounts are increasing in monetary terms, they fall far below central government and donor revenues and are mainly used for operation expenses of the Assemblies. Analysis from the districts visited has shown that local revenues are rarely applied towards development purposes. Currently incentives for increased local revenue mobilization do not exist and there are still great challenges in financial management practices, staff capacity and revenue mobilisation practices. Unless these challenges are addressed, increased resource flows from government and other donors are not likely to induce an increase in locally generated revenues for service delivery.

6.4 Sustainability of Results

Currently the fiscal decentralization interventions have mainly relied on injections of external funding. As such they are not sustainable, or more exactly, their sustainability depends on external resources and the will to devolve them, which means that democratic decentralisation is not achieved. In the absence of any external impetus, the local initiatives seem to die down and most of the Assemblies do not appear to develop organic local revenue generating initiatives or display an enthusiasm to maintain and sustain programme interventions such as the updating of business registers, which would provide the means to do so.

There is also a growing fear and mistrust by both sector ministries and other donors of the capacity of the Assembly Finance Directorate to handle substantial sums of money

Socially there is very little stakeholder, particularly community, buy-in for the Assemblies' financial initiatives because the communities do not have access to information on the Assemblies' financial status and are also unhappy with service delivery provided by the assemblies.

6.5 Factors affecting successful implementation and results achievement

6.5.1 External factors

Government's delay and unclear position with regard to the implementation of recommendations on property rates and ceded revenues has substantially affected the ability of District Assemblies to mobilise more revenues. In the same way government's directive to switch to different software under the IFMIS has affected the implementation of programme activities relating to IFMIS. Further the absence of councillors has been a major setback to the achievement of the objectives of component 2.

6.5.2 Programme-related factors

UNCDF cut back in funding from USD 6,000,000 to USD 1,500,000 has significantly reduced the flow of capital grants for development purposes to the 12 districts under the MDGP. Poor staffing capacity of the Finance Directorates of the Assemblies has constrained the ability of the Assemblies to effectively implement many of the programme initiatives. In addition, frequent transfer of finance personnel in the absence of any effective record keeping, lesson sharing and handover mechanisms has led to loss of institutional memory on some initiatives piloted in some districts.

6.6 Lessons

1. Unless an Intergovernmental Fiscal Transfer Formula seriously takes into account revenue generation potential, management and allocation of Assemblies, increased resources flows from government and other development partners are not likely to promote increased generation of local revenues by Assemblies, and may even undermine these efforts as they reduce the incentive for the Assemblies to increase local revenue sources.
2. Any strategies aimed at improving locally generated revenues that are not attached to some staff /Assembly performance criteria will yield little result since there is no motivation or incentive for good performance
3. Continued dialogue with communities, accountability, transparency and investing in creating a conducive environment for the businesses that generate local revenues are key features of successful revenue mobilisation.

6.7 Recommendations

There is need to ensure that the revision of the IGFTS incorporates revenue generation potential of the Assemblies.

Similarly, the performance window of the LDF should also include local revenue generation, management and allocation of local revenues as an integral part of the proposed incentive based allocation system potential. Otherwise, as it is now, there is no incentive for Assemblies to boost their own revenues if government transfers are flowing consistently. The opposite appears to be happening.

Government needs to speedily resolve the issues of property rates and ceded revenues.

For continued growth of the Assemblies and also increased revenue generation potential there is a need to create an environment that will promote trust. The private sector, donors, and central government Ministries will only make the effort to work with and support Assembly programmes once they have trust in the capacity of the Assemblies to manage resources and deliver services.

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The previous programme's efforts focused on developing systems of generating reports and did not give sufficient attention to the reliability and trustworthiness of the reports being generated. A critical aspect of transparency and accountability that was underplayed in the previous programme is the auditing aspect, both internal and external. There is a need to give serious attention to both internal and external auditing, including the role of the Finance Committee of the Assembly in providing effective oversight functions.

To promote institutionalisation of finance skills, there is a need to have one finance directorate for the entire Assembly (rather than the current multiple audits in different spheres of its operation), strengthen hands-on skills of all accounting staff and finance functions of Assembly management.

Strengthen financial management by putting in place more effective systems: accounting, reporting and visibility.

7. EVALUATION OF COMPONENT 3: PLANNING, INFRASTRUCTURE AND SERVICE DELIVERY

7.1 Objectives and Outputs

7.1.1 Immediate objective

The immediate objective of this component is to strengthen the capacity of central & local government & communities in planning & management development & services. The component had the following three outputs:

1. Revised DDP&FM system developed
2. DDP FM implemented in focus districts
3. DA's capacity for service delivery enhanced

Output 1: Revised DDP&FM system developed

Activities

Key activities that were planned under this output include the following:

1. Develop linkage between development planning and budgeting
2. Review the post-project completion maintenance strategy
3. Revise planning system (to include Village Action Plans (VAPs), Gender and sector plans)
4. Revise DDPs handbook
5. Revise Institutional planning structure below District Assembly
6. Integrate sector plans into DDP

Indicators

The programme document included the following indicators for this output:

1. Number of DAs with District Plans linked to budgeting framework
2. Number of DAs budgeting according to the Medium Term Expenditure Framework (MTEF)
3. Number of DAs where VAP system is integrated into the DDP system
4. Number of DAs whose sector plans are integrated into the DDP

Progress and challenges

District Development Plans and Links to Budgeting Framework and MTEF

1. The systems and hand books have been revised and training has taken place for some of the staff in the districts. While there has been an improvement in the quality of the current round of DDPs, they are still not yet linked to the budgeting process. The main reason is that unlike the recurrent budget usually is which provided with ceilings, the DDPs are basically developed without any indicative planning figures from either the government or the donors. As such they merely serve as a wish list of desired projects which any interested party may wish to support.

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2. All districts have an Annual Investment Plan (AIP) in place but the quality and effectiveness of these plans varies from one district to the next. They are generally developed at the DEC level and are often based on limited budgetary information. Ideally, these AIPs are supposed to be revised annually with input from the communities, but the officers interviewed in the districts visited indicated that this has not normally been done, which means that the concept of the DDP as a 3 year rolling plan has not been fully applied in practice.
3. At present all budgetary allocation occurs at the district level. Only once have the VAPs been completed, and they are not used estimate budgets linked to the DDPs.

VAP Integration into the DDP

1. All the districts visited indicated that updated District Development Plans (DDPs) have been developed through the approved participatory planning process, though evidence collected from our village visits threw doubt on the breadth of this process, particularly in terms of the inclusion of women. The status of all the plans is, however, that they are in draft form. This is due to the fact that they cannot be adopted by council, a result of the suspension of the assembly elections in 2005. In some districts the DDPs have been sent to the District Development Committee (DDC) for approval, but this is not a statutory body.
2. Not all the districts were able to provide a copy of the latest document. Of those documents that the team did receive, there was considerable variation in quality, some being useful planning tools, but most without strong links to the available budget. Those that did constitute useful planning tools were impressive when it is considered that they had been developed internally by the district staff with limited resources.
3. In all the districts it was noted that the DDPs are being used as a decision making tool by the DA staff interviewed, and there is considerable commitment to the document.
4. The community structures set up to produce the VAPs, which feed into the DDPs, are, by and large, in place and although we had reports of them being ad hoc and temporary, our findings in terms of establishment are positive. It is noticeable that there is a high degree of “buy-in” to both the DDC and the concept of local planning. A number of outside bodies are reported to be using the structures that have been set up, which is positive, as it consolidates the capacity of these structures, rather than creating parallel or duplicate bodies.
5. All the DDPs that were inspected have projects from the various relevant sectors and there is an attempt to make them inclusive and integrated, though the exclusion of womens’ voices in the process calls into question the depth of their participation. However, some of the interviewees indicated that the process that was used was often not participatory and that the final DDP was often based a desk study, and that the AIP always was.
6. There are a number of other factors that limit the influence of the VAPs on the DDPs. These are:
 - a. *VDC not fully operational:* Although in place, or set up at some stage, indications are that only 60 to 70% of VDCs are operational. It is reported that they can be re-constituted when there is a need, particularly in cases where there is a project being implemented in the community. This makes VDCs more project-oriented than

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forums that provide a continuous opportunity for communities to discuss and articulate their interests.

- b. *Lack of Funding:* A lack of funding for the execution of identified projects is undermining the process. A high level of expectation is created through the planning process, and when there are no results for years after the process, the structures and the process lose credibility.
- c. *Roles and Responsibilities:* There were surprisingly few reports of conflict between the democratically elected and traditional leaders. Some conflict was reported between MPs and councillors, both of whom who are competing for community favour. There was little reported in the way of conflict between traditional leaders and councillors, which appears to be due to the strong position of the traditional leaders in Malawi. In time, as the traditional leaders cede to more democratic processes, more conflict may be expected. For this reason, it is important to define the role of these different actors more clearly and to ensure that they understand them.
- d. *By-Passing Structures:* The official structures are being used by the majority of NGOs and donors but there were some reports of NGOs by-passing the existing structures and creating their own. This can create confusion and conflict, particularly at community level.
- e. *Lack of Councillors:* The fact that there have been no councillors in the DAs for some time is clearly starting to have a negative impact on the planning process and on development and service provision. Councillors live in the communities, know the environment and needs of their constituencies, and play a role that neither the MPs nor traditional leaders can play. The vacuum that has been created is strengthening the roles of chiefs in the local development process, a situation that has the potential of creating role confusion at a later stage.
- f. *Traditional Leadership:* The objective of the decentralisation process is to empower the people at village level to take control of their destinies and start making decisions regarding their needs. The process has advanced in this direction but men, notably the traditional leaders, still control most decision making processes. The local traditional leader chairs the committees in most cases, although the team found some cases where democratically elected persons were chairing them. This was evident in districts where a number of NGOs operate and assist the Assembly in setting up and training of such committees. The participation of the traditional leaders in the process is critical in that they are able to mobilise communities, but this can also runs against the spread of democratic practice.

