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Development Programme**

**United Nations  
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**MALAWI DECENTRALIZED GOVERNANCE PROGRAMME (MDGP)  
MLW/02/005/01/99; MLW/02/C01**

**MID-TERM REVIEW 2004  
FINAL REPORT**

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## **Executive Summary**

### **Approach and Methodology**

The field mission of the Mid-Term Review (MTR) of the MDGP was conducted between November 15 and December 2, 2004 using a highly participatory approach and methodology. During the period, the team reviewed a wide range of documents and used the findings and recommendations therein to put the MTR in context and as a point of departure for the analysis and conclusions.

The team had consultations and discussions with a number of informants at the National, District Assembly and Community levels. At the National level, the team held in-depth discussions and double checked their findings with staff in Government of Malawi (GoM) institutions including Ministry of Local Government and Rural Development (MoLGRD), the Decentralization Secretariat (DS), National Local Government Finance Committee (NLGFC), Ministry of Finance (MoF), Ministry of Economic Planning and Development (MEPD), Accountant General, Malawi Association of Local Government Authorities (MALGA), Local Authorities Service Commission (LASCOM) and training institutions. Further discussions were held with UNDP/UNCDF staff including the Resident Representative, Deputy Resident Representative – Programme, Regional Technical Adviser and Programme Officer as well as donors and donor programmes including NORAD, DfID, World Bank, MASAF and GTZ.

At the District Assembly (DA) level, the team held discussions with DA technical staff, Councillors, Area Development Committees (ADCs), Area Executive Committees (AECs), Village Development Committees (VDCs), Project Management Committees (PMCs), community members both men and women and visited projects supported by the District Development Fund (DDF) in Mchinji, Mzimba and Mangochi District Assemblies.

### **The programme context and strategies:**

The GoM in collaboration with UNDP/UNCDF developed and approved the MDGP in September 2002. The MDGP was formulated with the intention of supporting three areas of the NDP i.e. institutional development and capacity building, fiscal decentralization and local development planning and financing mechanisms. The program was designed to achieve maximum impact of the financial and technical assistance through:

- Geographical focusing by operating in 12 districts where 6 Local Impact Area (LIAs) supported since 1994 under the District Focus Programme and 6 non LIA districts were paired under a twining arrangement to facilitate cross district learning and sharing of experiences;
- District Development Fund deepening where discretionary investment funds are provided to the District Assemblies;
- Strengthening the capacity of national institutions in support of decentralization; and
- Developing and implementing systems for district planning and financial management that allow the efficient and effective identification and implementation of projects that address community priorities.

## **2 Main Findings: Achievements, Constraints and Recommendations**

### **2.1 Component 1: Institutional Development and Capacity Building**

#### **2.1.1 Output 1.1: MoLGRD<sup>1</sup> strengthened for effective implementation of NDP**

##### **Achievements:**

The MoLGRD has established a number of partnerships with development partners to technically and financially support the decentralization process namely UNDP/UNCDF, ADB, GTZ and NORAD. Government/Donor joint reviews have been carried out as planned. A study to develop a strategy for mainstreaming and implementing gender was commissioned and draft report produced. As a form of strengthening the MoLGRD a number of both career development as well as short term performance improvement courses have been provided to staff. In addition 15 vehicles, 50 computers, 43 printers, 43 UPS, 1 LCD Projector, 2 scanners, 3 copiers, 1 binder and 1 shredder have been procured.

##### **Constraints:**

The Cabinet Committee and Inter-Ministerial Technical Committees have not been meeting as planned. For instance it had only met once in 2004 by the time of the MTR. This has created a vacuum regarding a technical and political champion for the implementation of the decentralization policy and the NDP. As a result, strategic partnerships have not been established with all the key stakeholders in the area of decentralization including sector ministries as well as donors supporting service delivery of services at DA level through other mechanisms notably SWAPs. There are lapses in the coordination between the GoM and donors as well as among the donors. There is no effective mechanism and plan for continually monitoring the implementation of the NDP and the decentralization policy in general. The MoLGRD Management Information System has not been installed and therefore not yet working as anticipated. The career development oriented trainings have taken staff out of the jobs for quite long and have mainly served individual as opposed to wider institutional development needs. As a result, the NDP has not been implemented on schedule as reflected in among others delays in sector devolution. Two of the vehicles allocated to the DAs got an accident and could not be repaired because the DAs cannot afford this from their resources. These vehicles were not comprehensively insured, as the DAs cannot meet the premium costs. Whereas with support from the MDGP, the MoLGRD is in the process of formulating a gender strategy to customise the Gender Policy to the decentralized context, the strategy is far from being complete and gender mainstreaming has not visibly taken root in most of the DA activities.

##### **Recommendations:**

The review of the NDP I recommended a need to have a political (the President) as well as technical (Chief Secretary) champion for the implementation of decentralization. This MTR team reinforces that recommendation and suggests having an efficient and effective secretariat for the technical champion. Ideally this secretariat for the technical champion should be the MoLGRD. One of the strategies for effecting the championship role

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<sup>1</sup> The Department of Local Government which appears in the Project Document was renamed the Ministry of Local Government and Rural Development.

is to coordinate the meetings of the IMTSC to feed into Cabinet Committee. The issues discussed in the IMTSC should feed into discussions of other committees impacting on decentralization (for example the Malawi Government and Donor Aid Coordination Meeting). This arrangement will ensure among others that donor as well as sector interventions in DAs are gradually harmonized in support of devolution.

Under NDP II, UNDP/UNCDF through the MDGP should support the development of a clear decentralization road map (not just a work plan) with milestones and benchmarks together with mechanisms of monitoring that will ensure that the NDP II implementation is on track. UNDP/UNCDF should support the MoLGRD to conduct regular visits and provision of hands-on technical backstopping to DAs. Progress regarding the implementation of the NDP II should be an agenda in the meetings of the relevant committees. In order to execute the function proposed, the MoLGRD should ensure that there are right staff in the right positions. UNDP/UNCDF under the MDGP should provide support and further capacity building, but this support and capacity building should be based on results of a specific training needs assessment and tailored to filling specific functional gaps and the job demands of the staff.

The DS before phasing out (see below) and in close liaison with the ministry responsible for gender, should finalize the gender strategy to inform gender mainstreaming within a decentralized context. MDGP should make financial and technical provisions to ensure that the gender strategy is implemented and gender mainstreamed into all the DA activities. It is desirable for the DAs to comprehensively insure their vehicles from local revenue. However, given the current status of local revenues in DAs, UNDP should consider to use some of the programme resources to pay the insurance premium up to the end of the programme.

#### **2.1.2 Output 1.2 Decentralization Secretariat Strengthened for Effective Implementation of the NDP**

##### **Achievements:**

The DS has undertaken several studies aimed at revamping systems including those for DDPFMS and IFMIS. A number of training interventions at both the national, DA and community levels were undertaken aimed at enhancing the capacity of institutions for effective implementation of the NDP.

##### **Constraints:**

Whereas a number of training activities have been supported, there has been no mechanism for monitoring how the training have impacted on the performance of individual staff as well as the overall organisation performance. Overall, there is wide knowledge about the concept of decentralization but many of the stakeholders consulted (especially at the DA and sub-district level) do not seem to comprehend the demands and implications of implementation of the decentralization policy.

##### **Recommendations:**

The MoLGRD building on the activities currently under the DS, should prepare communication materials that will be used to explain to the different stakeholders their responsibilities, rights as well implications to the execution of their work under a decentralized context. This will help to strengthen the institutions for implementation of the NDP.

### **2.1.3 Output 1.3 Decentralization Secretariat Functions Institutionalized in Relevant Institutions**

#### **Achievements:**

The DS was expected to transfer its current functions to other institutions as a strategy of 'working itself out of the job'. Some efforts have been made in this regard. For example some functions and staff (like for Institutional Development) have been transferred to MoLGRD, fiscal decentralization transferred to the NLGFC and councillor training to MALGA.

#### **Constraints:**

Despite the attempts to transfer the functions to other relevant institutions, these have not yet been institutionalised. The staff from the DS to the MoLGRD for instance was reported to have been assigned other routine functions not related to those they were performing under the DS. Whereas, the NLGFC is responsible for the allocation and tracking of resources to DAs from the Central Government (like the General Resource Fund), it has not fully taken up the responsibility for the allocation and tracking the use of the DDF, which was previously under the DS. Another challenge regarding the transfer and institutionalisation of functions is the high staff turnover among staff in the MoLGRD. Moreover, the MoLGRD, the DS and other institutions have not designed 'an exit strategy' to guide the phasing-off of the DS without compromising the quality, timely delivery of the processes as well as loss of institutional memory.

#### **Recommendations:**

The coordination of the implementation of decentralization policy is a mandate of the MoLGRD. The DS was created to offer technical support to the MoLGRD in the execution of this mandate on an assumption that the capacity of the MoLGRD will gradually be strengthened to wholly take over the functions. Lessons and experiences to-date show that:

- a) The MoLGRD in particular and other institutions in general will need technical support to gradually strengthen their capacities for the implementation of the new and challenging policy of decentralization for some time to come;
- b) The modality of offering technical support through a more or less permanent structure, operating like a normal government department but outside the mainstream ministry is very slow in enhancing the capacities of the institutions mandated to implement the policy in particular as well as the policy in general.

Following from the above two lessons and experiences, the MTR proposes that any future technical support provided by UNDP/UNCDF through the MDGP (and other donors) for the implementation of decentralization should be based on the principles below:



- a) Flexibility and responsiveness in delivery of technical support;
- b) Integral part of MoLGRD and working under its direct authority;
- c) Based on priority gaps identified in the MoLGRD for implementation of decentralization road map;
- d) Result and output focused;
- e) Drawing expertise from the relevant GoM institutions like the relevant ministries, private sector and NGOs;

In line with the above principles, the following is proposed regarding the future of the DS and technical support for implementation of decentralization.

a) Future of DS:

As requested by the MoLGRD, UNDP/UNCDF under the MDGP should support the DS up to December 2005 to allow transition into a new modality of technical support. However, the MoLGRD, NLGFC and the DS should review the tasks and outputs expected of the DS and develop a strategy of how to attain these outputs before March 2005. From March 2005 to December 2005, the DS should only retain and UNDP/UNCDF only pay staff mandated to attain the prioritised outputs. Progress towards attainment of the outputs should be reviewed quarterly and necessary corrective measures taken accordingly.

b) Further Technical Support for Decentralization policy implementation:

From the NDP II currently under preparation, UNDP/UNCDF should support the MoLGRD to develop in consultation with other stakeholders a road map for decentralization implementation before March 2005. The road map should have clear milestones that have to be achieved at any given time and with clear benchmarks and monitoring processes. The MoLGRD should then allocate the responsibility of coordinating decentralization implementation in one of its offices. UNDP/UNCDF using part of the resources previously earmarked for DS staff salaries should support the MoLGRD to attract technical assistance from the public service as well as the private sector. This arrangement is expected to rationalize resource use, ensure output-oriented performance and also ensure the keeping of institutional memory. In other words, depending on the assessment of capacity within the MoLGRD, UNDP need to support the recruitment of highly qualified technical advisors to be understudied by MoLGRD staff. However, the actual execution of the functions should mainly draw from expertise in other GoM departments as a buy in process as well private providers depending on the task at hand.

**2.1.4 Output 1.4: District Assemblies Strengthened for Gender Mainstreamed Development and Effective Service Delivery**

**Achievements:**

The MDGP intended to develop the capacities of DAs in order for them to implement their mandates. As such, some interventions have been undertaken at the DA level to ensure that effective service delivery takes place including training of DA staff. The District Training Teams (DTTs) have been formed and oriented but still need more technical support and backstopping as well complementarily from other private providers especially the private sector.

**Constraints:**

To-date, the capacity of the DAs is still low especially in functional areas such as financial management, development planning, procurement and monitoring and evaluation. The low capacity of the DAs is associated to either many staffing gaps or lack of qualified and appropriately experienced staff partly as a result of the poor recruitment process. The few and commonly unqualified staff are rarely supported from the Central Government due to a weak inspectorate within the MoLGRD. To-date, the DAs have not been supported to conduct tailored capacity needs assessment and develop comprehensive capacity building plans. Currently most of the activities are being planned and implemented by Central Government institutions especially the DS. The few training activities that have been delivered are emphasizing career development as opposed to short-term performance improvement not only imposing a huge financial burden to the programme but also taking the staff out of the jobs for considerable amounts of time. There is no mechanism for monitoring the impact of the training on the individual and institutional performance improvement and to sum it there are limited inbuilt incentives within the decentralization system for performance improvement.

**Recommendations:**

To improve the situation, GoM need to review the recruitment procedure and strategies and develop a competency framework for DAs that could facilitate recruitment, staff development and career progression. Provision of training in DAs should be based on specific functional gaps and aimed to fill tailored performance improvement gaps. MDGP should support the DAs to conduct capacity needs assessment and develop capacity building plans tailored to the specific functional gaps. Initially, the functional gaps will be identified during the proposed assessment of DA performance. However, there will be need for MDGP to support the MoLGRD to develop a national capacity building framework that will detail modalities for capacity building delivery in the DAs. There is also need to transfer resources from the centre to the DAs for capacity building. This will necessitate the development of a unit within the DAs to be able to manage the capacity building function. The DAs should also be supported to attract and retain qualified staff as well as intra and inter DA arrangements as a short-term plausible alternative. As mentioned earlier, MDGP should support the MoLGRD to liaise with the Ministry responsible for gender to ensure that gender issues are mainstreamed in development activities implemented by the DAs.