Integration of Sectors into the DDP

1. With the devolution of a number of the sectors to the districts one of the objectives was to improve planning and coordination of all services being provided in the districts. In practice, progress with devolution has been slow and in some cases has not happened at all.
2. In all districts there has been an attempt to coordinate the sectors into the DDP, but with mixed success depending on the individuals involved. Particularly important in this is the calibre and innovativeness of the District Commissioner in the district.

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3. The sector heads interviewed were, without exception, very positive about the advantages of devolution in terms of improved service delivery. These include a better understanding of the communities being planned for, more efficient use of resources and better coordination due to the working relationships built up with DA staff and other sectors.
4. There are still a number of challenges that are faced in integrating sectors into the DAs and the sector plans into the DDPs:
 - a. There are no permanent structures other than the DEC for formally coordinating the activities and planning of the sectors.
 - b. Various ministries such as education, health and environment still maintain their own parallel district implementation plans. How this is integrated into the overall District Development Plan is not very clear.
 - c. Sectors have not yet been fully devolved and, where this has happened, resources and staff are limited, making it difficult to undertake the tasks required.
 - d. The lack of human resources and transport minimises contact with VDCs, which means that proper “bottom up” planning is not taking place.
 - e. One sector head noted a lack of support from both his ministry and the DA as both referred him to the other.
 - f. All districts referred to the problem of dual reporting (to the ministry and the DA) and the fact that individuals are appointed on different conditions of service. . Sometimes this results in conflicting plans and activities organised by various parties. The question of dual accountability requires urgent attention.

Output 2. DDP & FM implemented in focus districtsActivities

Key activities that were planned under this output include the following:

1. Prepare DDP&FMS training manual
2. Train all DLG planning staff in DDP&FMS
3. Train DEC's in DDP&FMS
4. Train Development Committees in DAs in DDP&FMS
5. Establish and update data banks in DAs disaggregated by gender
6. Prepare and update SEPs
7. Train DA staff in gender
8. Train MAs in gender
9. Prepare VAPs that include gender
10. Link DA annual investments to budgets
11. Prepare DDPs that integrate VAPs, gender, district environmental action plans, other sector plans and are linked to budgeting system.

Indicators

The programme document included the following indicators for this output:

1. Number of DA staff and members of assembly trained in DDP&FMS
2. Number of DAs with data banks established and maintained
3. Number of DAs producing Socio-Economic Profiles (SEPs) as a basis for the preparation of the DDP and as a base line for evaluating impacts.
4. Number of VAPs that include Gender prepared in participatory manner
5. Number of DAs with DDPs linked to budgeting system
6. Number of DAs with integrated DDPs

Progress and challenges

Training of DA staff

1. The DDP&FMS was tested out in a number of pilot districts, but the team could not ascertain whether the planned revisions of the manual have been completed or whether any training on the revised manual have taken place.
2. A considerable amount of training of DA staff has taken place in the past and to good effect. However, there has been a high turnover of staff, which has meant that the skills base has been lost. This is of considerable concern as the resources and funding for ongoing training are not available and training has not taken place for some time.
3. This has meant that there is uneven understanding of the processes across the district, a general decline in the ability of the bulk of the staff of the DA, little or no training of community structures and an increase of pressure on those responsible for the DDPs and AIPs. There were reports of other donors and NGOs providing training to the VDCs and other committees for their purposes, and through the process, revitalising the committees. This undermines the DA.

Data Banks and SEPs as a basis for the preparation of the DDP

1. The data banks have been established in all the districts visited but very few were inspected, and most of those inspected were not fully populated or updated. It was, however, found that SEPs in some form are available in all the district visited and are being used for the planning process. These documents are the responsibility of the Directorate of Planning.
2. The quality of the SEPs and their strategic value varies considerably from one district to the next.

Participatory VAPs including Gender

1. Prior to 2004, no VAPs were produced in the districts because the Decentralization Secretariat was still revising the VAP manual. As such the previous DDPs were produced mainly on the basis of SEPs
2. By the current round, all the districts visited had produced VAPs which together with the SEPs have provided useful data for the DDPs

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3. However, not all projects suggested by the communities in the VAPs are included in the DDP because other information from the various sectors and the SEP is also taken into account. Ideally the Assembly is supposed to provide feedback to communities on this, but our visits showed that such feedback rarely takes place. Consequently communities have huge expectations on the basis of the VAP that they developed.
4. However, the extent to which the VAP process is participatory in practice is by no means clear. Most ordinary community members interviewed did not seem to have any knowledge of the VAP process and were even unaware of the participatory planning itself. This was in contrast with village implementation committee members and other leaders such as members of Village Development Committees. It appears that most of these processes are actually done by these committees without full involvement of community members
5. From the planning documents provided there was no evidence of projects or budgeting to cater specifically for the needs of women or gender related issues.
6. Women are, by and large, not exercising voice or being included in decision taking processes at the local level. They are, however, contributing substantial unpaid labour to project implementation and management, as reported more fully in the section below on cross-cutting issues.

DDPs and Links to Budget

Refer to discussion under Output 1 which has the same indicator.

Output 3: DA's capacity for service delivery enhancedActivities

Key activities that were planned under this output include the following:

1. Make DDF funds available to DAs and review system
2. Review minimum conditions and performance measures
3. Revise DDF funding mechanism in light of the IGFTS
4. Revise DDF manual and allocate funds to districts based on the revised DDF system
5. Develop a gender based resources and services allocation formula for DAs
6. Implement a gender based resources allocation and services provision formula in DAs
7. Review M&E system for DDP implementation
8. Conduct impact evaluation studies
9. Undertake quarterly field visits to DAs
10. Develop criteria for determining successful districts
11. Assess performance of districts based on criteria

Indicators

1. Number of DAs receiving at least 75% funding for implementation of DDP
2. Number of districts in compliance with minimum conditions and performance measures
3. Number of DAs allocating development resources and providing services based on gender

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4. Number of DAs with well maintained projects after completion
5. Number of DAs producing timely and accurate DDF project reports
6. Number of DAs conducting quarterly monitoring of DDF projects
7. Number of DAs successfully implementing DDP

Progress and challenges***Funding***

1. Funding flows have been dealt with in more detail under output 2. Although the consistency of the flow of funding to the districts has improved considerably, the quantum is still very low, particularly in relation to the needs identified through the development planning processes.
2. Due to the amount of funding available through the DDF the capacity building of the service delivery vehicle through substantial delivery of services has not been as successful as planned. The lack of funding also hampered the planning process as communities tend to lose interest if there is little or no result from the VAP process. This has a negative affect on the relationship between the DA and the communities.
3. A total of US\$ 552359 (or about 37% of the UNCDF funding of \$1.5m) is reported to have been channelled through the DDF from UNCDF funding as given in the following table. (Source: list of DDF projects provided by MoLGRD)

4.

Year	Budget (MWK)	Budget (US\$)
2003	44404323	317174
2004	32925876	235185
Total	77330199	552359

Allocation of development resources and providing services based on gender

1. There was no evidence that DAs were allocating development resources and providing services based on gender. Gender is discussed in more detail elsewhere in this report.

Project Quality and Maintenance

1. During the mission, 11 projects were visited and for each a detailed report was produced (Annex 4.) We discuss the quality of the product produced, operation and maintenance and the costs effectiveness of the construction methods used. The following table gives a list of the projects visited, together with the budget (excluding community contribution) and timing of the project.

Ref	Date visited	Project	District	DDF Cost (\$)	Compl Date
N1	2007/06/13	Yeleyele School	Mzinga	\$5449	?2005

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Ref	Date visited	Project	District	DDF Cost (\$)	Compl Date
N2	2007/06/15	Mundola School	Nkhatabay	\$5357	Nov-01
N3	2007/06/15	Mpamba Borehole	Nkhatabay	\$2143	Nov-01
S1	2007/06/18	Mauni Teachers House	Mangochi	?	Mar-04
S2	2007/06/18	Ntonda School	Mangochi	\$5357	Jan-03
S3	2007/06/19	Katuli Market	Mangochi	\$3571	Jun-05
S4	2007/06/20	Mwalo School	Thyolo	\$5425	Jan-05
S5	2007/06/21	Saopa Bridge	Chikwawa	\$28 571	?
S6	2007/06/21	Ngabu Guardian Shed	Chikwawa	?	Jun-05
C1	2007/06/26	Chambwe Police Unit	Kasungu	\$24 320	2005
C2	2007/06/26	Wimbe Health centre	Kasungu	\$11 667	2005

Exchange rate used – MK140 = \$US 1

2. Design and Materials: The design of all projects visited was fairly simple and specifications used basic. The specifications were appropriate to the need and environment and communities expressed their satisfaction with the product, except in the case of the Katuli market, where the design and position of the structure did not seem to be appropriate, and there were complaints from the local actors in Katuli about the funding process.
3. There are a number of different designs and specifications being used for similar projects, depending on the donor. At one school three different kinds of classroom block were observed. The Ministry of Education is aware of the issue, sees it as a problem, and is planning to introduce standardisation in terms of specifications and also the minimum requirement for facilities.
4. Quality: In terms of the basic specifications used, the quality is found to be generally good and appropriate to the need of the community. Walls were generally well built and were straight and true to the eye. Foundations were performing well except in a few instances, where cracks in the walls were noted. Only in one instance was the crack severe and likely to deteriorate further. Surface beds were also adequate in most instances although there were a number of buildings where the surface bed was breaking up and one where there were some quite severe cracking. Doors were generally not fitted well and were displaying problems. There is a possibility of some deterioration where the handmade bricks have been used without plaster, and where timber has been used without treatment.
5. Community Contribution: In all the projects the community made a major contribution in the form of bricks, sand, stone and water, sometimes carrying materials from distant locations to the site. Where wages were paid, for example in construction, the wages were below market levels.⁶ Detailed calculations were done on a typical school block of 2 classrooms using the average of quotations obtained by two districts (a number of quotations in each). The value of the contribution made by the community on that building was estimated at 22

⁶ This information is based on interviews with the workers involved.

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to 25%. The cost of transport is high for the rural areas and this value would vary depending on the position of the project and a number of other factors such as labour content and type of project. This is a satisfactory contribution and within the requirements of the programme.

6. **Method of Construction:** A contractor, usually from the community, was identified by the community and contracted by the DA to construct the work. The contractor was responsible for the employment of labour, both skilled and unskilled, from the community. Although we were informed that quotations were called for, it appears that in most instances the contractor was paid a fixed amount for the project, determined by the DA. The amounts that were quoted (between MK50 000 and MK60 000 for a school block) represent approximately 4% of the project cost, which is very low, indicating the extent to which the community is contributing in terms of labour cost (not taken into account in the above).
7. **Operation and Maintenance:** Once a project is complete it is handed over to the community and they are responsible for operation and maintenance. The district does not budget for operation and maintenance and only in the case of major damage do they get involved. In the case of water projects, a small tool kit and fast wearing spare parts is given to the project committee, together with some training. There is little evidence that maintenance is being done and this was confirmed by the sector heads. The problem is most severe with water projects where it was noted that in excess of 55% of water facilities are not operational due to the problem of maintenance. There was also no sign of maintenance of the buildings despite the need on some.
8. **Costs:** In order to probe this issue, a detailed analysis of the costs of a standard school block consisting of two classrooms was undertaken as noted above, using average rates from actual quotations. The cost was found to be in the region of MK1.5m (\$10 700) including the community contribution, contractor costs and an allowance for overhead costs, which translated to MK 1 700/m² (\$84/m²). This was compared to the costs of other school blocks funded through the DDF and was found to be similar, although there are some differences from project to project. The cost was also compared to the National average for a similar project in MASAF (MK1.6m) and was slightly lower. It may be concluded that the product is very cost effective.

DDF project reports and monitoring of DDF projects

1. There is reporting taking place in the districts but our findings were that there is inadequate reporting and that there is a mismatch between reporting at district and central government level as reporting does not seem to be aligned.
2. We were referred by the Public Works Departments to the Planning Departments or the Finance departments for reports and these were generally simply project lists with, at best, the project costs shown and a perfunctory progress report given. There was no evidence that real monitoring in terms of costs, time and quality was taking place. There is a need for a standardised reporting system, linked to a central government M&E system with that monitors all aspects of the management of projects, including budgeting, construction, operations and maintenance.
3. The team found that the Planning and Finance departments have had training and are expected to produce certain reports, but that the Public Works Departments did not seem to be required to perform this function to the same level. As the Public Works Departments are the ones that actually implement and maintain projects, they are the only ones in a position to report authoritatively on quality and issues of operation and maintenance.

Implementation of the DDP

1. The DAs have a core staff of able people and there has been an improvement in skills levels of the staff employed in these organisations.

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2. **Staff:** The key positions of Directors of Planning and Public Works are filled in most of the districts visited but a number of positions in all districts are not filled, including some Sector Heads. The high turnover of staff results in the loss of important skills. The number of staff, particularly those responsible for work in the district at community level, is generally low. A number of districts only had one building inspector, making it very difficult to get to all the projects or to assist with training.
3. **Devolution of Sector Functions:** Despite the problems of devolution discussed earlier, the sector heads that are in place are making an important contribution to service delivery in that they are closer to the planning and implementation process. The process of sector devolution does appear to have stalled and there has been little recent progress. The sector heads also complain of inadequate funding for the tasks that need to be done and also about the fact that they had to report to their ministries and the DC, both of which hamper service delivery. The Ministry of Education noted the need to further devolve functions together with funding to make the process more effective. They have set up a task team to investigate the issue.
4. **Equipment:** There is a shortage of equipment to undertake the daily tasks of the DA. The roads supervisor in Mzimba, for example, does not have picks and shovels for roads maintenance, and, astonishingly, workers use their own hoes for this work. This situation was confirmed in other districts as well. There were also complaints about the lack of office equipment and office space, problems that are likely to worsen once full devolution of the sectors takes place. The shortage of transport was an issue that was brought up in every district visited. There is a severe lack of vehicles for daily operations and vehicles have to be shared, limiting service delivery.

7.2 Sustainability of results

1. The whole participatory planning process, as it is currently being understood and operationalised is very expensive and unsustainable in the long run, without a continuous external injection of funds. The training of committee structures has stopped for a number of reasons, including a lack of funding. This affects their functionality. There is a need for ongoing support and training for the various structures if they are to be successful.
2. The DDF as a funding mechanism will only work if the critical mass of resources and funding made available to the districts is large enough to sustain a team with adequate resources to undertake devolved functions in a meaningful manner.

7.3 Factors affecting successful implementation & results achievement**7.3.1 External**

1. Government's delay in full devolution of the sectors, particularly those that are partially devolved, as well as delay in the elections for councillors are having a negative effect on service delivery.

7.3.2 Programme Related

1. The fact that the programme design was not changed when the funding from UNCDF was reduced has had an impact on service delivery and the attainment of the overall objectives of the programme.
2. The lack clear reporting structure, training and support in terms of monitoring and evaluation has meant that limited data is available and remedial measures have not been put in place.

7.4 Lessons

7.4.1 Programme-level lessons

1. Local development should be driven locally with external support from national government and donors re-enforcing local initiatives rather than vice versa. The programme design should have been structured to ensure that resources get down to the communities, rather than the loose arrangement where central government retains complete control.
2. Capacity building should promote a local development dynamic by focussing directly on the challenges in the work context and supporting improved service delivery. If community empowerment and improved service delivery were the objectives of the programme, more effort should have been put into these dimensions. As it is, those responsible for physical delivery seem to have received the least attention.
3. Bottom-up community planning should be complemented with strategic district planning and linked to the actual resources available to make both realistic. Real empowerment of communities would help them to understand the strategic and funding constraints and help them to make decisions within these constraints.
4. Monitoring and Evaluation of a programme cannot be effectively undertaken by the recipient alone. They should be involved but there is a need for a system that has an understanding of where and how the money is spent and can report on it and make decisions. Implementation systems need to be well designed and be well coordinated at a management level.
5. It is important for donors not only to put their funding into the DDF, but also to work together on M&E, reporting and accountability to maximise the impact of programmes such as this one.
6. Programme design should be appropriate to funding available so that it can make a real impact. In this instance, the programme should have been redesigned once funding was cut so drastically.
7. Technical support is needed all levels and there needs to be a balance between intervention and hands off approaches depending on the needs of the situation and people in place.

7.5 Recommendations

1. The DAs need improved systems for office and project administration, clearer guidelines, policies and procedures and more implementation support. This would include assistance to consolidate the various plans and specifications and to place the control of this in the hands of the DA and devolved sector ministries to allow them to lead the process rather than the current fragmented system in which each NGO and donor uses their own plans and specifications.
2. Channelling funding through the DDF places more responsibility on the government and its employees, particularly at local level. Capacity building and training to support service delivery at the district and community levels therefore becomes more important and the programme should make allowance for this. There is a particular need for project management training in order to improve resource use and reporting systems.
3. The planning processes need a focus which is more holistic and assists in including all sectors in the process. It needs to combine bottom up and strategic dimensions.
4. In a pilot programme it is necessary to have accurate and reliable information. There should be an M&E component that is run internally but which has external support and

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monitoring, that can promote both bottom up and strategic planning, accountability and continuous lesson learning and sharing.

5. The successful implementation of the Paris Declaration requires a transition period where technical support is needed with a balance between intervention and hands off approaches. Support needs to be designed in such a way that it does not promote dependency. Capacitated local actors must be in place and must take full responsibility for the success of the programme, but this can only happen if they work in an environment that encourages and prompts them to do their work effectively and to strive and grow.
6. Local empowerment requires not only communities to have a say in what projects are funded and in their implementation but it should extend to the management of the district. This will require that all the functions and systems at the district and sub district level be looked at again to ensure that there is good governance, that sectors are devolved to the point that real decisions based on actual funding can take place in an integrated and coordinated manner.
7. The Planning process needs to be revisited so that it is simple, cost effective, and inclusive of local communities. There is also need to clearly define planning mandates of the various sub district and district levels so that communities plan and implement projects that are really community derived in nature and are consistent with the windows created under the proposed LDF.

8. EVALUATION OF CROSS-CUTTING ISSUES

8.1 Gender

Introductory comments

The design of the programme included gender as a cross cutting issue. The programme intended to develop a gender mainstreaming strategy to ensure gender equity in decision-making, participation in the planning process and in resource allocation. However efforts to develop a strategy to guide the treatment of gender in the various components of the MDGP were not fruitful. Consequently no specific activities to address gender issues in the three components of the programme were defined or properly budgeted. Similarly, there has been little attention to enforcing gender-related provisions provided for in the planning handbooks or to the overall gender disparities evident at various levels of local governance in Malawi, from the districts down the villages. Our main findings were:

1. At the level of elected leadership only 9.13% of the 1860 candidates who stood for local elections countrywide were women, and of the 860 councillors who were elected in the 2000 local elections only 8.49% were women. In the districts visited for this evaluation, women represented only 5%, on average, of the members elected during the elections.
2. In all districts visited gender disparities are evident in the low level of women's participation in decision making at District Executive Committee level in terms of both numbers and voice.
3. At the sub district level, particularly village level, we noted the following:
 - a. Consistent application of provisions regarding project implementation committees, namely, 10 people with a 50:50 gender balance.
 - b. The Village Development Committee (VDC) guidelines on inclusion of women and leadership were not being enforced. The guidelines stipulate that if a chairperson is male, the vice chairperson should be female and vice versa. They also require that at least 4 women members should be elected to the committee. In almost all districts visited, the participation of women in Village Development Committees was still less than 30% with Nkhatabay as the outstanding exception. No female members chaired any of the VDCs with which the team interacted.
 - c. The presence of women is much higher when it comes down to actual project implementation and the committees that manage the projects, particularly those that provide services in which women traditionally play major roles, for e.g. water, health (including AIDS) and orphan care. However, in these committees women serve more as providers of free labour than as decision makers.
4. Where women were present at the team's community meetings they rarely intervened, unless prompted to do so. The women's FDGs revealed that they rarely intervene in any meetings with men present in a way that would influence decisions, even where their interests were involved.
5. In some cases, their voices are simply not heard. As a result development issues that related to and impacted on women are not being adequately addressed within the District planning process. For example in one district, Kasungu where we went to visit a Police

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Station, women expressed an understanding that their first priority project was a hospital because they have to walk about 35 kilometres to the nearest district hospital for delivery and other maternity services. However their voice was not heard during the planning process and they felt that they had no power to challenge the male folk who wanted a police unit.