**2.2 Component 2: Fiscal Decentralization**

**2.2.1 Output 2.1: An Intergovernmental Fiscal Transfer System Operational**

**Achievements:**

The allocation formula of the General Resource Fund (GRF) was approved by the National Assembly and is used by the NLGFC to allocate funds to all the DAs. Out of the GRF, 25% is earmarked for development purposes and the 75% is allocated as an unconditional grant. The MDGP provided for the transfer of the District Development Fund (DDF) as discretionary development funds to the DAs. The DDF was also anticipated to become a national modality for the transfer of development funds to DAs. The allocation formula for the development grant was also approved and is used to allocate the DDF resources provided by donors to all the DAs. In addition to the GRF and DDF, Treasury has started to transfer some sectors grants including Agriculture; Trade, Commerce and Industry; Rural Housing Programme; Gender, Community and Social Welfare to the DAs via a devolved sector Account.

**Constraints:**

Given the demands on GoM to service other obligations, the GRF allocated to the DAs has always been far below the approved 5% of the net national revenue (excluding grants), meagre and fluctuate a lot. The DAs find it very difficult to plan for the use of the GRF. The 25% of the GRF earmarked for development is similarly meagre, uncertain and used in a contingency like manner mostly to meet operation and maintenance costs of economic investments that would have been otherwise financed from the revenues these investments raise.

Despite using the approved formula to allocate DDF resources, there is a great variance in the per capita allocations to the Districts and it is not directly linked to poverty because of the different funding levels of donors allocated to Districts. Yet to-date there are no common/harmonized modalities used by the different donors for DDF funding. The levels of DDF funding are low. This makes it difficult to stimulate meaningful participatory planning at sub-district level especially in circumstances where planning responsibilities of the respective levels are not well-defined and horizontal allocation formula across sub-district structures not elaborated. The situation is worse in the current FY (2004/05) where no donor has transferred the DDF to Districts for varying reasons greatly stifling the pace at which the DDF was comprehended and used by the DAs. Further, the development and use of an incentive based system for the allocation of the DDF that would have necessitated the DAs to meet certain performance requirements before they access the DDF and thus ensure enhanced DA performance is still in its infancy.

Treasury has not started to transfer funds for sectors with significant amounts of funds (health and education) through the DAs and sector devolution is yet to start off in earnest.

**Recommendations:**

Central Government should transfer an increasing proportion of the funds to the DAs. The funds currently financing activities in DAs under delegated and de-concentrated arrangements (like for salaries and sectors) should be increasingly transferred to the DAs. However, there is need to enhance the capacities of the DAs to allocate, manage and account for these resources.

UNDP/UNCDF through the MDGP in liaison with donors providing development funds to DAs, should support the GoM to develop a national system for devolution of discretionary development funds through harmonized modalities for the use of the DDF by all donors. This would involve calculation of an optimal per capita allocation, legalizing the appropriate planning structures at sub-district level as well as the planning responsibilities for the different levels, revisiting the vertical allocation formula between the District and sub-district structures as well as allocation among the sub-district structures. An incentive based allocation system for the DDF that subjects the allocation of the development grant to basic performance standards supported with a DA managed Capacity Building Grant should be developed and implemented.

The programme should support the MoLGRD to liaison with Treasury and the sectors ministries to further work out the modalities, implications and needed support to make the devolution of sector grants real.

**2.2.2 Output 2.2: Capacity to mobilize, generate and allocate revenues in all Assemblies Improved**

**Achievements:**

The Decentralization Secretariat has supported the collection of data and finalization of property and business registers in some districts and the process is continuing in others. The DS also concluded the first phase of a study on ceded revenue and administration of user charges. Notwithstanding the fact that local revenues are still very low and mainly used to meet recurrent expenses (see below), some of the DAs visited reported to be using some of their local revenues for development purposes.

**Constraints:**

As noted by the review of the NDP, the systems in place to support the DAs in revenue mobilization are still weak. The DAs cannot collect property tax because they have not been declared as rating areas and the rating criteria are yet to be developed. Most of the DAs own and directly manage economic investments especially rest houses and bottle stores. Whereas these are supposed to be generating revenues for the DAs, in a number of cases they were reported as putting huge costs to the DAs and are often making net losses (some of them have been closed for failure to pay for utilities). A significant proportion of local revenues is mainly spent on maintaining the decentralized system (like payment of councillors and direct employees) and at best insignificant funds are allocated for development and meeting maintenance costs for the investments. The situation casts a lot of doubt on the sustainability of financing in the near future.

**Recommendations:**

The MDGP should support the MoLGRD to build on the previous studies to further document and facilitate the sharing of best practices and cross-district learning in local revenue mobilisation and management.

It was earlier recommended that MDGP should support the GoM to develop an incentive based allocation system. Local revenue enhancement requirements should be incorporate in the proposed incentive based allocation system for the development grants. These could include requirements for DDF co-funding using DA own revenues as a requirement to access the DDF and the increase in local revenues collected as well as the amount of local revenue invested in capital investments as basis for rewarding or sanctioning a DA.

The MoLGRD should encourage the DAs to privatise the management of the economic infrastructure projects. MDGP should explore and formulate strategies, which can be used by the DAs to create a conducive environment for the operation of the private sector as a revenue enhancement process (for the private sector to pay revenue to the DAs).

Once the sub-district structures are legalized, MDGP should support the NLGFC to workout revenue sharing arrangements between the DA and sub-district structures. Sub-district structures need revenues for maintaining their system, for meeting of operation costs for their investments as well as investing in new community projects. Sharing of revenues with the sub-district structures could also be an incentive for the sub-district structures to participate in local revenue mobilization.

### **2.2.3 Output 2.3: Enhanced financial transparency and accountability in DAs**

#### **Achievements:**

The computerized Integrated Financial Management Information System has been implemented in 6 districts on a pilot basis. These districts were reported to be using the system to produce monthly reports and for managing the payroll for the Direct DA staff. The DS has also commissioned an assignment to develop a staff orientation manual for finance personnel.

#### **Constraints and challenges:**

The DAs are reluctant to publicize the revenues received, generated, mobilized and allocated and hence stifling the possibilities for the constituents to demand for accountability. Most of the DAs have staffing gaps in finance management and internal audit because of the difficulties to attract and retain staff. Even most of the staff in place especially the Directors of Finance are inexperienced and among others find difficulties in producing timely and quality financial reports. This situation is made worse by the significant backlog of audits, which means that in effect there are insufficient financial checks and balances in place at DA level. There are also some cases of misappropriation and diversion of funds leading to the stalling of project implementation (a case of Mangochi District)

#### **Recommendations:**

MDGP should support the NLGFC to publicize revenues to DAs and the wider public including in national news papers. Communication, transparency and accountability (including publicizing of revenue) should be a performance measure under the proposed incentive based allocation system;

The MoLGRD, LASCOM, Treasury and other relevant government departments should devise strategies for dealing with the staffing problem in finance department. Options that could be explored include (i) upgrading of the position of Director Finance to attract and retain experienced staff especially from Central Government and (ii) intra and inter – DA arrangements where staff within the District Assembly (like those currently under the Accountant General or the sector departments) and staff from another DA respectively can be used to backstop the weak finance sections. As a short-term plausible alternative, MDGP and other donors should support the provision of tailored, on-the-job, hands-on support for staff in Finance Department. As an interim measure, the program should support timely audit of accounts, as this is likely to improve the quality of financial management. The GoM should make the staff found guilty personally liable as a deterrent to financial misappropriation and diversion.

### **2.3 Component 3: District Planning and Financial Management Systems**

#### **2.3.1 Output 3.1: A revised District Development Planning and Financial Management System Developed**

#### **Achievements:**

The DS redesigned the Village Action Plan (VAP) manual made simpler to facilitate easy use by the DAs and users at sub-district levels facilitators. The process is currently being implemented in Mangochi District.

**Constraints:**

The District Assemblies planning system has not yet been linked to the budgeting framework. The study that was proposed to link planning with the budgeting framework in the project document is yet to be undertaken and sector plans as well as the VAP system has not yet been integrated into the DDP. Lack of the linkage with the budgeting framework creates a big challenge in the allocation and use of resources. There is no clear definition and distinction between projects that are a mandate of the sub-district structures, DA and national level.

**Recommendations:**

The MDGP need to support the implementation of the VAP process initiated in Mangochi in the other districts in order to facilitate genuine participation of the people in the revision of the Socio-economic Profiles (SEPs) and the DDP. In line with this, GoM should legalize the institutional planning structures below the district to ensure that they represent the people interests especially the marginalized. As proposed under the DDF, there is need to publicize the IPFs to facilitate meaningful participatory planning guided by hard budget constraints.

The MoLGRD should closely work with the Ministry of Economic Planning and Development, which is in the process of refining the planning systems integrating those of the DAs with those at the national level. In the process there is need to ensure that priorities identified at the local levels inform the planning and budgeting processes at the respective higher levels i.e. in the production of DDPs at DA level and the PSIP at the national level depending on the nature of the project. MoLGRD should develop and support the DAs to use planning guidelines that provide for annual up-dating of the plans and catering for mainstreaming of crosscutting issues.

**2.3.2 Output 3.2: District Development Planning and Financial Management System Implemented in focus Districts**

**Achievements:**

As part of the predecessor programme, all assemblies have data banks and have produced SEPs as the basis of DDP preparation. Some orientation programmes have been conducted for Directors of Planning and DEC members in the DDPFMS.

**Constraints:**

Although DDPs were developed, they are not generally used in the implementation of projects as a number of projects currently implemented are either outside or not priorities in the DDPs. The menu of projects coming out of the system to-date focuses more on the social sector other than productive sectors, HIV, or food security. Important cross cutting issues such as gender, HIV, environment have not been integrated into the planning system so the way they are handled is in an ad hoc manner. Although data banks were established, they are not being utilised. Lower level committees have not been trained to enable them facilitate the planning process well. There is role confusion of the key stakeholders at the local level in terms of who is responsible for what. There is some evidence of political influence in project selection and lack of accountability and transparency in implementation of project activities. The participation of women in terms of representation is very low at the Assembly level, ADC, VDC but high during implementation of the projects

**Recommendations:**

Under the proposed refinement of the DDF, MDGP should review the menu of projects allowed under DDF. MoLGRD through the routine visits should ensure that information in the data banks is used to inform the planning process.

MDGP should support training programmes targeting the ADC, VDC that focus on their roles in the planning system so that they can facilitate planning better. There is need to support civil society organisations at the local level to help communities in understanding their roles and how to actualise powers transferred to the people through decentralisation so that they can begin to demand for accountability and transparency.

The DDPs guidelines being developed should allow for annual revision to address the emerging community needs hence introducing the concept of a rolling medium term plan.

**2.3.3 Output 3.3: District Assemblies Capacity for Service Delivery enhanced**

**Achievements:**

Two types of monitoring visits were undertaken. First Decentralisation Secretariat staff were organised into teams and this was followed by section visits from each of the departments such as planning, finance and institutional development. A number of important observations were made through these visits. Districts produce DDF reports but sometimes are not timely.

**Constraints:**

The review of the DDF has not yet taken place hence funds are still being allocated according to the old DDF system. Again due to lack of a gender strategy, the resource and service allocation is not gender based. Although project visits are being made there are no specific indicators as benchmarks on which to assess performance. Where issues are identified through the field reports there is little follow up or actions take on the issues raised. Although the M&E system for DDP implementation was revised, monitoring at Area and District level has not been done in many districts. The effect of the non-operative M&E system is evident in the lack of data on the implementation of the project.

**Recommendations:**

MDGP should support the development an M&E system that will ensure the tracking of performance at input, process, output and impact levels. Currently much of the focus is on activities.

**2.4 Other Crosscutting Issues**

**2.4.1 Learning and replication:**

**Achievements and Constraints**

Under a twining strategy of the Local Impact Area (LIA) and non-LIA districts, MDGP intended to enhance cross-district learning. However, apart from a few congresses of best practice organized by the Decentralization Secretariat (DS), there was no evidence of cross-district learning by the district due to proximity anticipated at design stage. There was no provision in the Project Document and budgets for systematic exchange visits and learning between the LIA and non-LIA districts. The lessons and experiences

have not been systematically documented to inform MDGP, NDP as well as decentralization policy refinement.

### **Recommendations**

The MDGP should support and ensure cross-district learning through annual reviews to pick speed and re-direct programme, documentation of lessons and experiences as well as informing refinement of processes and policy within Malawi and UNDP/UNCDF. The use of the findings of this MTR to inform the design and implementation of the NDP II should be the point of departure.