8.1.1 Factors influencing outcomes

There are a number of factors explaining the reluctance of women to play a more active and vocal role in decision taking:

Education levels of women are low, which is a key issue particularly in determining the low numbers of women represented at the DEC level. The training of more qualified women could change this.

Culture, religion and traditional beliefs play a significant role. The relatively open and participative culture such as that found in Nkhatabay promotes participation of both men and women on a more equal basis. Cultural and religious beliefs encourage women to focus on their role in the home and discourage their involvement in public decision making arenas. The idea promoted by some cultural and religious beliefs that women's silence in public meetings where men are present is a noble virtue inhibits the participation of women in decision-making bodies.

Piecemeal development approaches that focus on increasing the numbers of women present at meetings and in committees without deliberate strategies to boost the voice of women in such committees.

8.1.2 Key lessons

1. Unless cross cutting issues such as gender are properly integrated into programme design, properly funded and pursued in a way that creates synergies between them and other core programme elements, mainstreaming gender will hardly be realised.

Recommendations

1. For future programmes, there is a serious need for a gender strategy that strengthens the role and voice of women within planning, development activities, management & decision-making at both the Assembly and sub-District levels.
2. Meanwhile provisions relating to various committees provided in various handbooks should be enforced.
3. Strategies for enhancing the voice of women developed and implemented.

8.2 Environment

8.2.1 Activities and indicators

Although the Programme Document makes repeated reference to environmental degradation in Malawi and includes the environment as a cross-cutting issue, this issue is only touched on in the logical framework in passing, in the context of the DDPs, and no activities are described to support environmental sustainability or budget provided for it.

8.2.2 Progress

1. Environmental degradation is recognised in the districts as a serious danger to sustainable development, as reflected in key documents such as the Socio-Economic Profile and the District Development Plan.
2. Tools for assessing environmental degradation and design of interventions are already in place through an earlier effort by the Department of Environmental Affairs, but this cannot be attributed to the MGDP.

8.2.3 Challenges

1. Although, environmental issues are well recognised as a priority issue at assembly level, there is a lack of adequate measures to redress the level of environmental degradation, due the absence of Environmental Development Officers (EDOs) in the majority of assemblies. Out of 28 assemblies only about 10 officers are in place. The absence of EDOs is also having an adverse impact on the coordination of environmental interventions at assembly level. One stumbling block in the recruitment and retention of EDOs has been the low grade at which they are pegged in the assembly structure. The Department of Environmental Affairs has argued for a higher grade to improve retention, but this has not been supported by DHRMD and Treasury.
2. There is lack of adherence by assemblies to guidelines provided for in the DDF to tackle environmental related issues. Consequently, funds that could have been used on environmental programmes are not being channelled in that direction.
3. Although, the Environmental Strategy of the Government provides for the establishment of a National Environmental Fund to finance the protection and management of natural resources, the maximum resources available through this facility of MK5 million per assembly is hardly adequate to tackle the environmental challenges being experienced. Accessing of these funds is dependent on an assembly being able to generate a bankable proposal, which has been difficult to do in the absence of EDOs.
4. The Department of Environmental Affairs currently discriminates against assemblies that do not have EDOs in place when it comes to allocating funds for recurrent expenditures, which has a crippling effect on operations in this area.

8.2.4 Recommendations

1. The recruitment plan referred to earlier in discussing gaps in the accounting department of the DAs should consider prioritising the filling in of positions of EDOs when an acceptable grade for them is agreed.
2. Further disbursement of funds to assemblies for development activities should be tied to clear environmental plans where these are an issue.
3. Allocations for environmental projects funded through the National Environmental Fund should be proportionate to the magnitude of the problem being tackled.
4. As environmental activities are undertaken as an integral part of development activities at assembly level, the Department of Environmental Affairs should not discriminate in the allocation of funds for Other Recurrent Expenditures between districts with EDOs and those without EDOs.

8.3 HIV/AIDS

8.3.1 Activities and indicators

As in the case of the Environment, the Programme Document refers to HIV & AIDS as a cross-cutting issue, but does not provide for activities or a budget line to respond to the HIV/AIDS crisis, except in a section of the logical framework that refers to the DAs strategic planning.

8.3.2 Progress

1. Decentralised management structures have facilitated the emergence of a truly multi-sector approach to managing the district HIV/AIDS response, but this cannot be attributed to the MDGP, but its predecessor programme.

8.3.3 Challenges

1. Although, it was envisaged that HIV/AIDS would be mainstreamed in the three components of the Programme, there are no specific interventions to handle this aspect. Consequently, progress in this area cannot be directly attributed to the MDGP.
2. Clinics offering ARVs are not adequate. Consequently, patients travel long distances with their companions at their own expense. In the process default rates are reported to be quite high.
3. The mindset of ADCs and VDCs is not sufficiently focused on HIV and AIDS as a developmental issue. Their agenda is mostly dominated by infrastructure type projects.

8.3.4 Recommendations

A subsequent successor programme to the MDGP should have clear interventions targeting HIV/AIDS. These should be designed taking into account the role of the National AIDS Commission and the direction it is taking in supporting the district AIDS response.

Reimbursement arrangements for patients of ARVs should be considered to ensure compliance with the treatment programme.

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Grass root structures should be brought under the oversight of sub-district structures such as the ADC and VDC to facilitate their monitoring and community ownership.

Training of grassroots structures in cross-cutting issues such as HIV/AIDS should be prioritised so as help them be able to address these issues as part of the development agenda.

9. OVERALL FINDINGS: ACHIEVEMENTS AND CHALLENGES

9.1.1 Preamble

Detailed findings on the three components of the programme are provided in the sections above. This section provides a statement of the overall findings of the evaluation in terms of the achievements made by the MDGP and the challenges that remain to attain the programme goals.

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

The structures of participatory community planning are formally in place and some infrastructure and services have been delivered that have tangibly improved peoples' lives, but the impact of the MDGP on poverty has been small relative to total programme expenditure.

The programme expenditure was skewed away from provision of infrastructure and service delivery towards capacity building, with most of the latter benefiting institutions and individuals at national level, with relatively little reaching the DAs and even less the communities it was intended to benefit.

Traditional authorities continue to control decision taking in the villages and there is little evidence that communities have been "empowered" in the sense that local democracy has become institutionalised in a way that enhances their capability to contribute to development decision taking and action outside of the traditional authority system. In this sense, the overall objective of improving service delivery through building the institutions of good local governance cannot be said to have been substantially achieved by the MDGP.

Notwithstanding this overall finding, the team was struck by the capacity of the traditional authorities to convene community meetings to discuss development priorities and, even more so, by their capacity to mobilise unpaid labour to do such work as brick making, carrying of stones, sand and water for construction of community infrastructure. It would be important to retain the social cohesion provided by the traditional authorities within a reformed institutional system that empowers communities democratically.

Through the tribal authorities acting as their representatives, communities in the villages expressed overwhelming gratitude for the support given to them by the MDGP, but also emphasised that the funding provided had not been enough and then proceeded to list their outstanding needs. Each village meeting ended with a headman or chief pleading with the team to request further funding from the UNCDF and UNDP. The team's interpretation was that communities, through their traditional authorities, were expressing a plea rather than demanding a right flowing from increased democratic power.

Finding 2: Immediate objective 1 (including 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 programme expenditure & major managerial and technical gaps and weaknesses remain at the level of the DAs.

The DoLGRD was strengthened through the creation of a Decentralisation Unit (DS) which was quite effective in driving the NDP while it was in existence. The intention was to transfer the

functions and some of the staff of the DS to the MoLGRD and a number of other national institutions to ensure the capacity to drive the NDP was retained after its dissolution. However, the MoLGRD has not been able to successfully implement the NDP since the dissolution of the DS. This can be ascribed to a number of factors: the DS's premature dissolution, its poorly executed exit strategy, inadequate staffing of the Decentralisation Unit within the MoLGRD, and lack of a strong champion within higher levels of government to drive decentralisation.

The Cabinet and Inter-ministerial Committees on Decentralisation met infrequently and succeeded neither in coordinating nor in championing the implementation of the NDP II. The main reasons why they failed to meet, given to the team by the MoLGRD, was that the UNDP withdrew funding for these meetings. It should be noted, though, that these meetings had previously taken place at hotels outside of the capital and for which the participants had received allowances, which seems difficult to justify given that these meetings represented part of the normal functions of the committees concerned.

The DS was strengthened to implement the NDP during the period 2003 to 2005, when it was quite effective in implementing decentralisation. The functions of the DS were institutionalised in a number of organisations and the DS dissolved in 2005, as planned, but the transfer of functions was not effective, with the consequence that both the MDGP and NDP II floundered since then.

The DAs were strengthened to some degree by the MDGP through the provision of training in financial management and planning, particularly up until 2005, but major gaps currently exist in key posts, the capacities of some staff who are in place are weak, and basic equipment to undertake the work is either absent or inadequate. The DA's have difficulties coordinating the activities of officials working for the devolved sectors, who, by and large, remain accountable to their Ministries.

Notwithstanding these serious weaknesses, the team was impressed with the quality of many of the personnel it met in the DEC meetings and during the FGDs, in terms of their levels of training, grasp of the issues confronting them and performance, especially given the limited resources with which they had to work. Although this cannot be attributed to the MDGP per se, the team came to the view that there is a core of skill and potential dynamism in the DEC's that could be built upon if investment capital flows to the DAs were large and regular enough and if the appropriate support was provided to them in terms of hands-on capacity building.

Finding 3: Immediate objective 2 (including outputs 1-3): Strengthen mechanisms for financing local government to increase locally generated revenues for service delivery

Systems for the allocation of national funds to the DDFs are now in place. Finances are flowing regularly to the DDFs from the GRF, but at a very low level. Little of the GRF funds are going into funding development and services; almost all goes into salaries and operational costs. Financial capacities in the DAs remain weak, accountability is principally upwards and auditing does not take place regularly, and, in some DAs, not for a long time.