## **2.4.2 The local governance framework**

### **Achievements and Constraints**

The GoM is in the process of legalizing democratic institutions at the sub-district level. However, to-date there are no mechanisms, especially due to lack of information, to enable the clients to demand for accountability. The MDGP concentrated on the Local Governments system at national and DA level with insufficient attention to the sub-district structures and no attention to the broader local governance framework through involvement of the civil society and the private sector.

### **Recommendations:**

The MDGP should support efforts intended towards community level empowerment. Efforts in this regard may involve ensuring that the DAs publicise information to the clients including IPFs and local revenues, supporting the development of the civil society to support the clients/community to demand for accountability as well as the private sector.

## **2.4.3 Budget Utilization**

Partly because of the design and budgeting but also because of the high levels of budget realizations, most of the UNDP funding (80%) has been spent on the institutional development and capacity building component. Far less amounts 15% and 5% were spent on operationalization of the intergovernmental fiscal transfer system and district development planning and finance management system respectively. UNCDF had spent 34% of the funds budgeted for the DDF. Overall only approximately 20% of the total budget has been spent to-date mid-way the programme lifespan.

## **3 Overall Assessment**

Whereas the intentions are justified and the means appropriate, there are a number of both systemic and implementation challenges that if not addressed in the short-term, the intended objectives will at best take long to be attained. “The boat is facing the right direction, but has lost the momentum and is not likely to reach the destination if not quickly rowed”.

UNDP/UNCDF should ensure that the MoLGRD considers and incorporates the findings, lessons, experiences and recommendations of the MTR into the NDP II currently under preparation. After the approval of NDP II, UNDP/UNCDF should field a technical team with representatives from the GoM and other donors to revisit and re-orient the MDGP within the changed context of the NDP II, but also to consider and devise strategies of implementing the recommendations of the MTR. Key issues for consideration during the



MDGP re-designing could include but not limited to:

- Ensuring a symbiotic relationship and synergies with NDP II, donors programmes, the decentralization policy as well as the wider public sector reforms;
- Elaborating donor coordination arrangements in the implementation of programme activities as well as helping the GoM to develop national systems for financing service delivery under a decentralized context;
- Refining the modalities for implementation of the DDF including detailed design of the incentive based allocation system and mechanisms for implementing it; and
- Ensure that the outputs and indicators are relevant, exhaustive and consistent under the different components of the programme.

**List of abbreviations**

ABP	Area Based Programmes
ADB	African Development Bank
ADC	Area Development Committee
AEC	Area Executive Committee
DA	District Assembly
DACC	District Aids Coordinating Committee
DC	District Commissioner
DDC	District Development Committee
DDF	District Development Fund
DDP	District Development Plan
DDPF	District Development Planning Framework
DEC	District Executive Committee
DDPFMS	District Development Planning and Financial Management System
DFP	District Focus Programme
DFID	Department for International Development
DoLG	Department of Local Government
DS	Decentralisation Secretariat
DTT	District Training Team
FY	Financial Year
GDP	Gross Domestic Product
GoM	Government of Malawi
GRF	General Resource Fund
GVH	Group Village Headman
HRD	Human Resource Development
HQ	Head Quarters
IGFTS	Intergovernmental Fiscal Transfer System
IMTC	Inter Ministerial Technical Committee
IPF	Indicative Planning Figure
IFMIS	Integrated Financial Management and Information System
JICA	Japanese International Cooperation Agency
LASCOM	Local Authority Services Commission
LDF	Local Development Fund
LG	Local Government
LGDMF	Local Government Development Management Programme
LGFC	Local Government Finance Committee
LIA	Local Impact Area
MALGA	Malawi Local Government Association
MASAF	Malawi Social Action Fund
M&E	Monitoring and Evaluation
MDGP	Malawi Decentralized Governance Programme
MoLGRD	Ministry of Local Government and Rural Development
MPRS	Malawi Poverty Reduction Strategy
MTEF	Medium Term Expenditure Framework
MTR	Medium Term Review

NAO	National Audit Office
NDP	National Decentralisation Programme
NEAP	National Environmental Action Plan
NLGFC	National Local Government Finance Committee
NORAD	Norwegian Embassy
NGO	Non Governmental Organization
O&M	Operation and Maintenance
OPC	Office of the President and Cabinet
PMC	Project Management Committee
POP	Programme Operations Plan
PRSP	Poverty Reduction Strategy Paper
PS	Principal Secretary
SEP	Socio Economic Profile
TA	Traditional Authority
TOR	Terms of Reference
TOT	Training of Trainers
UNCDF	United Nations Capital Development Fund.
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAP	Village Action Planning
VDC	Village Development Committee

**Project Data Sheet**

Country:	Malawi
Program title:	Malawi Decentralized Governance Programme
Number of the Program:	MLW/02/005/01/99; MLW/02/C01
Sector:	Local Governance and Development
Sub-sector:	District Administration and Rural Development
Project Components:	Institutional Development and Capacity Building Fiscal Decentralization District Planning & Financial Management Systems
Official Duration:	2002 – 2006
Date Document Signed:	September 2002
Effective Start Date:	April 2003
Date for the MTR:	November – December 2004
Government Authorizing Agency:	Ministry of Finance
Executing Agency (at signing):	Department of Local Government
Executing Agency (to-date):	Ministry of Local Government & Rural Development
Implementing Agency:	Decentralization Secretariat
Number of Districts Covered:	12
Names of the 12 Districts Covered:	Nkhata Bay, Mzimba (Northern Region) Mchinji, Kasungu, Dedza, Ntcheu (Central Region) Mangochi, Machinga, Thyolo, Chiradzulu, Nsanje, Chikwawa (Southern Region)

## **1 INTRODUCTION AND BACKGROUND**

### **1.1 Introduction to the Evaluation**

#### **1.1.1 Purpose of the Mission**

The Malawi Decentralized Governance Programme (MDGP) was approved in September 2002 to be implemented up to 2006. It was also agreed that a mid-term review be conducted halfway the life span of the project. As per the terms of reference, the Mid Term Review (MTR), the subject of this mission, is conducted to assess the performance of the project. The review tasks in the ToR were to:

- a) Assess overall progress (or lack of thereof) in delivering project outputs for all components as defined in the Logical Framework of the Project Document, and the likelihood of attaining the immediate and development objectives;
- b) Assess the continuing validity and relevance of project objectives. Examine design features and recommend how best the design can lead to achievement of the desired objectives/outputs;
- c) Assess the effectiveness of the current funding arrangements and the constraints to achieve a consensus among the involved donors on more harmonization;
- d) Assess the institutional and implementation arrangements and their suitability for the successful attainment of the project objectives; including the consistency, or lack thereof, between the policies of the stakeholder organizations;
- e) Assess the managerial competencies, capabilities and innovation at all levels in implementation of the project;
- f) Provide perspective on outstanding management and implementation issues;
- g) Assess sustainability of the achieved outputs and identify exit strategies;
- h) Assess the reporting mechanism and establish how best can it be regarded as an effective management tool;
- i) Draw critical lessons learned about project design, implementation and management; and make recommendations to improve them and comply with the requirement of the Project Document/Financing Agreement as well as per the rules and regulations of the UNDP/UNCDF/Government of Malawi.
- j) Undertake an institutional analysis of the ability of the key decision makers of the programme management unit to manage, implement and share lessons with local stakeholders since it was stated that as the Decentralized Governance Programme is a pilot providing a mechanism for learning best practices and lessons.

- k) Further, according to substantial changes in the policy environment, the MTR was required to propose a way forward for UNDP/UNCDF in Malawi that considers the current political and administrative decentralization situation. As the MoLGRD recently submitted a request to UNDP to extend the assistance to the Decentralisation Secretariat for one year to December 2005, the MTR team was requested to review this issue as well.

### **1.1.2 Composition of the evaluation team**

**Table 1.1: Composition of the evaluation team**

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### **1.1.3 Methodology and work plan**

The approach to the assignment was broadly categorized into four tasks:

a) Preparation and orientation: The activities under this task included a courtesy call to the UNDP Resident Representative in Malawi, discussion with UNDP/UNCDF staff, phone briefing with the UNCDF Evaluation Unit in New York, discussion with the Decentralization Secretariat Programme Manager and review of secondary data. During the same period, the team also elaborated on the data collection checklist per objective and thematic area of the MTR and agreed on team roles and coordination arrangements.

b) Consultations with the District Assemblies: Three District Assemblies of Mchinji, Mzimba and Mangochi were sampled following the criteria summarized in table 1.2. In each District, meetings and discussions were held with a wide range of stakeholders including District Assembly staff and elected leaders. In addition, the team held consultations at Area Development Committee (ADC) and Village Development Committee (VDC) levels targeting members of the committees, ward councillors, Area Executive Committees (AEC) as well as community members, including both men and women.

c) Validation of information: During and after consultations with the District Assemblies and communities, the MTR team validated and complemented information collected with a second round of discussions at the national level targeting Ministry of Local Government and Rural Development (MoLGRD), Donors, National Local Government Finance Committee (NLGFC), as well as other government agencies (See annex 3 for the detailed schedule of activities).

d) Information analysis and reporting: The MTR team progressively discussed and generated the outputs specified in the terms of reference. Emerging issues were also progressively discussed and double-checked with UNDP/UNCDF, MoLGRD, Decentralization Secretariat, other government departments as well as donors. The team drafted an Aide Memoir summarizing the results of the MTR. The Aide Memoir was shared and discussed during the mission wrap-up meeting with the key stakeholders related to the programme.

**Table 1.2: Sample selection criteria for the study districts**

District	Sampling Criteria
Mchinji	<ul style="list-style-type: none"><li>○ Representing the central region</li><li>○ Local Impact Area (LIA) District<sup>2</sup></li><li>○ Pilot for the computerized IFMS</li><li>○ Categorized by DS as having benefited from UNCDF DDF in 2003<sup>3</sup>.</li></ul>
Mzimba	<ul style="list-style-type: none"><li>○ Representing the northern region</li><li>○ Non- Local Impact Area District</li><li>○ Pilot for the computerized IFMS</li><li>○ Presence of a number of NGOs -ActionAid, World Vision, Plan International, CCF</li><li>○ Categorized by DS as having benefited from NORAD DDF in 2003</li></ul>
Mangochi	<ul style="list-style-type: none"><li>○ Representing the southern region</li><li>○ LIA District</li><li>○ Categorized by DS as having benefited from UNCDF DDF in 2003</li><li>○ Reported diversion of the DDF funds</li><li>○ Piloting the Village Action Planning (VAP)</li></ul>

#### **1.1.4 Structure of the report**

The report is structured as per the format for the evaluation report provided in the terms of reference. In the first part, the report provides an overview of the project background, basic information and makes an analysis of the project preparation, design and relevance. In the second part, the report analyzes the status and performance of implementation, results as well as potential impact. Part three examines the critical issues in both project design and implementation and it is followed with conclusions and key recommendations.

It should be noted however, that whereas the structure of the report as required by UNCDF Evaluation Unit facilitates in-depth analysis of all issues relevant to project design, implementation as well as possibilities for refinement and replication, on a number of instances, it has led to argument overlaps. In some cases, especially based on the need to maintain logical sequencing of and consistency of the arguments some of the proposed sections in the evaluation format have been merged. Yet on a number of occasions, to minimize on the repetitions, cross-referencing between the different sections of the report has been done.

<sup>2</sup> Local Impact Area Districts are the six (6) districts that benefited from the District Focus Programme (DFP) that was implemented from 1994/95.

<sup>3</sup> UNDP/UNCDF formed a DDF basket fund with NORAD to fund in total 21 Districts. However, in the records of the Decentralization Secretariat and NLGFC, a distinction is made on where the funds from each of the donors was sent.

## **1.2 Brief description and overview of the MDGP**

### **1.2.1 Origin and evolution of MDGP<sup>4</sup>**

UNCDF/UNDP started its support to decentralization and governance aspects to Malawi in 1994 under the 5<sup>th</sup> Country programme with the District Focus Programme (DFP) covering six districts called the Local Impact Area (LIA) Districts. This programme was implemented before the GoM formulated a decentralization policy and hence greatly influenced the development of the decentralization policy. From 1997 to 2001 UNDP/UNCDF implemented the Local Governance and Development Management Programme. This was the first official programme in the area of decentralization. It was a national programme used to replicate the lessons from DFP. It covered the whole country and supported all the activities in the National Decentralization Programme (NDP). It was during the same period that the Decentralization Policy of 1998 and the LGA 1998 were approved.

In order to address poverty, and in recognition of the Decentralization Policy of 1998 as a key strategy for implementing poverty reduction initiatives, the Government formulated the Malawi Poverty Reduction Strategy Paper (PRSP). Pillar 4 of the PRSP specifically targets promotion of good governance. In line with this pillar of the PRSP and to operationalize the decentralization policy, the GoM through the DoLG (now the MoLGRD) and in collaboration with donors formulated the National Decentralization Programme (NDP) 2001-2004. The NDP contained seven components including legal framework, building of democratic culture, institutional development, fiscal decentralization, local development planning and financing mechanisms, devolution of functions and accounting and financial management. Malawi Decentralized Governance Programme developed by the GoM in collaboration with UNDP/UNCDF and approved in September 2002 was intended to support three main areas of the NDP i.e. institutional development and capacity building, fiscal decentralization, and local development planning and financing mechanisms.