An inter-governmental fiscal transfer system is in place and being used, but the planned revised system has not yet been designed. The funds flowing from the GRF to the DDFs are now regular but remain at 0.5% or less of the national budget rather than the agreed 5%. The UNCDF's donor partners, NORAD and the ADB, have channelled funds to the DDFs, but relatively few other donors and NGOs use them, while the funding of devolved sectors, which has been growing rapidly, occurs outside the DDFs, which undermines the process of democratic decentralisation.

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Steps have been taken by some DAs to establish business and property registers to increase local revenues, 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. Local revenues are being used mainly to pay for salaries and operational costs. Little is going to provision of development and services.

Considerable effort has gone into setting up M&E and accounting systems, but these are not, by and large, yet operational. In most of the districts, audits have not taken place for some years, though efforts are currently being made to up-date the DAs' accounts. Where financial reports are being produced, they are not posted locally. The absence of councillors has removed a key mechanism for holding local officials to account for the use of funds for service delivery.

Finding 4: Immediate objective 3 (including outputs 1-3): Strengthen the capacity of central & local government & communities in planning & management development & services.

In terms of achievements, planning manuals have been produced by the Ministry and training has taken place at the community level, but is not regular, broad-based or deeply participatory, and many VDCs are not active. The team found that the infrastructure created was cost effective and generally of a reasonable standard given the specifications, certainly when compared to similar infrastructure created by other organisations such as MASAF and the European Union Micro Projects.

In most instances, important complementary infrastructure such as toilets, libraries, staff rooms and teachers' homes for the school blocks that had been built are missing, making it difficult for the teachers to provide a proper service. Operations were hampered in some cases by the lack of inputs, such as science equipment and materials at schools, and medical equipment and medicines at clinics. There were signs that some of the infrastructure built under the MDGP was not being adequately maintained. These are important issues that need to be built into the design of projects, with agreements made prior to construction over where responsibility lies for meeting the costs complementary infrastructure inputs, operations and maintenance.

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 funds going into infrastructure service delivery has been too small and implementation took place too long ago to ensure that this institutional and personnel capacity is being maintained.

In short, the institutional vehicles for improved planning, financial management and service delivery are still in place, but these vehicles requires fuel in the form of finances, personnel and equipment to be able to do the job.

Finding 5: Monitoring and Evaluation

The software of a new Monitoring and Evaluation system (Microsoft Access) is in place in most of the DAs visited by the team, but only in two cases was the team provided with substantial reports produced on the basis of the information contained in the systems. In most DAs it appears that M&E has not been established as a working tool that can effectively support local planning or strategic decision taking as yet. It is not yet being used as a means of monitoring performance in infrastructure and service delivery. The lack of effective M & E systems affects not only planning capacity, but also the ability of communities to hold local authorities to account and also the ability

to develop reflexive learning and the capacity to adjust development practice based on lessons learned.

Finding 6: 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 (up until the time councils were dissolved) remains low. Women's representation in implementation committees at village level adheres to the 50/50 rule, but their voices remain silent in public decision taking, despite their substantial contribution of unpaid labour to project construction and management activities. Women's deference to men in general and tribal authorities in particular may be explained in terms of deeply held customs and beliefs relating to the roles of women.

Finding 7: 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 found by the evaluation team on HIV & AIDS in the districts cannot be attributed to the MDGP.

Finding 8: Environment

Environmental degradation is highlighted in the PD in several places, and is included in it 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 in terms of the sand winning and brick making activities that preceded construction, the first of which disrupts riverine systems and the second of which leads to the degradation of woods and forests. No effort has been made within the MDGP to mitigate the negative environmental impacts of projects.

Finding 9: United Nations Volunteers

The UNVs play an important role in filling skills key gaps within the DAs. Their effectiveness depends on how well they are inducted into the DAs and on their personal relationships with the DCs and immediate superiors. Some of the international UNVs interviewed by the team were able to bring a fresh perspective into local development issues based on their comparative experience in other African countries.

UNVs advising in the area of finances encounter resistance in some DAs, where they are suspected of being "spies" who may report on corrupt practice or poor performance. In some cases UNVs were not readily accepted by local officials who felt "shown up" by the skills and experience of the former.

The evidence on skills transmission is mixed. In some cases there were reports of effective skills transmission to local officials. In others, it was evident that withdrawal of the UNVs, even if this happens after several years of work in a DA, would leave a gap rather than capacitated local replacements.

Finding 10: Policy reform

The MDGP's contributions to the Intergovernmental Fiscal Transfer System, the District Development Fund and District Development Planning influenced the policy revision that led to the National Decentralisation Policy. However, the impact of the MDGP on policy has generally been

far less pronounced than was the case with its predecessor, the LGDMP. This is linked to the fact that this was conceived as a programme to “deepen and consolidate” rather than to pilot models of decentralisation.

Finding 11: Replication

The MDGP sought to consolidate and deepen decentralisation by focussing efforts on twelve districts, but the evidence suggests that the programme was not successful in achieving this aim, especially after 2005. While the team found evidence that the institutions created by the predecessor LGDMP are still functional in the sampled districts and were active especially during the period 2003-2004, these have become largely dormant as capital investment funds have dried up and capacity building has diminished in these areas since 2004.

Sector devolution, backed by growing government and donor funding, has made local development coordination more, rather than less, difficult for the DAs. The suspension of the local government elections and the NDP II has, in effect, stalled the democratic decentralisation initiative. The sector devolution now taking place within the SWAPs, for example in the Health, Education, Water and Agricultural Sectors, represents a form of de-concentration rather than decentralisation, which calls into question the future of democratic decentralisation in the country.

Finding 12: Programme management

The UNCDF's implementation modality was theoretically that of Direct Execution (DEX), but in practice took the form of National Execution (NEX). This happened because the UNCDF's distinctive mandate and identity was effectively lost in its partnership with the UNDP following the cut back in its funding in 2002-2003, and concomitant reduction in its staff complement. This substantially reduced the UNCDF's capacity to exercise influence over the implementation of the MDGP and, *pari passu*, the NDP II.

Finding 13: Twinning strategy

The idea of twinning districts to enable the transmission of learning from districts that received substantial resources under the MDPG and predecessor LDGMP to districts that did not receive such a high level of support, was innovative and promising, but was not put into practice due to the lack of a budget line for this within the workplan. Judging from the exchanges that took place between the districts that met at the regional report back briefings and comments from participants at these workshops, this idea still holds considerable potential.

10. OVERALL LESSONS AND RECOMMENDATIONS

10.1 Preamble

Detailed lessons and recommendations are given at the end of the evaluation of each of the three Components of the MDGP, set out in Section 7-9 above. This section describes the overall lessons from the Final Evaluation. It places lessons together with recommendations as the latter flow directly from the former.

10.2 Programme level lessons

10.2.1 Programme design

10.2.1.1 Lessons

1. Mean-ends similarity and overlap between outputs of different components in a programmes design makes it difficult to distinguish inputs and outputs and hence assess programme achievements. In particular, programme design needs to be clear about the causal relationship between capacity building, capital investment and poverty reduction.
2. Attempting to support a national roll-out programme by spreading the capital grant thinly across many areas does not work. It generates neither lessons for national replication nor scaling up of the programme nationally. It draws criticism from excluded districts and from government that has to face the criticism that it is unfairly favouring some districts.
3. The cut-back in investment expenditure and absorption of the MDGP, in effect, into the UNDP's capacity building mode raises an important issue for capacity building programmes that are not backed up with significant capital investment in infrastructure and services. The issue is whether capacity on its own is enough to ensure that improved services will materialise. The experience of the MDGP shows there is no guarantee of this.
4. Cross cutting issues such as Gender, the Environment and HIV & AIDS risk becoming token interventions that apply everywhere in theory but nowhere in practice, unless they are coherently integrated into programme design conceptually, in terms of activities, outputs and budgets.
5. A major cut back in funding should trigger a review of the programme design (if implementation has not yet started), or a review of the results framework and work plans (if implementation has started).
6. The UNCDF is not in a strong position to "deepen and consolidate" decentralisation (in the sense of this term as used in the MDGP) due to the small size of its capital funds relative to a country's needs. It is in a strong position to advocate for large scale capital funding for the roll out of an LDP, for example with an organisation such as the World Bank.

10.2.1.2 Recommendations

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?

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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/UNCDP 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.

10.2.2 Programme management

10.2.2.1 Lessons

1. The absence of a programme management unit within the UNCDF coupled with implementation by the MoLGRD has meant, in effect, that the implementation agent and the primary beneficiary are the same, leading to an implementation process that is not results based.
2. The current management modality has secured neither effective piloting of local development models nor effective support to the national roll out of decentralisation in Malawi, the two main roles of the UNCDF.
3. The lesson for the UNCDF is that it needs to distinguish clearly its model testing and national advisory roles and design an implementation modality that enables it to move effectively from piloting to support for policy and national implementation effectively.
4. The lesson regarding national execution is that reform on the scale of the decentralisation programme needs to be driven by a vehicle that has sufficient capacity, backing, influence and drive to carry the programme through.

10.2.2.2 Recommendations

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.
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 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.

10.2.3 Contextual factors

10.2.3.1 Lessons

1. In the early stages of decentralisation in a country, it may be too much to expect an unambiguous prior commitment from national government to decentralisation until the idea has been piloted and its results have been demonstrated. Once adopted as a national priority, decentralisation requires political will and strong national champions with a clear mandate from the highest levels of government for it to succeed. Without this, the foundations of a decentralisation programme may be undermined, making it difficult to justify its continuing support. In this situation, the UNCDF should continue a presence in the country with the aim of providing support to national government in the efforts it may make to return to a decentralisation reform programme.

10.2.3.2 Recommendations

1. 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.

National and local sources of impetus

10.2.3.3 Lessons

1. While a decentralisation programme needs the full support and effective championship at the highest levels of government, it is equally critical to the success of decentralisation that local actors are the main drivers of local development.

10.2.3.4 Recommendations

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.