### **1.2.2 The programme rationale**

As mentioned above, the MDGP was intended to support the implementation of the NDP, which was a programme designed to facilitate the implementation of the Decentralization Policy. The rationale for decentralization was based on<sup>5</sup>:

- a) The need to create a democratic environment and institution in Malawi for local governance and development;
- b) The need to reduce poverty, which is the central development policy for the country;
- c) The need to abolish a dual-system of local administration;
- d) The need to promote accountability, good governance and popular participation in local development process; and

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<sup>4</sup> For detailed analysis of the existing situation at the time the programme started, please refer to section 2.3.

<sup>5</sup> Refer to the Program Document of the MDGP page 2.



- e) The need to improve coordination among the ministries/departments at the district level.

### **1.2.3 The substantive approach and implementation arrangements**

The program was designed to achieve maximum impact of the financial and technical assistance through:

- a) Geographical focusing by operating in 12 districts where 6 LIA and 6 non LIA districts were paired under a twinning arrangement to facilitate cross district learning and sharing of experiences;
- b) District Development Fund (DDF) deepening where discretionary investment funds are provided to the Districts Assemblies. The DDF was intended at pooling donor and government resources together under '*a basket fund*' to support the implementation of the NDP as a whole;
- c) Functional analysis of DAs aimed at restructuring and reorienting the Assemblies based on strategic planning approach;
- d) Strengthening the capacity of national institutions in support of decentralization especially the MoLGRD, the Decentralization Secretariat (DS) and training institutions. The programme was implemented by national institutions including Ministry of Finance as Government Authorizing Agency, MoLGRD as Executing Agency, the Decentralization Secretariat with the management responsibility and the Inter-ministerial Technical Committee to over see implementation; and
- e) Developing and implementing systems for District Planning and Financial Management that allow the efficient and effective identification and implementation of projects that address community priorities.

### **1.2.4 The development and immediate objectives**

The overall goal of the Program is 'to empower local communities through local governance and development management for poverty reduction'

The immediate objective and the respective expected results/outputs are:

- a) To strengthen the management and technical capacity of central and local governments institutions in relation to their roles and responsibilities;
  - DLG strengthened for effective implementation of the NDP;
  - Decentralization Secretariat strengthened for effective implementation of the NDP;
  - Decentralization Secretariat functions institutionalized in relevant institutions; and
  - District Assemblies strengthened for gender mainstreamed development and effective service delivery.

- b) To strengthen mechanisms for financing local governments in order to increase locally generated and mobilized revenue in support of decentralized service delivery responsibilities:
  - An Intergovernmental Fiscal Transfer System Operational;
  - Capacity to mobilize, generate and allocate revenues in all Assemblies improved;
  - Enhanced financial transparency and accountability in DAs.
- c) To strengthen the capacity of central and local governments and local communities in the planning and management of development and service delivery:
  - A revised District Development Planning and Financial Management system (DDPFMS) developed;
  - DDPFMS implemented in focus districts; and
  - District Assemblies capacity for service delivery enhanced.

#### **1.2.5 Outline arrangement for monitoring and evaluation (M&E)**

The monitoring and evaluation arrangements outlined in the Project Document are<sup>6</sup>:

- a) Inspection tours/field visits by the DoLG and DS to DAs and quarterly reports from DoLG to UNDP and UNCDF;
- b) Annual review of the MDGP in the context of the NDP;
- c) Mid-term review in the third year of the program by UNDP and UNCDF;
- d) Terminal evaluation to review the outcome and impact of the programme; and
- e) Impact assessment to review progress made towards poverty reduction.

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<sup>6</sup> For the analysis of status and progress to-date refer to section 3.7.

## **2 PROJECT PREPARATION, DESIGN, AND RELEVANCE**

### **2.1 Preparation**

This section analyzes the appropriateness of the project preparation including baseline data, key performance indicators, feasibility studies and implementation arrangements. The section further assess the design and quality of the project formulation process, based on the Project Document, considering whether all the necessary components/elements were taken into account and whether the original assumptions and risks are still justified and valid.

As described in section 1.2.2 above, the MDGP was a successor programme to the UNDP/UNCDF supported Local Governance Development Management Programme (LGDMP) that was designed to pilot the decentralization initiatives covering all the districts of Malawi. Results of this programme generated relevant lessons that enabled government to develop a decentralization policy and a National Decentralisation Programme (NDP) as a resource mobilization and guiding tool in the operationalization of the programme.

The preparation of this programme was largely informed by results of the mid term evaluation of the LGDMP, Joint Donor Round Table Conference on Decentralisation in August 2001, Joint Government of Malawi/Donor Review of the Technical Programme in October 2001, the Concept Paper Formulation Mission of October 2001 and the Programme Support Mission of March 2002.

The project formulation process was all-inclusive and participatory and a deliberate effort was made in the process to link the programme with key national processes and documents. In the development of the concept paper for this programme, consultations were carried out at national, district and village level to assess the degree to which the immediate aims of the LGDMP were achieved. During these consultations, it was noted that the LGDMP had some positive impacts on policy, replication of the process throughout the country and increased capacity of community members to be involved in their own decision making for development and the provision of a stable infrastructure funding through the establishment of the DDF. This analysis together with the mid term review and donor reviews was the base line information upon which it was considered that the programme should be implemented. Thus the presence of an approved decentralization policy and a Local Government Act as positive outputs of the LGDMP, that needed to be implemented guided the design of the programme.

In addition to the positive impacts of the LGDMP, the preparation also took into account the proposed interventions in the Malawi Poverty Reduction Strategy Framework (MPRS), which recognized the need to build capacity at the district level to foster the transferring of functions from the central government to the districts in the decentralization process. Thus the UNDP/UNCDF, MDGP was conceived to be a key programme within the MPRS, working with the Department of Local Government to support capacity building of main institutions at the district level.

The need to build on the achievements of the LGDMP, and the need to support national actions intended to enhance good governance and measurable impacts on poverty reduction was indeed strategic. Ideally it was considered that the choice of districts for the replication strategy should take into account potential for high impact and supporting

best practices and lessons, human resource capacity, non-existence of other donor support to the assembly and level of poverty. However, in the absence of concrete funding commitments from other development partners, the selection criterion of the districts where the programme was implemented was largely based on availability of UNDP/UNCDF funding and a supposed twinning strategy that was to be developed to enhance sharing of lessons and experiences between districts.

The programme document however, contained some critical omissions. For example, within the overall programme strategy, the document identifies development of alternative livelihood strategies for the poor but this is not clearly articulated and is not supported with any activities in the Programme Result and Resources framework. In addition, in the District Planning and Financial Management System one of the issues to be addressed is greater input from marginal groups and focus on the needs of marginal groups so that there is greater improvement of the way the poor especially those living in marginalized rural areas can influence government policies. However there are no corresponding activities and no relevant indicators that would enable one to capture this aspect. Perhaps it was assumed that having a participatory planning system revised and implemented in an Assembly would automatically translate into greater improvement in the way the poor and other marginalized groups can influence government policies

The programme document appropriately identifies important risks to the successful implementation of the programme such as political commitment, sector devolution, and donor dependency. The apparent delay in sector devolution has indeed stalled the districts ability to create horizontal management structures in support of district priorities. However, the abrupt cut back in funding by UNCDF from USD 6M to 1.5M, itself was not anticipated in the design, which in practice has been the most serious threat to the successful implementation and continuation of the programme.

## **2.2 Design**

### **2.2.1 Analysis of approach effectiveness**

This section assesses whether the approach adopted to solve the problems identified was the most effective at design stage. The issue of whether the approach was actually implemented and contributed to solving the problems is discussed in chapter 4 of this report.

As detailed in section 1.2.4, the approach adopted for implementation of the programme mainly involved supporting the national institutions to enable them support the DAs in the implementation of their mandates as well as developing systems for planning, financing and management of service delivery at the DA level. This approach was effective especially because the MDGP was conceived within the context of the NDP and the approach adopted intended to reinforce the implementation of the NDP and the decentralization policy. In particular, the DDF was supposed to be transformed into the Local Development Fund (LDF) to benefit both the rural and urban districts. The DDF deepening providing discretionary development grants to DAs is an effective approach to consolidating central-local transfers, for operationalising participatory planning below the district level as well for enhancing financial management, transparency and accountability.

However, there were some deficiencies in the approach adopted at the design stage which include:

- a) The problems identified at the program design stage were broad and the programme intended to address local governance issues and development management for poverty reduction. Up to-date there is noted reluctance to question the accountability of public officials and institutions in service delivery. This is largely due to a widespread lack of understanding of basic civic rights under a democratic government<sup>7</sup>. However, the design and the choice of the three components of the programme, the programme concentrated only on the local government sector and did not address the role of civil society as well as the private sector in the broad governance framework since there are inter linked not mutually exclusive. Even some of the levels of the local government sector especially at sub-district level were minimally targeted. The programme could learn from, build and support the consolidation of the lessons gained from the existing networks including the 'Civil Society for Quality in Basic Education', Malawi Health Equity Network; and Civil Society Agriculture Network. This will especially be important when the service delivery functions in these sectors are devolved to DAs.
- b) Environment was identified as a major problem but no specific activities were in built in the programme. Whereas activities related to environment should not have been implemented in isolation, they would have been clearly emphasized under the other project processes especially the planning process specifically appraisal and project monitoring;
- c) It was proposed to institutionalize training in Malawian Institutions. This is just part of the solution and the project document would have emphasized the need to broaden training providers, open up space and allow the development of the private sector that would have created competition in training delivery hence improving the efficiency and quality of the trainings. This would also ensure the creation of critical mass on DA training across Malawi focusing on training providers with a comparative advantage.

## **2.2.2 Analysis of the objectives and outputs**

This section analyses whether the objectives and outputs in the Project Document are well defined, realistic and quantifiable.

- a) The activities being supported were derived from the NDP – but activities mainly concentrated at National and District level not below the District. This has led to little comprehension and participation of the communities in the decentralization process yet they are supposed to be the primary clients.
- b) Some of the activities under the outputs are not mutually exclusive and are repeated under different outputs.

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<sup>7</sup> Please refer to the Review of the National Decentralization Programme of Malawi 2001-2004 page viii

Examples of activities that are not mutually exclusive or repeated

- Training Ministry of Finance (MoF) staff on Decentralization Policy appears as 2.1.3.2 under the POP and is one of the activities under Fiscal Decentralization in the programme description yet under the logframe it is 1.2.5.6 under Decentralization Secretariat Strengthened. Training MoF staff is not related to the strengthening of the Decentralization Secretariat.
- Revising DDF funding mechanism in light of the Inter Governmental Fiscal Transfer System (IGFTS) is an activity under Fiscal Decentralization under the Programme Description yet reviews of the DDF funding mechanism in light of the IGFTS is an activity under District Assemblies capacity for service delivery in the logframe and POP.

- c) The outputs and activities described in the programme components, those in the logframe and those in the project operational plan are not necessarily the same. Yet some outputs and activities in the logframe are not in the programme description like Decentralization Secretariat strengthened for effective implementation of the NDP is in the logframe but not in the programme description. Some of the output indicators in the programme component i.e. improved budgeting and auditing and economic user charges fixed and better use of ceded revenues are not indicated as outputs in the logframe and POP<sup>8</sup>.

### **2.2.3 Analysis of programme beneficiaries and users**

Under this section, the report analyzes whether the beneficiaries and users of project results were properly identified. In the design, it was recommended to concentrate in 6 LIA and 6 non-LIA Districts under a twinning arrangement. The idea of a twinning strategy was an important innovation in the design of the programme given the assumed disparities in the capacities of the assemblies and one that could have facilitated sharing of skills and knowledge. However, to-date there is little or no conscious efforts to share experiences and compare notes between the LIA and non-LIA districts due to geographical proximity as per design intention. The Project Document did not specify how the twinning arrangements would be implemented like through quarterly reviews, exchange visits and there were no budgets and any other incentives to cater for this. What has been done so far is sharing of experiences at national level under a different arrangement especially through the congresses of best practice in Financial Management and Planning.

The rationale for the project to cover 12 districts not the whole country was mainly due to the insufficient resources and the need to make impact. But even then the resources available (even before the cut in UNCDF funding) were not enough to have meaningful impact in 12 districts. It would have been better at that time to lobby other donors to enter into a national programme for supporting the devolution of the development budget. This would have helped to develop national systems; a shift away from donor specific programmes and ensures equitable distribution of resources. When UNDP/UNCDF tried on a similar arrangement after the design with NORAD, it yielded results as NORAD accepted to fund the DDF with UNDP/UNCDF under a basket arrangement. The activities concentrated more at the District and Centre level than the ADCs and VDCs where the planning, implementation, management and sustainability of investments is expected to be executed.

<sup>8</sup> The MTR has taken the Project Log Frame as a point of departure for the analysis. Where possible, some of the outputs/activities not captured in the Logframe were also analyzed.

#### **2.2.4 Analysis of planned sequence of activity implementation**

This section assesses the planned sequence of implementation of activities vis-à-vis supporting implementation arrangement such as allocation of funds including amount, channel of disbursement, and accountability, and staff requirements. We also establish the extent to which achievement of the activities envisaged was commensurate to logistical arrangements (vehicle and office equipment).

As specified under the project objectives and outputs, the project intended to strengthen and build capacities responsible for the implementation of decentralization, decentralize financial resources as well as developing systems for District Planning and Financial Management.

The Project Document justifiably specified that the capacity of institutions that are supporting the implementation of decentralization including the MoLGRD, DS, NLGFC, MoF that had to be developed in order to support decentralization. Notwithstanding, the inappropriateness of the capacity building delivery mechanism (over focus on career development), the sequencing of the activities would have positively impacted on the effectiveness of District Assemblies. Considering the capacity of the DAs for operation and maintenance, the provision of one new Land Cruiser and computers at DA level could have facilitated the implementation of the planned activities especially in regard to overseeing the planning, use and monitoring of the DDF as well as implementing the planning and financial management systems. The programme activities would have been implemented at a faster pace if there were the right people in the right places with opportunities to learn on the job to implement the challenging policy of decentralization at the DA level.

### **2.3 Relevance**

This section reviews the relevance of the project and its strategy given the current policy and institutional context. It examines whether the objectives are realistic and appropriate given the current context and re-examines the previous efforts to re-align the project objectives. To appreciate the relevance of the program and its strategy given the current context, its important to refer to the development and immediate objectives outlined in section 1.2.5 as well the overall program strategy under section 1.2.4 of this report.

#### **2.3.1 Context at the beginning of the Program**

##### **a) Poverty**

Malawi is one of the least developed countries in the world, with 65% of its population facing poverty in the form of food insecurity, lack of income or viable income generating opportunities, lack of productive assets, poor health, poor housing, lack of basic assets and poor social or psychological status. The Malawi Government policy thrust is therefore poverty reduction.<sup>9</sup>

Rural areas are particularly poverty stricken. The great majority of the Malawian population (virtually all of the poorest segments of the population) lives in the rural areas and derives its livelihoods from agriculture and other activities derived from the rural

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<sup>9</sup> Program Support Document: Malawi Decentralized Governance Program (pages 1&2)

resource base. Despite high rates of urban growth, the absolute numbers of people dependent on the natural resource base is likely to grow in both absolute and relative terms for several decades to come. The *“Profile of Poverty in Malawi”*, prepared by the Government, estimates that 66.5% of the rural population live in poverty as compared to 54.9% for urban areas, as many as 90% of the population live in rural areas, 91.3 % of the poor and 91.5% of the ultra poor also live in rural areas. The Southern Region has the highest proportion of poor households compared to the other two regions (partly because of the small size of cropland holdings per capita estimated at 0.176 hectares). However, areas with the highest poverty headcount are, among others, Ntcheu District (84.0%) in the Central Region and Thyolo District (76.8%) in the Southern Region.

To address the issue of poverty, the Government among other things developed a Poverty Reduction Strategy Paper recognizing the Decentralization Policy of 1998 as a key strategy for implementing Government poverty reduction initiatives. The strategy is intended to empower the people of Malawi through a decentralized local governance and development management system. The Malawi Decentralized Governance programme was designed in the same context to supplement poverty reduction efforts through supporting the implementation of the decentralisation process.

## **(b) Environment**

The Malawi Government recognized the rate of natural resource depletion in the country as quite rapid and becoming unsustainable. The majority of the priority issues which the National Environmental Action Plan, (NEAP) of 1994 considers as major threats to the environment and resource base of Malawi, have a direct linkage to small farmers and include, soil erosion, deforestation, water resource degradation and depletion, and depletion of fish stocks. Soil loss rates were reportedly reaching worrying levels (20-50t/ha) in some areas, and soil structure and soil fertility is declining, with adverse impact on household income and food security<sup>10</sup>. As cultivated areas expand, land clearance expands and tree cover declines. According to the NEAP's analyses, the costs of degradation of major natural resources have been estimated at over 10% of GDP. Furthermore, there is a strong correlation between poverty and access to fertile land. The sustainability of the production systems of Malawian rural population is under the stress of several factors including low quantity of cultivated and cultivable land per person (especially in the south); low quantity of forest resources per person (especially in the centre and south); rainfall enabling only a single growing season; very high dependence on agriculture of a highly dense population, with a high growth rate; etc.

At the onset of the MDGP food security was recognized as a serious threat to a better life and was considered to be dependent on size of land, education, available factors of production and local income purchasing power. Another factor that was recognized as having exacerbated food security was a rapid trend over the past decade, to transform customary land into estate lands (i.e. transforming them from common property into 'private' property), alienating use rights of the majority in favor of a small minority.

Furthermore, poverty and environment are linked in a complex, cyclical relationship, whereby the poor have to rely only on natural resources for survival. About 70-80% of Malawi's biomass is burned in any one season from the burning of crop residue, bush and forest fires, use of fire for hunting and clearing grazing pasture as well as for fuel

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<sup>10</sup> Please refer to the MDGP Program Support Document on page 8.



wood. Soil erosion and declining land productivity are the most significant environmental issues faced by Malawi.

### **(c) HIV/AIDS Epidemic**

Malawi is one of the countries worst hit by the HIV/AIDS epidemic. The epidemic has affected all sections of society and all sectors of the economy. Government attaches high priority to mitigate the impact of the epidemic and curtail its spread. In October 1999 the President launched a very comprehensive National Strategic Planning Framework and Agenda for Action clearly defining nine priority areas of action for the period 2000-2004. These include, among others, addressing cultural values, beliefs and practices and gender issues; promoting consistent condom use; encouraging pre-marriage abstinence and mutual faithfulness after marriage; and encouraging voluntary testing and counseling.

The HIV prevalence rate among 15-49 had increased to 16.4 per cent in 1999. It was estimated that every day an average of 267 persons become infected with the HIV virus and 139 die of AIDS-related diseases. It is estimated that 46 per cent of the new infections occur among youth aged between 15-24 years, with 60 per cent of those being females. The onset of HIV/AIDS in a household signals the beginning of a transition from poverty to complete destitution and poses a threat to the already tenuous child and woman's rights situation.

The impact of the epidemic includes, among others, increased morbidity and mortality and a growing number of orphans. It is estimated that by the end of 1999 there were 390,000 orphans due to AIDS, defined as an under-15 years of age whose mother or both parents died due to AIDS. According to UNAIDS, the number of children living with an HIV-positive parent may be even greater than the number of children already orphaned. Overall, the fast spreading epidemic is draining the country's capacity and adversely affecting development efforts. Caring for infected members and subsequently caring for orphans left behind places new demands on family resources. More and more households are being unable to meet these demands leading them to destitution and starvation and forcing them to let orphans fend for themselves and their siblings on the streets.

Government departments, non-governmental organizations and the private sector are all experiencing a loss in productivity and increased costs due to absenteeism, medical bills, funeral costs and payment of pre-mature death benefits. Attrition rates due to HIV/AIDS are high and experienced staff, in many cases trained by the employing organization, has to be replaced by poorly qualified and less experienced staff with consequent adverse effects on productivity. Social services are undergoing added strain. It is estimated that 30 per cent of the curative budget of the Ministry of Health and Population is spent on AIDS patients. HIV-related illnesses such as TB and other secondary infections have been on the increase. In addition, the health sector has been losing qualified and experience professional personnel. In the education sector too, it is estimated that 10 per cent of staff are lost due to the epidemic and only a fraction of these are replaced.

The HIV/AIDS epidemic is therefore devastating the economy of Malawi,<sup>11</sup> destroying the social fabric and more than offsetting the small gains that the country is able to achieve in

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<sup>11</sup> For an assessment of the economic impact of the epidemic see Malawi AIDS Assessment Study, (The World Bank, Lilongwe, 1998); and Lodh, B. - The Demographic and Economic Impact of HIV-AIDS in Malawi: 1987-2022, (The World Bank, Lilongwe, November 1995).

poverty reduction. Women and children are the worst affected. About 30 per cent of pregnant women are known to be testing HIV positive and with a mother-to-child-transmission (MTCT) rate estimated at almost 25 per cent, it means that 7-8 of the newly born are likely to be infected at or soon after birth with virtually no chance of survival. This means that a significant proportion of babies are being born with their right to survival in jeopardy. Children of parents dying of AIDS-related illnesses are destined to an orphan hood mostly with no guardians and having to fend for themselves. They find themselves in a situation of near destitution with barely enough to eat and no access to education and health facilities. Women too bear the burden in that they have to bear the responsibility of providing care to the sick. Moreover, their socially subordinate role makes them vulnerable to involuntary and unprotected sex leaving them highly exposed to the risk of contracting HIV.

#### **(d) Gender**

Gender equality is one of the guiding principles of the 1995 Malawi Constitution. This is supported through the National Gender Policy, which is integral to the overall government strategy of poverty reduction and development. The goal of this policy is '*to mainstream gender in the national development process to enhance participation of women and men, girls and boys for sustainable and equitable development of poverty eradication*'. Despite this policy framework, gender inequality still exists in all sectors (for further details of manifestations refer to 5.3).

Women are more likely to be poor in Malawi. The poorest of the poor are more likely to be living in female-headed households. The adult female literacy rate is estimated to be 45%, whereas the equivalent male rate is 73%. Since 1995, primary education has been made available to all Malawians. Enrolment of girls and boys in primary education is currently about 1:1 and more than 80% of all children enroll. However, the dropout rate for girls is much higher than that for boys. In the final year of primary school only 25% of the students are girls. However, recent indications are that the education levels are improving. The latest Demographic Health Survey (NSO, 2002) shows a substantial decline in the proportion of men and women who never attended school since 1992 (women from 47% to 27% and men from 21% to 10%).

Women dominate the agricultural labour force, but have less access to land ownership than men because of various social, economic, cultural and legal constraints. Women's participation in the formal employment sector is low (women occupy approximately 15% of formal sector posts) (SARDC, 1997). Women primarily work as teachers, nurses or clerical workers and are poorly represented in technical and management positions. In the informal sector, women are involved in food processing and marketing, but are less likely than men to work in the urban areas. It has been estimated that women in Malawi work an average of 12 hours per day, which is twice the average worked by men (UNICEF/GOM, 1997). About half of women's working hours are spent on household chores, predominantly food production and food security, water collection and gathering firewood. It is estimated that 50% of households obtain their water from a source more than one kilometer away and on average, rural women spend six hours per week collecting firewood. Women and girls within the household also predominantly carry out childcare and caring responsibilities for the sick. Gender differences in men's and women's roles and responsibilities, and gender inequities in access to resources, information and power, impacts negatively on women's health.

The Blantyre Declaration of the SADC Heads of State and Government commits the government to ensure that women hold 30% of all political and decision-making positions at all levels by 2005. However, this policy is probably being implemented too slowly to reach this target (CHRR, 2001). Politically, women are poorly represented at all levels of government. In the 1999 Presidential and Parliamentary elections, only 17 out of 193 Members of Parliament were women. At local level, almost all traditional authorities are male, although women have a greater role in local decision making in the matrilineal areas. Factors which may contribute to women's limited participation in politics include: gender norms and attitudes which emphasise women's subservience in society; lower levels of education amongst women than men; and, women's limited access to financial resources to enter politics.<sup>12</sup>

### **(e) State of Decentralization**

At the commencement of MDGP, the implementation of the mode of decentralization known as devolution was underway, with Government having adopted the Decentralization Policy in 1998 backed by the Local Government Act of 1998. A Cabinet Committee on Decentralization had been put in place to ensure that attention is given to issues to do with decentralization at the highest level.

A National Decentralization Program (NDP) had been developed which was viewed as the basis for donor support and as a strategic coordination framework for all development partners wishing to support the implementation of the decentralization process in Malawi. The implementation status of the NDP was as follows:<sup>13</sup>

- *Legal Framework:* 28 existing Acts had been reviewed and 17 recommended for amendment to make them consistent with the Local Government Act 1998.
- *Civic Education:* The policy and the Act had been disseminated through translation into vernacular languages, briefing sessions with political and traditional leaders and staff at district level, workshops for Principal Secretaries, the media and NGOs, etc.
- *Fiscal Reforms:* A DDF was functional in all 27 districts, a study on intergovernmental fiscal transfers had been completed and its recommendations were to be presented to Parliament for approval, and a study on business and property rates had been completed.
- *Administrative Reforms:* Institutions to support the decentralization process including NLGFC, LASCOM, MALGA and DS had been established, DoLG's capacity was being strengthened.
- *Accounting and Financial Management:* an Integrated Financial Management System (IFMIS) for the DAs had been developed and was being implemented. Computers and software of the IFMIS for all District Assemblies had been purchased.

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<sup>12</sup> LATH Swap Design Mission Report

<sup>13</sup> Program Support Document: Malawi Decentralized Governance Program (page 3)

- *Recruitment* to fill in senior management positions in the District Assemblies was in the process with a target date of July 2002 to have all positions filled.
- *Sector Devolution*: The DS was engaged in facilitating the initial 7 sector ministries to develop their devolution plans with the first set of functions to be devolved starting in July 2002.
- *Local Government Planning and Financial Management System*: District Planning System and Village Action Plans were being revised and refined. The first 27 District Development Plans had been prepared and assemblies were in the process of improving their socio-economic profiles and refining their development plans.