Building the local revenue base through stimulating local economic growth

Lessons

1. Efforts to strengthen the revenue base of local authorities are likely to have limited effect if they are not accompanied by corresponding efforts to improve the environment for business in the locality and through this to promote economic growth.

Recommendations

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.

Institutions and capacity building

10.2.3.5 Lessons

1. National institutions need their capacities built if they are to manage the implementation of decentralisation.
2. A key lesson from the MDGP is, however, that capacity building that focuses essentially on national institutions can end up having very limited impacts on service delivery to meet the needs of the poor at local level.

10.2.3.6 Recommendations

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.

10.2.4 M&E

10.2.4.1 Lessons

1. Effective M&E is essential for effective planning and accountability, which is where the emphasis was placed in the MDGP's approach to M & E. However, these are not the only purposes to which M & E may be used. If properly set up, M&E systems may become powerful instruments of learning and innovation at local level as well. Well designed M&E systems can also be used as tools for strategic and tactical decision taking as well. For the UNDDF, management information systems support global oversight of country programmes and the global spread of learning. However, not all these aims are mutually compatible and achievable within one M&E system.

10.2.4.2 Recommendations

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 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.

10.3 Partner specific lessons

10.3.1 Lessons

1. The main lesson from the MDGP the UNCDF should play a role based on its distinctive mandate as a United Nations organisation using investment capital to test innovative local development models. Departing from this makes the UNCDF vulnerable to loss of its identity and raison d'être both within the UNDP and amongst bi-lateral donors.
2. Capacity building that is not linked to and does not complement capital investments in development and services can lead to the strengthening of individual and institutional capacities within government without this directly or necessarily leading to development and service provision that benefits the poor.

10.3.2 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.

10.4 Sustainability of results

10.4.1 Preamble

Detailed recommendations on the sustainability of results are given in the preceding sections dealing with components 1-3 of the programme. This section draws out the main recommendation regarding sustainability.

10.4.2 Main finding

The mission found that the MDGP has been unsustainable for a combination of reasons relating to its design, management and external context. Putting Malawi back onto a path of sustainable decentralisation will require not only political will and championship from the highest levels of government, but also the mobilisation of widespread donor support to re-launch the National decentralisation programme. It will also require the careful drawing of lessons from the MDGP and other decentralisation support programmes in Malawi and the incorporations of these lessons into the NDP.

10.4.3 Main recommendations

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 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:
 - 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.

10.5 Factors affecting successful implementation and results achievement

10.5.1 Preamble

Detailed recommendations on the factors affecting successful implementation and the results achieved are set out in the sections dealing with the programme's three main components, above. This section provides overall recommendations, focussing attention on those aspects that have not been emphasised in the discourse or documents on decentralisation in Malawi.

10.5.2 Recommendations

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.

10.6 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.

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- 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.
- 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)

10.7 Future UNCFD 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.

10.7.1 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.

10.7.2 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. 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. 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. 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. 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.

10.8 Local Economic Development

There are a number of reasons why the launch of a Local Economic Development Programme makes sense for the UNCDF and UNDP in Malawi at this juncture. Firstly, the amendment to the programme document in September 2006 has as its fourth output “Pilot Districts promote a business supportive environment in rural areas and provide technical assistance and financial resources to local micro- and small-scale enterprises”, though the team recommends that this amendment be substantially reviewed in the context of design of an LED programme.⁷

Secondly, LED is one of the four components within the UNCDF's corporate results framework and is linked directly to achievement of the MDGs, notably the first goal of reducing poverty and hunger.

Thirdly, and LED programme would align directly with the United Nations Development Assistance Framework (UNDAF) and the UNDP's Malawi Programme for 2008-2011, both of which have sustainable and equitable economic growth as the first amongst a list of objectives. UNDAF seeks to promote equitable economic growth through an approach that supports inclusive, broad-based business development that benefits the poor. A future LED programme could partner effectively with the UNDP's current programme of support to Sustainable Business Development; by working through how best this national programme could be materialized at the district level through enhanced roles for the DAs in promoting local economic growth.

Fouthly, the UNCDF has recently approved a programme to “Build an Inclusive Financial Sector in Malawi” to promote women's' engagement in economic life. An LED programme could effectively partner with this programme, notably at the district level, by helping strengthen savings and lending groups, particularly of women, helping connect women to micro-lending organisations and ensuring that the loans made were to support the taking up of viable economic opportunities.

Finally, an LED support programme would contribute directly to the Malawi Growth and Development Strategy (MGDS) which sees inclusive economic growth as a national priority for the reduction of poverty and seeks to strengthen the role of the DAs in promoting LED through improvements in the environment for business development.

LED represents a relatively new area of local development practice in Malawi. The UNCDF could play a innovative role in testing promising models of bottom-up participatory LED in the country, focussing on the role of local government in providing an enabling environment for inclusive LED and complementing other initiatives that seek to promote inclusive business development that meets the needs of the poor.

⁷ It would be advisable to review this amendment's logical framework to ensure consistency with a future LED support programme. Although the team was not asked to review the amendments to the Programme Document, it was asked to give them consideration in the context of recommending a future role for the UNCDF in Malawi. Currently the amendment does not provide for either dialogue over, or participatory appraisal of, the local economy, both of which are essential steps in a bottom-up, inclusive approach to LED. The danger is that the activities set out in the amendment are pre-emptive. We recommend that the amendment be reviewed in the light of the proposal outlined below to ensure that activities undertaken prior to the launch of a fully blown LED support programme are aligned with it.

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Table 3 below presents the outlines of a possible logical framework for an LED programme in Malawi. The final section of this report briefly describes the objectives and outputs contained in this framework. Clearly there would be a need to take these ideas further within a Programme Document on LED, explaining the logic of the model and processes involved in stimulating LED in far greater detail than is possible here.

Starting with the local arena, the overall goal of the support programme is to reduce poverty, in line with the MDG's, notably their goal 1 (Eradicating extreme poverty and hunger), but also, and in a direct way, goal 3 (promote gender equality and empower women), goal 6 (combat HIV & AIDS) and goal 7 (Ensure environmental sustainability). The development goal is local government promoting inclusive local economic development. The immediate objectives are outlined in the four components of the logical framework, described below.

10.8.1 Component 1: Strengthen local economic governance through dialogue, partnerships & appropriate institutional arrangements

Outputs under Component 1:

1. NDP 2 includes a LED component & national government is capacitated to promote it
2. Constructive dialogue is taking place between DAs and their local business partners and other actors promoting LED
3. Appropriate institutional arrangements for LED are established and functioning effectively
4. Bottom-up, community generated and district level strategic plans include elements that improve the environment for business development.

10.8.2 Component two: Strengthen public expenditure management to expand the local revenue base & its use to provide services that improve the environment for inclusive business development.

Outputs under component 2:

1. The DAs' expenditure management & accountability systems have been strengthened
2. The DAs' local revenue base is expanding
3. The DAs' are using their revenues to help create an enabling environment for inclusive business development.

10.8.3 Component three: Create an enabling environment for business through improved infrastructure service delivery and an improved regulatory system

Outputs under component three:

1. DAs' providing enabling environment for inclusive business development through improved:
 - a. Infrastructure Service Delivery
 - b. Sustainable Natural Resource Management
 - c. Improved and more effective regulatory systems.

10.8.4 Component four: Promote inclusive enterprise development benefiting the poor.

Outputs under component four:

1. Efficiency of local enterprises improved and markets functioning better for the poor
2. Inclusive financial services provided in support of inclusive business development
3. More skilled labour gainfully participating in local markets.

Cross-cutting issues

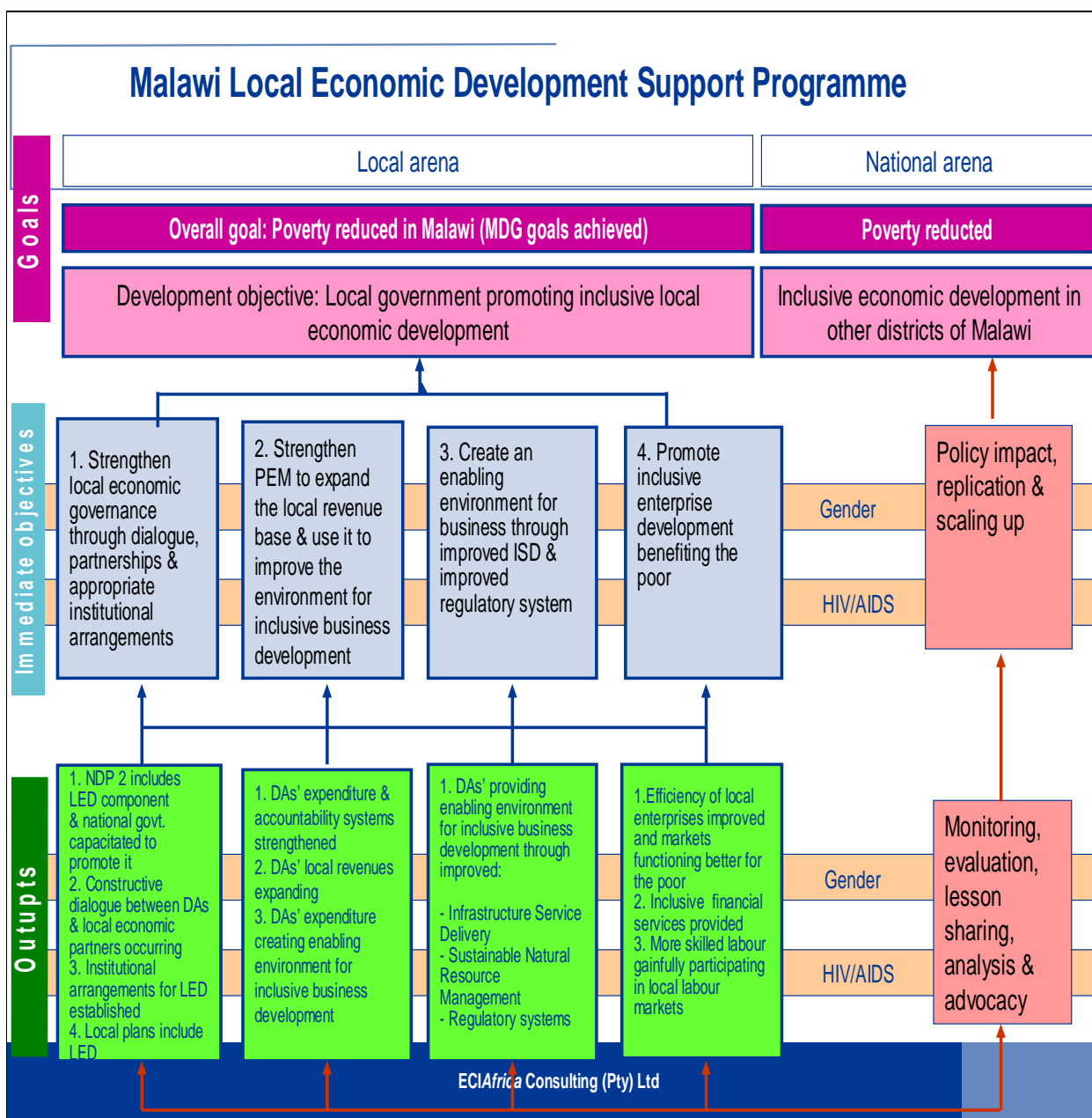
Moving on from the four components, two cross-cutting issues are illustrated in the model: gender and HIV & AIDS. While illustrated here as crosscutting issues, the lesson should be drawn from the MDGP that it is essential to integrated these issues conceptually, both in terms of activities and in terms of finances into the LED programme. One way of doing this is in terms of the synergies between these two crosscutting issues and the core components of the programme.