Proper planning, management and coordination of the implementation of the decentralization process was seen as key to the successful institutionalization of decentralization policy in Malawi. The key central government institutions mandated to manage the process were Cabinet Committee on Decentralization, Department of Local Government, Ministry of Finance, Inter-Ministerial Technical Committee on Decentralization, Decentralization Secretariat, Local Government Finance Committee, Local Administration Services Committee (LASCOM), and the National Audit Office. District level institutions are the District Assemblies, the Area Development Committees and the Village Development Committees. During the programme formulation process, program reviews, an impact assessment study conducted in 2001, concept paper mission and GoM/Donor review meetings it was demonstrated that these key institutions suffered from inadequate capacity in one form or another to enable them to effectively carry out their roles.

### **2.3.2 Relevance of Program under the current context**

The state of poverty since the commencement of the project is still very much the same. Although the country has some natural resources, these have not yet been transformed into economic wealth in a sustainable manner due to lack of good quality human capital, lack of financial capital, low infrastructure development and low social and political capital. These constraints prevent the country from unleashing its potential and the relatively high population density on land and other natural phenomena are continually degrading the natural resource base. The factors above combine to contribute to the country's low per capita income of US\$170 per annum.<sup>14</sup>

The 2004 review of the NDP report unveiled serious institutional and human resource capacity deficiencies that constrained the implementation of NDP1. The component-specific failures are attributable to lack of political and technical will and championship, lack of technical expertise, poor coordination with relevant actors within component areas of action, and a poor monitoring and evaluation mechanism at the programme and component levels. It is therefore clear that without continued investment in institutional development and capacity building the decentralization process is bound to fail.

There are still major challenges associated with the district planning system. The current planning process at district level is not done within the context of resource constraints, making it largely unrealistic, neither is it adequately linked to budget frameworks as well as national level planning processes and outputs.

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<sup>14</sup> National Decentralization Programme of Malawi. 2005-2009 (NDP11)

Major problems still exist with the functionality of the Inter-Governmental Transfer System, as conditions for its success do not seem to exist. The bargaining and self-interest among players when allocating resources at DA level seem to make a mockery of the rational criteria set for that purpose. The revenue potential at the DA level is still untapped and the meager resources there is, are not efficiently and effectively managed.

Given the current context of the project, it is the view of the MTR team that it is still pertinent to the contextual issues identified above. However, whilst generally agreeing with the program strategy, the MTR mission found it a challenge regarding the aspect of the strategy that deals with providing financial and technical assistance through geographical focusing. Our view is that geographical focusing has resulted in an uneven pace of the implementation of decentralization and serious equity problems as donors involved have varying means, with some putting in more resources than others. The Mission is also of the view that the aspect of the program strategy dealing with cross cutting issues except for gender is not clear and largely not implemented (see detailed analysis under the respective outputs).

Regarding whether the objectives of the project are realistic and appropriate given the current context, the view of the MTR mission is that the objectives are realistic and appropriate given the following:

- The capacity of institutions central to facilitating the implementation of decentralization notably, MoLG&RD, DS, NLGFC, MALGA, LASCOM, DAs as well as capacity building providers is still arguably weak and need further support although the team proposes a bias to the DA level as opposed to the national level institutions as the situation is to-date;
- Funding mechanisms and financial management systems are functioning at sub-optimal levels, with the most serious challenges being both poor DA raised revenues and CG transfers as well as lack of equity and adequacy in the allocation of the little resources that are in place.
- The planning system is plagued by structural challenges arising from among others, the lack of clarity on the roles of elected members visa viz those of traditional chiefs in development structures, especially at sub-district level and the absence of indicative ceilings as well as clear definition of the planning responsibilities of the respective levels of local governments.

### **2.3.3 Current Program challenges**

There are a number of challenges confronting the program to-date. Overall coordination of the program is less than satisfactory. Meetings of the Inter-Ministerial Technical Committee on Decentralization have been irregular. Irregular meetings of the Cabinet Committee on Decentralization have compounded the situation making it difficult to address the many policy changes that are expected to effectively move decentralization forward and also affecting the pace of the devolution process. Briefings to donors and other stakeholders on policy direction and updates on decentralization are infrequently done. Elected members at sub-district level still play largely marginal roles in the planning, implementation and monitoring of projects.

There is an absence of a clear 'exit strategy' that would have facilitated the smooth phasing-out of DS and transference of its functions to the relevant mainstream institutions. The 'exit strategy' would have provided a framework for a coordinated approach to the building of the capacity of the relevant institutions. As it is, there is a lot of uncertainty that has been created about the program's future. To make matters worse, the lack of clear mechanisms for retaining trained staff is proving to be quite a serious challenge in addressing capacity constraints of central and local level institutions.

The allocation of districts among several donors participating in the program has created serious equity problems and challenges in terms of provision of technical support, resulting in an uneven pace of the implementation of the decentralization process. The pace of devolution has been slower than expected negatively impacting on a lot of the systems development work that was planned to take place.

The Mission observed that there has been no previous attempt to re-align the project objectives and strategies to address the persistent or emerging challenges.

### 3.0 STATUS AND PERFORMANCE OF IMPLEMENTATION

#### 3.1 Status of Input Delivery

##### 3.1.1 Assessment of delivery of project inputs

This section assesses the factual delivery of project inputs and implementation of project processes versus the planned inputs and processes.

As described in section 2.1, the project formulation process was conducted through a participatory process and the Project Document signed in September 2002. However, the inception of the project marking the official start of project implementation did not start until April 2003. Similarly, during project implementation the financial inputs did not flow as planned in both volumes and timing. The UNCDF funding was cut from the planned USD 6 million to USD 1.5 million. There were no funds that were transferred to the project under DDF from January to November 2004. Partly it was because of the requirement by the GoM to harmonize donor funding with the GoM funding that starts in July, partly due to delays with the UNCDF to be ready to effect payment (were reportedly ready in August 2004) but also the failure by the Decentralization Secretariat to provide the required accountability to trigger off funding. This delay in the delivery of project inputs has greatly impacted on the achievement of outputs and has stifled the high momentum at which the project activities were previously implemented.

##### 3.1.2 Financial information

This section provides information regarding costs and financing including the financial contribution of each partner, total disbursement and utilization of funds.

**a) Funding from UNDP:** UNDP is responsible for funding all the components of the programme apart from the DDF being financed by UNCDF. Table 3.1 summarizes how UNDP funding to the project has been utilized against the budget up to October 2004.

**Table 3.1: UNDP financial utilization by component 2003 - 2004**

Component and Outputs	2003		2004		Total (2003 + 2004)	
	Budget MK	Actual Spent MK	Budget MK	Actual Spent MK	Budget MK	Actual Spent MK
<b>Component 1</b>						
MoLGRD	34,650,000	16,939,172	21,889,000	14,515,147	56,539,000	31,454,319
Decentralization Secretariat	40,854,600	40,109,605	54,453,684	48,569,398	95,308,284	88,679,003
Ministry of Finance	0	0	3,816,000	0	3,816,000	0
District Assemblies	32,733,000	16,486,287	40,492,636	30,494,376	73,225,636	46,980,663
UN Volunteers	0	0	42,582,320	0	42,582,320	0
<b>Sub-total</b>	<b>108,237,600</b>	<b>73,535,064</b>	<b>163,233,640</b>	<b>93,578,921</b>	<b>271,471,240</b>	<b>167,113,985</b>
<b>Component 2</b>						
IGFTS	0	0	0	0	0	0
Local Revenue	7,767,000	1,566,000	17,237,508	5,060,310	25,004,508	6,626,310
Financial Management	10,575,000	7,740,495	36,849,840	17,366,528	47,424,840	25,107,023
<b>Sub-total</b>	<b>18,342,000</b>	<b>9,306,495</b>	<b>54,087,348</b>	<b>22,426,838</b>	<b>72,429,348</b>	<b>31,733,333</b>

Component and Outputs	2003		2004		Total (2003 + 2004)	
	Budget MK	Actual Spent MK	Budget MK	Actual Spent MK	Budget MK	Actual Spent MK
<b>Component 3</b>						
Developing DDPFMS	504,000	1,282,500	9,073,600	1,079,187	9,577,600	2,361,687
Implementing DDPFMS	6,923,880	547,842	9,622,468	4,939,381	16,546,348	5,487,223
Implementing DDP	1,705,950	0	10,846,344	2,813,000	12,552,294	2,813,000
<b>Sub-total</b>	<b>9,133,830</b>	<b>1,830,342</b>	<b>29,542,412</b>	<b>8,831,568</b>	<b>38,676,242</b>	<b>10,661,910</b>
<b>GRAND TOTAL</b>	<b>135,713,430</b>	<b>84,671,901</b>	<b>246,863,400</b>	<b>124,837,327</b>	<b>382,576,830</b>	<b>209,509,228</b>

Source: Decentralization Secretariat

Explanatory notes and indicative areas of expenditure

- Actual expenditure for 2004 is as at 31 October 2004;

***Component 1: Institutional and capacity building***

- Expenditure for MoLGRD include procurement of vehicles and equipment including those for DAs as well as costs for training;
- Expenditure of DS includes salaries for DS staff, running expenses and centrally organized training (however some training activities overlap)
- Ministry of Finance – some staff were trained but the costs are reflected under MoLGRD;
- Costs for DAs mainly include trainings for DECAs, AECs, ADCs, and VDCs;
- UNVs are directly paid by UNDP;

***Component 2: Fiscal decentralization***

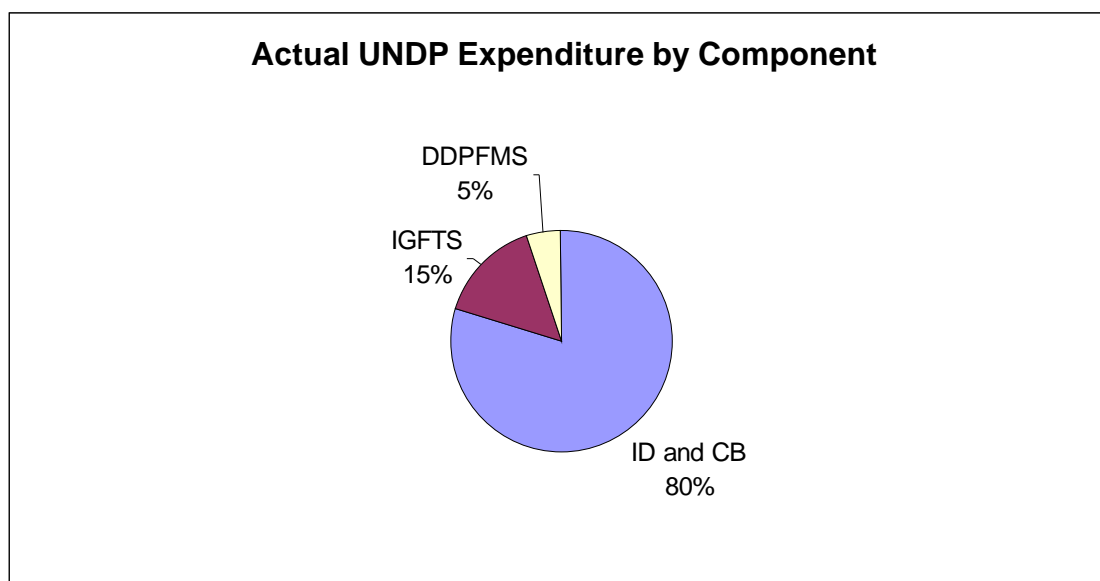
- The formula for the IGFTS was already developed and hence no expenditure during the period;
- Funds for local revenue were mainly spent on local revenue studies;
- Financial management involves IFMS roll-out and development of staff orientation manual;

***Component 3: District development planning and financial management system***

- Development of the DDPFMS involved development of the training manual and updating of the Socio-economic Profiles (SEPs);
- Implementing DDPFMS covers financing of the Village Action Planning (VAP) process, monitoring implementation of the DDPFMS and support to the data bank;
- Implementing DDP included development of minimum conditions and performance criteria, review of the M&E system, quarterly visits to DAs and support to UNV cluster system

The pie-chart below is derived from table 3.1 above and it summarizes the actual expenditure per component;



**Observations:**

- The programme budget was spent only up to approximately 55% during the period under review. This may indicate unrealism in budgeting or the fact that some of the activities were not implemented as planned.
- The bulk of the funds (approximately 71%) during budgeting were allocated to component 1 and the budget realisation for the same component is far higher than the other components. As a result, 80% of the expenditure to-date has been spent on Institutional Development and Capacity Building. Expenditure on the DS alone is MK 88,679,003 constituting approximately 42% of the total expenditure to-date.