Monitoring, evaluation, learning and lesson sharing

The logical framework presented in table 3 highlights monitoring, evaluation lesson learning and lesson sharing within the areas in which the model is tested. As illustrated by the red line, this takes the form of feed back loops. A critical feature of the model is to stimulate an internal process of reflexive and continuous lesson learning and sharing that turns these areas into centers of innovation. In addition, the lessons are taken to the national level where they inform policy and programme roll-out through national programmes that scale up the concepts and models that have been tested out.

Not shown in the diagram, but crucially important for the UNCDF, is global lesson sharing. The UNCDF's competitive advantage relative to other donors is the capacity to learn from the LDPs, to spread this learning nationally and globally. It is by these means that the UNCDF can contribute to the scaling up of effective practices globally that can speed up attainment of the MDGs.

Figure 3: Proposed Malawi Local Economic Development Support Programme



11. OVERALL LESSONS AND RECOMMENDATIONS

11.1 Note to the Reader

This document comprises the Comments of the Ministry of Local Government and Rural Development in Malawi and the evaluation team leader's responses to them. The team reflected on each comment. In some cases, he made adjustments to the text of the report. In others he responded directly within the document below. The text in green guides the reader to the relevant places in the text where the issues taken up by the MoLG is to be found. The text in red is the team leader's response to the comment.

11.2 Ministry Of Local Government and Rural Development, Malawi

Comments on the Evaluation Report of the Malawi Decentralised Governance Programme

The Ministry wishes to note that the evaluation exercise for the Malawi Decentralised Governance Programme was professionally done by a team that came up with a comprehensive methodology for data collection, analysis and feedback and visited a good sample of districts.

Specific Comments on the Power point Presentation:

Findings 2: Poverty Reduction:

The assertion that most expenditure on capacity building went to the national level which does not immediately benefit the poor may be true but could have been made without looking at the circumstances. One needs to look at the expenditures against the workplan. One also needs to consider that a huge chunk of resources for the procurement of vehicles and other equipment was centrally done using the same budget line, hence the huge amounts. Further, It would be unfair to measure the reduction of poverty through implementation of this programme alone. If anything the programme made a significant contribution towards government efforts in reducing poverty, therefore expecting the programme alone to impact on poverty would be asking for something difficult to achieve. **See 4.2.4 Intended results, pp. 10-12.** **There are two distinct issues that should be distinguished here, the design of the MDGP and the results of its implementation. The points made in Section 4.2.4 are to do with the design. The logic of the design is analysed, showing how infrastructure and service delivery are subsumed to institutional development and capacity building and how this raises the danger that means for service delivery are established without this leading, in practice, to service delivery. The issue of the performance of the MDGP in practice is taken up in the body of the text, where it is demonstrated that the bulk of resources and effort did, indeed, go into institutional development and capacity building (particularly at national level) and that relatively little went into infrastructure and service delivery with the consequent result that the aims of poverty reduction were not substantially achieved by this programme. The report does recognise that the predecessor MLDGP had substantial effect on policy and practice in Malawi more generally, but this cannot be attributed to the MLDGP.**

Findings 3: Cabinet and Inter-ministerial Committees (Slide 13)

It was important that these committees should be meeting but in the absence of any deliberate funding from the programme it is strange to note that the evaluation findings are highlighting this. **See 5.2 Outputs and components, challenges p. 19.** **The MoLGRD appears to be correct to point out that the UNDP went back on a previous agreement. However, the underlying issue that arises**

here is whether it should be a donor's responsibility to fund meetings that are part of government's routine responsibility, particularly where, as stressed elsewhere in the MoLGRD's comment, such programmes should be nationally rather than directly executed, which would make them part of the core routine business of government.

The MoLRGRD:

To say that absorbing DS functions into Ministry and creating Decentralisation Unit was not successful is an unnecessary over-emphasis. The truth is that the Ministry made a board attempt to put to effect what the programme review of 2004 recommended. However, creation of the unit could not and cannot be done by the MoLGRD alone. Other players also have a role to play which may not have been finalized. What should also be realized is the fact that any point where transition is taking place, it is not always smooth and this should not be seen as a failure. It is also a known fact that at the time when the ministry was taking over the functions from the DS, the amount of funding had significantly reduced. The way the DS was being funded as compared to the funding that was coming to the ministry at the point of take over, it was quite different and one would not expect to see the same level of operations. It should also be realized that it was at this same time that a shift towards LED was taking place, which to a certain extent affected and stalled operations. See 5.2 Outputs and components, progress p. 19. There is merit in this view, yet, aside from the funding and staffing issues, an underlying question is whether a unit within a government ministry represents an adequate institutional structure to drive forward a reform programme of this scope. The experience in Malawi suggests that a more focussed delivery vehicle, with a greater degree of accountability to donors and to a higher level of government, is needed over a longer period of time than that given to the DS.

The assertion that creation of a DS unit in the ministry was not successful would be portraying a wrong picture to those stakeholders who do not have inside information. The fact of the matter is that the unit was successfully created through a function review that was done for the ministry and Ministry of Finance provided a warrant of establishment for the new positions. The issue here is the delay that has so far taken place to fill these positions. For instance, the position of a Deputy Director for Decentralization can only be filled through an appointment by the office of the president and the ministry did all the paper work to facilitate the same and we are still waiting up to now. The same applies with the rest of the positions which have to be filled through the Public Service Commission. So to allege that creation of the unit was a failure in an evaluation would be sending inaccurate information to stakeholders. See 5.2 Outputs and components, progress, p. 18. See also output 3, challenges, p 22. The Ministry makes the point that there was, indeed, an effort to absorb the functions of the DS into its operations and correctly argues that this was a difficult process given the relative lack of funding compared to that available to the DS. The fact remains, however, that there was a substantial decline in implementation performance after the closing down of the DS and take over of some of its functions by the MoLGRD. This may, indeed, be partly explained by the cut back in funding and its use for the LED component, but the question remains whether a large scale reform process of this kind, involving substantial changes in other Ministries as well, can be performed by a unit within a single ministry, or whether a dedicated vehicle with accountability not only to the ministry but also to higher levels of government and to the donors is not needed over a longer period of time. This question is addressed under the section of the report dealing with recommendations.

The DAs

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We agree with the fact that major gaps exist in key positions at DA level. While Government is one the one hand recruiting and training officer at DA level, NGOs and other institutions and donor driven programmes are pouching from the same DAs. This leaves government with the challenge to continue training and filling these positions. **This comment accords with the findings and recommendations of the Evaluation Report.**

Findings 4: Locally Generated revenues (Slide 16)

“Very little used for development & services, most is going to support salaries and operational costs.”

The team may wish to note that most Assemblies’ revenue bases are weak and as such they collect very little. They however, have to make do with whatever they get; and paying salaries and operational costs is not necessarily outside the budgets. What government however is trying to do now is to identify additional sources of revenues by considering ceding some to the Assemblies. Currently, the Ministry of Finance is studying the recommendations that were made through study. We would all hope that once this is done Assemblies should be able to fund some development projects on their own. **See Section 6.2 Achievements and Results, page 38-39. One of the aims of the MDGP was to help the DAs strengthen their local revenue bases, and various measures were developed to ensure this, as reported in the report. The team’s finding is, however, that the revenue bases of the DAs hardly grew in real terms over the programme period, and that what revenues were generated were used mainly for salaries and operational costs, with very little going to new development. This finding indicates that the MDGP has not been successful in terms of this objective. Local governments that rely almost exclusively on national governments and donors for their revenues find it difficult to create a feed back loops between local participation, taxes, expenditure and service delivery. Creating this inter-relationship between taxes and resulting service delivery is at the heart of democratic decentralisation.**

Inter-governmental transfers to DDFs:

“Regular flow from the GRF to the DDF but remain at 0.5% as against 5%.” This is a misrepresentation of facts in that the Decentralization policy on Page 12 states that “government will make available to district assemblies at least 5% of the National Revenue, excluding grants, to be used for the development of the district.” The Policy did not specify that this 5% shall be in form of GRF. Therefore our analysis should not only be focused on the GRF but all the resources Central Government is transferring to the different sectors for different programmes at Assembly level (Health, Education, Agriculture, etc.). If you do this you will find that Government is transferring more than 5% as required by the policy. As earlier on pointed out, using GRF for salaries and operations is not in any way off side, as a General Resource Fund, the Assembly is at liberty to use it for any purpose one of which is salaries. **See Section 6.2 Achievement of Results, Challenges, p 34-5. See also 6.3 Likely Attainment of Immediate Objective and Section 6.4, Sustainability, on page 39 which explains why unconditional capital grants channelled through the DDF are critical to decentralization. The team’s understanding is that the government’s commitment was, indeed, as stated in the Final Report, to provide 5% in the form of the GRF to the DAs as an unconditional grant. The MoLGRD’s comment that more than 5% was transferred in the form of sector funding misses the point because these sector funds were neither unconditional nor did they flow through the DDFs. These are critical conditions agreed to in terms of the GRF. On this see also chart 5 on page 40 that shows the proportions of funds flowing to the districts from government, donor and local sources. As regards use of the funds for salaries and operations is**

concerned, the point the team is making is that the required 25% for development expenditure is not being made in many of the districts. It is this developmental aspect that is at the heart of decentralised governance, and what the MDGP sought to promote by means of demonstration.

Accountability

“Auditing takes place irregularly or not at all” While it would be accepted that in general terms audits are irregular, it would be far exaggerated if we proceed to say they are not done at all. This evaluation was specific to this MDGP as such there are programme resources specifically earmarked for facilitating audits and as far the ministry is concerned, the programme resources have been audited as and when required. However, it might be true with general audit programmes as carried out by the National audit office. See Section 6.3, Output 3, Enhanced Transparency and Accountability in DAs, Challenges, page 42. The team's findings were that, at the time of the mission, auditing had not taken place at all since 2001/2002.

Findings 9: Factors Affecting Successful Implementation

External Factors

The assertion that we have a constitutional crisis needs to be explained clearly. As far as Government is concerned there is no crisis. The in availability of councilors does not amount to a constitutional crisis; it amounts to inability to fulfill a constitutional requirement. A crisis would have been there if the constitution did not provide for how Local Governments should be managed, or where two sections of the constitution were contradictory, which is not the case with us. See 4.1.1. The country context and status of decentralisation in terms of strategy, policy and implementation, p. 9-10. This central issue is that the constitutional requirement to hold local elections in 2005 was not respected and this was being vigorously contested at the time of the mission. Failure to hold the local government elections removed the main pillar of local democracy and an essential condition of good local governance. See also the response to the comment in the second paragraph below.

“Suspension on NDP11” NDP 11 has never been suspended. You will notice that Agreements that were signed in NDP1 were running up to 2007, although NDP1 came to an end in 2004. There was therefore the need to have a programme that would continue being supported with agreements made in NDP1. As such one would not say that NDP 11 was suspended when actually implementation continued with support from agreements made in NDP1. See 4.1.1. The country context and status of decentralisation in terms of strategy, policy and implementation, footnote 1. The team's evidence was that the NDP 11 was not implemented in 2005 and that it had not been implemented by the time of the mission. The term “suspended” was used to signal the fact that it appeared to the team that it remained government's intention to implement the NDP 11 once local government elections had been held, at a date that was not as yet clear at the time of the mission. See the team's response to the issue raised in the next paragraph, which deals with the point that local development and service delivery continued after 2005, despite the fact that the NDP 11 was not implemented.

It is also not clear why the evaluation asserts that decentralization is in question in Malawi. Government has made a lot of progress in transferring of fiscal responsibilities to the local Level. Government is now in a process of transferring the Human resources responsibility to the local level this is evident through the efforts Government has made to provide for an Establishment to each Assembly. The next stage now is to move the Human resource which is under central

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Government payroll onto local government's payroll. As we speak now government is putting in place payroll systems in all local authorities and once we finish, we are starting with the education sector. Whether this assertion is coming from the fact that we do not have locally elected officials, it has to be clarified. It is a known fact that current we do not have councilors, however we have assurance from our authorities that processes will be ignited that will lead into councilors getting into the Assemblies. See Section 9, Finding 11, Replication, page 66-67. The report's contention that decentralisation is in question arises from three main considerations. The first is that the constitutionally required local government elections were not held in 2005, which meant that there are no councillors in place in the Districts. The absence of councillors removes an essential ingredient of decentralization (see the definition in Section 4.1.1, page 9, last paragraph). The second consideration is that sector devolution has not taken the form of decentralization. The reason why the team asserts this point is that the geographically devolved units are accountable to their central ministries, even though some report to the District Directors. In the current situation, where the council system has been suspended the District Directors are not accountable to the councils and therefore not accountable to residents in their districts, a condition of democratic decentralization. The third main consideration is that very little in the way of funding is being channeled through the DDFs and that which is being channeled through them is used mainly for salaries and operational expenditures with very little going to new development. Furthermore, the use of these funds is not open to the scrutiny of councilors since there are not councilors. This, too, removes a central pillar of decentralization. It also runs counter to the objectives of the MDLGP which were to promote participatory decision taking over the use of investment capital to meet the development and service needs of the communities concerned. The fact that revenues that pass through the DDF have declined dramatically relative to revenues that go through sector Ministries over the period under review underscores this contention.

Institutional and Implementation Arrangements.

Lack of Championship or even support, at top government level. While this is true, Government has now in the Office of the President and cabinet, created an office headed by a principal Secretary that will coordinate all reform programmes in Malawi. It is this office that will provide leadership in driving this process. The Office of the President and Cabinet has also provided for a sub committee of Principal Secretaries on Local Government and Rural Transformation to technically over-see the decentralization process and advise the Cabinet Committee on Local Government and Rural Development. This committee has so far met twice since its inception and we believe that with these arrangements, issues of championship are being addressed. See Section 5.2, Outputs and Components, Challenges, 1, page 19. The text of the report has been updated to take into account this new information.

The evaluation asserts that the DS was dissolved prematurely. We find this as a contradiction to the recommendation made in the 2004 review report on the evaluation of the Decentralisation programme. The Decentralization Secretariat was dissolved following this recommendation. Apart from that, it should be known that the DS was establishment to fast track activities that were to put the decentralization process on course. Some of these were to facilitate institutionalization of relevant institutions like NLGFC, MALGA and LASCOM that were to eventually take over the functions the Ds was performing. Now that these institutions were in place and that all the critical activities to fast track the decentralization process were completed, it was time for the ministry to take over and incorporate the DS into its structure. Otherwise continued existence of the DS began to bring in conflicts with the said institution. See Section Finding 2: Immediate Objective:

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Strengthen management & technical capacity of central & local government institutions in roles & responsibilities, pp. 62-63. See the team's response to this and the next comment in the paragraph below.

The evaluation questions the appropriateness of MoLGRD as a decentralization driver. We find this observation to be strange as it is in contradiction with international practice. All processes of decentralization are driven by such ministries simply because decentralization revolves around local government systems and policy holders for such systems are ministries of local government. Now when this evaluation begins to question this, we are put at a loss. See Section 10.2, Programme Lessons and Recommendations, Recommendations 6 and 7, pp 70. The evidence gathered by the team shows unambiguously that while the DS performed fairly well in terms of implementation of the decentralisation programme the impetus gathered by the DS was not sustained by the MoLGRD after the DS's dissolution. The MoLGRD argues that the problem was not that of transferring responsibilities to a unit, but rather that the decline in funding for the Decentralisation Unit, compared to the funding that had been received by the DS was the main reason why the programme lost its momentum. From the evidence gathered, there is a deeper problem than just that of funding, though declining funding and the existence of vacant posts in the unit clearly did have an impact. In addition to funding and staff vacancies, the Unit did not have the level of influence and latitude for action needed to drive the process forward. The lesson that should be drawn from the experience of the hand over from the DS to the Ministry, is that a reform programme of this scale needs a dedicated implementation vehicle that has the capacity and authority to drive the programme through, a vehicle that cannot be side-tracked into the routine work of the Ministry. Such an implementation vehicle needs to be able to carry its mandate out to a point where the reforms have been substantially achieved within and outside the host ministry. It is only then that new mandates, structures and functions of the host Ministry and all other ministries involved may be routinised, and the services of a special implementation vehicle become redundant. We have not taken the position that the MoLGRD is not the appropriate institutional home for such a vehicle. The MoLGRD is clearly the government ministry most directly responsible for reform of the local government system. However, the magnitude of the reforms envisaged, including devolution by several sector ministries clearly calls for overall direction and oversight of the programme at a higher level of government, something that did not occur in practice during the period under review. It is for this reason that we recommend not only that the Decentralisation Unit within the MoLGRD be considerably strengthened in terms of its capacities, but also that it has a stronger line of accountability to the Office of President and Cabinet (itself with a more clearly defined and secured commitment to decentralisation), as well as to the donors financing the decentralisation programme.

Programme Management.

Direct execution modality replaced, in effect by national execution modality. Again as government, we are raising a serious concern on this assertion. Actually the National Executive arrangement came in view of the apparent problems experienced with the direct execution which, by implication, did not advocate local ownership. As Government we find the National Execution arrangement to be in line with the Paris declaration of February 2005 which advocates for Developing countries to take charge of their own development. Going back to the direct execution would be moving many steps back in our development process and would not be to the benefit of local people whose poverty we want to reduce. See 4.2.2 Intervention Strategy, page 10. This Evaluation Report nowhere advocates the continued use of the past DEX modality. What the Report does recommend is that

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the UNCDF reviews its execution modality to ensure consistency with the Paris Declaration while achieving its own organisational aims as an agency that specialises in testing models of local development involving investment capital. To perform its piloting and policy advocacy work, it is clear that the UNCDF requires a larger and better capacitated team with much greater purchase over the programme than has been the case in Malawi during the period under review. Thought needs to be given to the relationship between the UNCDF team and the implementation vehicle within the ministry, notably its technical, oversight and support roles relative to those of the implementation vehicle.

ANNEX 1: TERMS OF REFERENCE

ANNEX 2: PROJECT LOGICAL FRAMEWORK

ANNEX 3: WORK PLAN AND MEETINGS

ANNEX 4: SUMMARY OF PROJECT REPORTS

ANNEX 5: COST COMPARISONS

ANNEX 6: LIST OF INTERVIEWS

ANNEX 7: MINUTES

ANNEX 8: BIBLIOGRAPHY

ANNEX 9: PROJECT DOCUMENT

ANNEX 10. INTERVIEW NOTES