**b) Total Expenditure To-date****Table 3.2 Actual expenditure as a percentage of source to-date**

Source	Budget USD	Actual expenditure 2003 USD	Actual expenditure 2004 USD	Total expenditure USD	%age of expenditure to budget
GoM	7,006,120	80,248	136,443	216,691	3.09
UNDP	6,000,000	940,799	1,166,704	2,107,503	35.13
UNCDF	1,500,000	506,037	0	506,037	33.74
<b>Total</b>	<b>14,506,120</b>	<b>1,527,084</b>	<b>1,303,147</b>	<b>2,830,231</b>	<b>19.51</b>

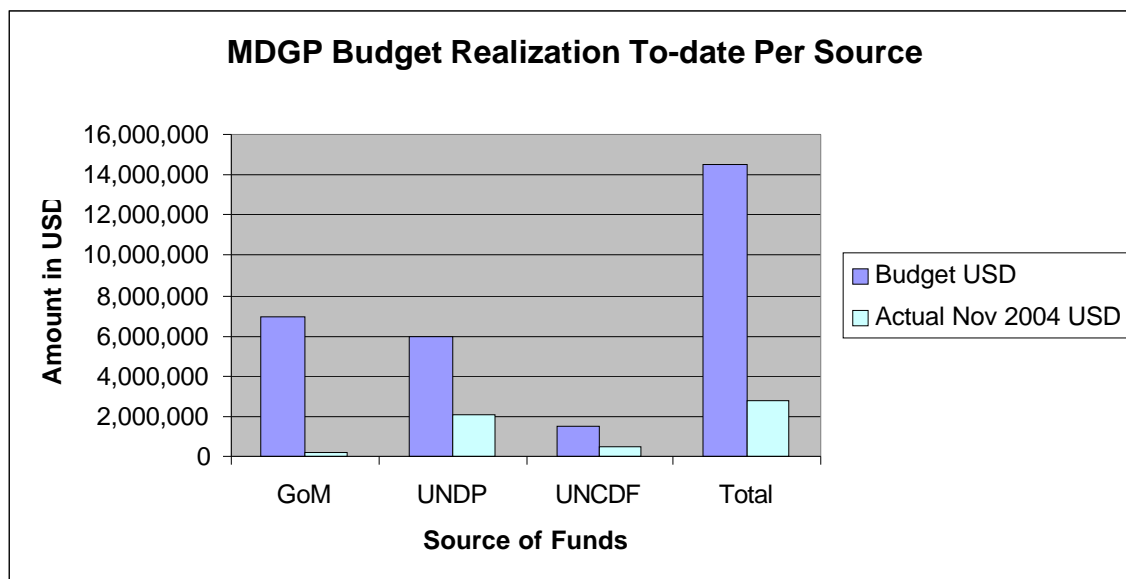
Source: Decentralization Secretariat

**Explanatory Notes**

- The budget for GoM includes cash and in kind items but actual expenditure is cash only<sup>15</sup>
- GoM expenditure for 2003 is Jan - June 2003 and for 2004 is July 2003 - June 2004
- Exchange rate in 2003 MK 90 = 1 USD and in 2004 MK 107 = 1 USD
- UNCDF has earmarked USD 493,650 for 2004 but has not released funds pending

<sup>15</sup> Please note that in the Project Document, the value of the budget in cash and in kind was not specified and distinguished.

- submission of accountability from the DS
- Budgeted costs from other sources are not included because they were not provided



From table 3.2 and the graph above, a number of conclusions can be drawn but the most significant one is that the total expenditure to-date is approximately 20% mid-way the time frame for programme implementation. One can therefore infer that most of the planned activities have not been implemented;

### **3.1.2 Equipment**

In this section we provide an inventory of the equipment procured under the project, location, use, conditions and contribution to the attainment of the project objectives.

**Table 3.3: Inventory of equipment**

Equipment	DS	MOLG&RD	Districts	Total	Remarks
Land Cruisers	2	1	12	15	Distributed in August 2003
Computers	5	1	44	50	18 bought in 2003, 16 in 2004 and 16 to be delivered for UNVs. In total 7 laptops with no UPS and no printer
Printers	3	0	40	43	15 procured in 2003, 12 in 2004 and 16 to be delivered
UPS	0	0	43	43	15 procured in 2003, 12 in 2004 and 16 to be delivered
LCD Projectors	1	0	0	1	Procured in 2003
Scanner	2	0	0	2	Procured in 2003
Copiers	3	0	0	3	Procured in 2003. 1 heavy duty and 2 medium size
Binder	1	0	0	1	Procured in 2003
Shredder	1	0	0	1	Procured in 2003

Each District was given a Land Cruiser in 2003 to be used in implementation of project activities. Whereas the operation costs of these vehicles are met from local revenue and the General Resource Fund (GRF), some of the DAs are finding challenges in managing and maintaining the vehicles. Two of the vehicles one for Mzimba District and another for Chiradzulu District are currently not operating because these were involved in accidents. The DAs could not be indemnified because the vehicles were not comprehensively insured. The local revenues in the DAs are not sufficient to meet the premium costs. The above notwithstanding, Mzimba District recently received two new vehicles, one from MASAF and another from GTZ reducing the possibilities of repairing the wrecked Land Cruiser.

The computers are available in most of the DAs. However, from the districts visited it was noted that the staff need training and the computers need to be networked as for now only the computers in the Finance department are the ones networked. There are only a few DAs having access to e-mail services.

Office space was reported insufficient in most of the Districts. The review of NDP 2004 noted that most DAs are using old, inadequate and scattered office buildings and recommended that MoLGRD commissions the assessment of office accommodation needs for DA within the next one year, and the results of the assessment be used for soliciting donor support for construction and renovation of offices. The MTR further recommends that the DAs should be encouraged to budget from their local revenues for operation and maintenance of existing infrastructure.

### **3.2 Programme Management and Systems Performance**

This section evaluates the means, processes and procedures used to implement the MDGP, and its overall performance in terms of economic efficiency, equity, transparency, timeliness, participation and effective management. It includes specifically assessment of the management system, the administrative procedures, and overall teamwork. The evaluation assesses the factors, both internal and external to the projects, which have contributed to or limited the efficiency of the project<sup>16</sup>. The analysis is based on the understanding that the responsibility for execution of the program is under the Ministry of Local of Government and Rural Development and the responsibility for management of the program under the Decentralization Secretariat. The Decentralization Secretariat is working under delegated authority from the former. Looking at the program generally the following emerges.

#### **a) Economic Efficiency**

Economic efficiency is measured on how financial, human, technical and material resources have been used to produce outputs. Our view from the findings is that there are a number of instances where resources have not been used in an economically efficient manner. The case in point is training staff for career development courses as opposed to short-term performance improvement courses. Over reliance on career development training mainly meets individual career development goals as opposed to institutional strengthening yet a more rigorous recruitment strategy targeting candidates with the requisite qualifications and experience would have achieved the same purpose or at best supporting tailored short-term performance improvement courses.

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<sup>16</sup> Please note that issues related to implementation arrangements are discussed in section 3.3.

## **b) Equity**

Under equity, we examined whether the benefits of the program were fairly spread. Our finding is that for the most part geographical focusing by donors has failed to take into account varying degrees of resources among the donors, resulting in an uneven pace of implementation of decentralization and some communities enjoying more resources than others. Moreover, the allocation of resources is not related to the poverty status of the respective DAs. An example is ADB funded districts versus UNDP/UNCDF districts where the per capita allocation for ADB supported districts is far higher than those supported by UNDP/UNCDF and NORAD— see detailed analysis under section 4.2. This is likely to exacerbate the existing inequalities between districts.

## **c) Transparency**

There is limited transparency in the manner in which the project is implemented. For example, there has been delays in the release of the DDF to the DAs in financial year 2004/05 but no explanation has been given to the DAs to-date. Funds used at ADC level to implement projects are also not communicated to the respective ADCs by the DAs. As a result, many of the recipients of the programme interviewed were quite disillusioned. A more interactive approach to managing the DDF is recommended that provides for a two way reporting system, that does not only demand reports from recipients, but also provides information in advance as well as feedback on the different aspects of program implementation especially regarding financial disbursement and use.

## **d) Lines of Accountability**

To ensure accountability to the UNDP/UNCDF for the delivery of outputs of the program and for proper use of resources, the Programme Support Document provided for the Ministry of Local Government and Rural Development as being responsible for its implementation. It is also clear from the Program Support Document that the Inter-Ministerial Technical Committee on Decentralization was expected to steer the program and to monitor the progress of decentralization as a whole, especially in the respective Ministries. What is not clear from the Program Support Document was how the Ministry of Local Government was to be accountable to donors besides the UNDP/UNCDF. What is also not clear from the Program Support Document was how Decentralization Secretariat was to relate to donors. In addition, although, donors are expected to relate to the Decentralization Secretariat through the Ministry of Local Government, in practice they relate directly with the Secretariat.

## **e) Timeliness**

The Program has generally not adhered to schedules as shown in Plan of Operation. This can partly be explained by the fact that it started late and that a lot of the activities were premised on sector devolution happening at the beginning of 2003, which only started happening around 2004. The slowness in the pace of implementation of the program can also be attributed to not having a substantive Program Manager in the DS until very recently and to the requirement to have activities approved by the Ministry of Local Government before they are implemented. It is understood though, that DS is now freer to implement its activities, without having to request the Ministry to approve specific activities before it proceeds. Another contributing factor has been delayed

release of funds by UNDP/UNCDF. As things stand, money for this quarter has yet to be released, reportedly for failure on the part of the Secretariat to submit the required financial reports and accountabilities.

**f) Participation and Effective Management**

There are instances that show that the Program does allow for a certain degree of participation by its beneficiaries through the VDCs and the ADCs. For example, beneficiaries of the DDF are free to identify projects of their choice, although such a choice is usually compromised by the presence of chiefs in the said structures or is disregarded through the prioritization process at DA level (see detailed analysis under 4.3). There is also evidence of DAs having difficulties to effectively manage their interaction with a multiplicity of partners. There are instances where partners conduct competing activities all requiring participation of district level staff on the same dates. Consequently, the full benefit of the inputs of various partners may not be realized. This in part also reflects the lack of effective coordination and information sharing among the partners, as well as weak management skills of players at district level.

**g) Administrative Procedures**

Procedures that have had a negative impact on the implementation of the Program include a lengthy recruitment process and lengthy report review processes. Discussions with people at both the DA and national level revealed that it generally takes up to six months before one takes up a position after interviews and hence the chances of candidates being lost to other competitors are inevitable. Delays in the processing of such reports as the Functional Review of Assemblies and the Terms and Conditions of Service have had negative effects on the pace of devolution. As institutional arrangements and terms and conditions of service are key to staff integration efforts, they ought to be clear before such arrangements are started. Otherwise, government risks the mistakes made with the employees of Councils that were integrated into the office of the District Commissioner.

**h) Overall Teamwork**

The Mission reviewed teamwork at various levels. First, the Mission reviewed teamwork between the Ministry of Local Government and the Decentralization Secretariat; second, between the Government and the donors; third, amongst the departments at district level; lastly between the DA and the NGOs operating at the district level. Generally, the relationship between the Ministry of Local Government and the Decentralization is not healthy. There is no shared understanding or vision between the Ministry and the Secretariat in terms of how to move forward with the program, in particular and the entire national decentralization program. At DA level, a great deal of cooperation and teamwork was demonstrated, particularly in Mangochi among the various government departments. However, in all the districts visited complaints were lodged against NGOs. NGOs were generally viewed by DAs as non-cooperative and having tendency of working independently. Team building sessions are recommended between the various players to help clarify the priorities and sequencing of activities, as well as generate shared understanding and vision pertaining to decentralization.

### **i) Factors contributing to limited efficiency of the project**

The factors that have limited the efficiency of the program are related to high staff turnover within the Secretariat, absence of a responsive recruitment system for DS personnel as well as uncertain contractual arrangements where most of the staff in the DS have not yet signed contracts. It is understood that staff of the Secretariat turned down offers, as they viewed them as not addressing their expectations. The concerns raised by staff to the Ministry have not as yet been addressed and especially because the MoLGRD is uncertain about the future existence of the DS. Consequently, staff are operating on unwritten contracts. This development has created a great deal of uncertainty with some staff opting to leave the Secretariat, thereby negatively impacting on activities and work at the Secretariat.

The Inter-Ministerial Technical Committee and the Cabinet Committee were not meeting as often as expected, owing to lack of initiative on the part of the Ministry and the Secretariat. Staff consulted in both the Ministry and Secretariat cited the slowness of the pace of devolution as one the main reason for the Technical Committee not meeting, while the Cabinet was said to have failed to meet because of the shift in focus among politicians to election campaigns, although the lack of business could also be another and more justifiable reason. The lack of initiative on the part of either DS or MoLGRD could be attributed to lack of clarity and distinction between the roles of the two bodies.

Other factors that have limited the success of the program include low level of capacity at district and sub-district level as well as poor macro-economic environment, which has resulted in national resources transferred to DAs being far below expectations.

## **3.3 Implementation Arrangements**

### **3.3.1 Assessment of the programme organogram**

The current institutional arrangements provided in the programme document involve many parties with different roles and responsibilities that complement each other. These include the Inter Ministerial Technical Committee on Decentralization, Ministry of Finance, Department of Local Government (now Ministry of Local Government and Rural Development), Decentralisation Secretariat, National Local Government Finance Committee, National Audit Office, Local Administration Services Committee (LASCOM) and Malawi Local Government Association (MALGA). In terms of coordination, management, and providing oversight functions to the implementation process, these provisions are generally adequate and beneficial to the success of the project. Notwithstanding the above, the problem observed is with feedback arrangements on performance at any given level. Whilst reports are provided at various levels, feedback is not often given compromising decision-making and action. In addition, an important feature of the implementation of the programme that was not included is the role of the Assemblies themselves who are the implementers of most of these interventions at the local level.

### **3.3.2 Assessment of the respective institutional roles and responsibilities**

Although the provisions regarding the roles and responsibilities of the respective institutions are generally adequate, the way the different institutions have carried out their various roles and responsibilities has been varied with a number of important consequences for the success of the program. Here below is an assessment of each of the institutions.

#### **a) The Inter Ministerial Technical Committee on Decentralisation**

The program mandated the Inter Ministerial Technical Committee on decentralization with the overall steering and coordination of the programme. The Principal Secretary of the Ministry of Local Government and Rural Development is the chair of the committee. Essentially there has been very little coordination of the programme from that level. As revealed in the 2004 review of the NDP, it has met irregularly and this has not been adequate to steer the programme. For example, records show that in 2003 it met twice while in 2004 it has only met once. One of the reasons for this is that for the committee to meet, it relies on input from the Ministry of Local Government and the Decentralization Secretariat on issues that the committee needs to examine, discuss and resolve. One of the issues that needed to be finalized before the committee met was the functional review report and a study report on the structural form of Assemblies in view of sectoral devolution. Currently the functional review report has just been finalized. Therefore it was felt that the committee could not meet in the absence of these reports.

#### **b) Ministry of Finance**

The Ministry of Finance was responsible for government authorization of the programme, policy guidance, and management of broad relations between government and donors especially in matters related to intergovernmental fiscal issues. The MoF has started to transfer some of the sector allocations through the DAs as part of the sector devolution process. However, the Ministry has not specifically spearheaded discussions related to development and implementation of common funding modalities for the DDF.

#### **c) Ministry of Local Government and Rural Development**

The Ministry of Local Government and Rural Development is responsible for the execution of the Program and for delivery of Program outputs, the achievement of objectives and for the efficient utilization of UNDP/UNCDF resources. The Principal Secretary for Local Government is responsible for coordinating and integrating the activities of the Program with those of other donor-funded Programs. S/He is responsible for monitoring, evaluation and policy guidance of the Program. The Secretary for Local Government is responsible for the smooth integration of Decentralization Secretariat activities into the Department's activities and other relevant Government institutions, and its smooth phasing out.

There are serious concerns expressed by various stakeholders with regard to the capacity of the MoLGRD to provide effective leadership for the implementation of the program in particular, and of the decentralization process in general. Specific cases include:

- Inter-Ministerial Technical Committee has not been held as expected. For example, the MoLGRD is expected to organize meetings of the Committee at least once every quarter. The Committee has only met once this year 2004;
- The Ministry has not been able to supervise the implementation of the NDP according to the M&E Plan, as it has not developed capacity in the area of M&E to be able to monitor progress of activities across the spectrum. This is compounded by the lack of an inspectorate functions to set and monitor standards at DA level.
- Both the MoLGRD and DS stand to blame for the failure to develop an exit strategy for the smooth integration of the DS's activities into the MoLGRD activities and other relevant Government institutions, and its smooth phasing out. Although, MoLGRD and DS has come to some agreement on how the functions of the DS are to be shared among them, other partners have yet to be informed as to the new functional arrangement, raising concerns about transparency and timeliness;
- The development of a gender strategy has not been treated with the seriousness it deserves. This is an activity that should have served to inform most of the other activities the Ministry and the DS are carrying out. As it is, progress in this regard has been quite slow;
- There is concern that the Ministry is over burdened with roles not core to its mission of implementing the decentralization process such as the routine administration of chiefs. Inordinate use of personnel transferred from the DS to DoLG has resulted in difficulties in carrying out its core functions.
- The lack of mechanisms that could ensure that staff trained under the Program are retained. The lack of an Inspectorate function, coupled with a weak management information system within MoLGRD has hampered its efforts to effectively coordinate the implementation of the activities of the Program;

#### **d) Decentralisation Secretariat**

The DS is expected to provide technical and administrative support necessary for the successful implementation of the Program in particular and the NDP in general. Working under the overall guidance of the MoLGRD and in liaison with relevant Government ministries and departments (MoF, MEPD, DHRMD, NLGFC, NAO, LASCOM, MALGA) the Secretariat's administrative and technical support was supposed to concentrate on systems development, monitoring, and evaluation, managing the training program for the DAs, etc. The DS was expected to engage in phasing itself out within 2 to 3 years from the commencement of the Program by ensuring that its functions are integrated into the relevant Government institutions. Successful implementation of the program activities under the charge of the DS is limited by:



- Lack of an implementation plan with milestones: Ideally, there should have been an implementation plan, that could have provided some kind of road map in terms of what should be achieved at given times. For now there is a work plan that focuses on implementation of activities other than attainment of outputs. Consequently, it is difficult to measure how far the program has moved in terms achievements and how much more needs to be done;
- Absence of a result oriented culture: Currently, the implementation of the program is compromised by the lack of an open objectively verifiable performance appraisal system. DS for example, lacks adequate mechanisms for checking the performance of its staff. Despite lapses in delivery of certain outputs, there is no evidence of measures that have been taken to correct unsatisfactory performance;
- Absence of an exit strategy: The DS was expected to “work itself out of the job”. However, an exit strategy that would have facilitated its phasing out does not exist. Understandably, the absence of an implementation plan with clear milestones partly contributes to explain this state of affairs. For now, it is not clear what the DS has to achieve before it is phased-out.

#### **e) National Local Government Finance Committee**

The NLGFC was given the mandate of reviewing, approving and consolidating District Assembly budgets, for presenting to Parliament and receiving quarterly reports from the District Assemblies. The NLGFC is currently involved in the allocation of the General Resource Funds to the DAs using the approved allocation formula. However, it has not fully taken up the responsibility for allocation and tracking of the DDF to the DAs.

#### **f) The National Audit Office**

Its responsibility was to work with the internal audit offices in the District Assembly to ensure that the audit function is done correctly and on time. At the moment most Assemblies do not have internal auditors and many have not had their accounts audited for a number of years. As such the system of continuous checks and balances that the internal audit function is supposed to provide in the Assemblies does not exist making the assemblies vulnerable to unchecked frauds and misappropriations.

#### **g) Local Administration Services Commission**

As an independent commission, it was mandated to employ management staff of District Assemblies. It was envisaged that LASCOM will play a role in the recruitment, promotion and disciplining of senior management staff of District Assemblies. It has not been effective in carrying out its role and in most of the Assemblies there are a number of vacant positions that are not yet filled.

The mission learnt that there has been role confusion between the Ministry of Local Government and LASCOM in the recruitment process. Ideally, with respect to District Assemblies staff, the commission was supposed to receive submissions on vacancies and instructions to recruit from the Ministry. Since the formation of the commission there has not been any submission to enable it carry out its function. Instead the Ministry itself has done recruitment of most of the District Commissioners and in the process merit has been heavily compromised by political priorities contributing to the current poor caliber of

staff in a number of Assemblies. Similarly, the commission has been sidelined in the disciplining of Assembly staff who have been involved in all kinds of activities meriting discipline. However the commission has been able to carry out recruitment exercises for the urban assemblies because these Assemblies submit their requests directly to the LASCOM.

While it is agreeable with the NDPI recommendation that in future staff recruitment, promotion, and discipline should be undertaken by DAs themselves in order to make staff more accountable, there is need to recognize the potential impact political influence can play in the recruitment process. There is need therefore to ensure that the employing bodies at the local level have adequate guidance and support from relevant central government ministries such as the Department of Human Resource Management in terms of DCs, Ministry of Economic Planning and Development in terms of Directors of Planning and Development and Ministry of Finance in terms of Directors of Finance. There is need for clear guidelines on requisite qualifications and experience and recruitment procedures to be followed.

#### **h) Malawi Local Government Association**

The mandate of MALGA is to represent and promote the interests of all local government, to be a link between local and central government and to be the authoritative voice of all local governments. MALGA is in the process of developing training materials that will be used to induct the councillors after the forthcoming council elections.

#### **3.3.3 Flexibility and responsiveness of the management to change**

While all these institutional arrangements are in place the flexibility and responsiveness of management to change has not been evident. Various meetings and reports that have made observations regarding some problem areas in the implementation of the programme have not been implemented in time. Partly, this is to do with a proper mechanism of following up issues readily and also the bureaucratic nature of the Ministry of Local Government

#### **3.3.4 Interaction between the programmes funded by other donors**

There are various donor programmes that are operating in Malawi which directly or indirectly interact with the UNDP/UNCDF governance decentralized programme. For instance, UNDP/UNCDF and NORAD agreed on a basket funding arrangement under the DDF whereby some of the NORAD funds are used to support DA originally supposed to benefit from UNDP/UNCDF;

GTZ in Malawi has a number of programmes that are complementary to the UNDP/UNCDF programme. They have programmes that support capacity building of communities and civil society so that the latter can understand democratic decentralization and carry out appropriate roles. GTZ also support a number of Planners in several districts in the country and also support programmes in financial management. Currently plans are underway to support a review of the DDF and look at a feasibility study of Local Development Fund.

DfID's main support has been to sector programmes in particular, health and education. DfID is part of the government /donor technical working group on decentralization and has had an opportunity to comment on the process through their contribution as a member of the group. Although they have not pledged any support to the implementation of the programme, they have signed to the World Bank's Structural Adjustment Credit, which provides for direct transfer of sectoral funding to district assemblies as one of the requirements to accelerate sector devolution.

Similarly, the World Bank has not pledged any support to the implementation of the Decentralisation programme but has financed the orientation programme for the training of councilors after they were elected. Recently the Bank has come in to provide a push to sector devolution through the Sector Adjustment programme.

UNDP/UNCDF and ADB both support the National Decentralization Programme, through the Decentralization Secretariat. They share some of the staff in the DS and the DS staff have started to produce joint progress reports.

Overall, the picture one gets from the donors is that although there are some who may be funding specific components and others who are not, there is a positive element of wanting to see the decentralization process work and the major concern coming from all quarters is the lack of a 'leader' to steer this whole process despite having structures in place. Although the coordination of donor activities in the country is fragmented there is potential for negotiation but government needs to move in quickly to demonstrate its commitment to the process that appears to be stalling at the moment.

### **3.4 Management Issues**

#### **a) Overall effectiveness of program management**

This aspect of the assignment measures the extent to which the program achieves its planned results (goals, purposes and outputs). The extent to which the program has achieved its planned results is a rather mixed one. In one respect, the program has managed to achieve some outputs, but the list of things that have not been tackled remains quite long. In terms of institutional development and capacity building, the program could be said to have developed to some extent the capacity of DAs, DEC, AECs, staff in MLG&RD, DS, Accountant General, and through provision of UNVs and vehicles and equipment. The training at district level concentrated on Nkhata Bay, Mzimba, Kasungu, Mchinji, Dedza, Machinga, Chiradzulu, Mangochi, Machinga, Chikwawa, Thyolo, Nsanje, and Ntcheu. The weakness with the most of the training offered to staff is that it is not performance related, neither was it preceded by some kind needs assessment.

#### **b) Quality of work planning**

The plan of operation as specified in the Program Document guides work planning. However, it is compromised by the absence of an implementation plan with milestones and an exit strategy for the DS, as these would have helped place the work plans within the context of the results desired at any given time.

**c) Supervision of staff outputs**

DS currently has in place fortnightly meetings (although these are often disrupted by the field visits/assignments by staff) to monitor and check staff outputs. These provide for a platform for staff to report on progress and challenges they are facing in the implementation of their assigned activities. They also provide an opportunity for consensus building and resolution of problems. However, the challenge is that work plans in the Secretariat lack outputs and are not clear on deliverables making it difficult to hold staff accountable.

**d) Staff performance appraisal and feedback**

Staff in DS has no formal staff appraisal system and therefore management has no means of formally documenting the performance of its staff. Consequently, it has difficulties managing the performance of its staff. DS's current staff approach to work tends to be largely input oriented rather than result oriented.

**e) Competency development plan**

Capacity building efforts at any level are not guided by proper assessment of competency needs. They tend to be career development focused instead of addressing performance gaps of the targeted staff. The institution of a performance management system discussed above should help address this gap. The Mission recommends the development of Competency Frameworks for all key institutions central to the implementation of the decentralization process to provide a basis for the operation of staff performance appraisal systems.

**f) Management style**

Management style was examined at three levels: namely at ministry, DS, and the DA level. Management at the Ministry level in our view is "laizze faire", with no regular meetings planned to review progress and take corrective measures. Management at the DS level, tended to be largely reactionary with no clear strategies put in place in terms of how to implement outputs of the program. Management at DA level is largely dictatorial with many DCs still acting as though they were accountable only to the central government. Clearly role clarification is recommended at all levels, as well as conducting teambuilding exercises.

**g) Management staff relations**

The tensions observed by the NDP review team have persisted and have been compounded by the low levels of morale among staff members in the DS, due to uncertainties associated with the phasing-out of the DS. The issues of morale and tension between the DS and the Ministry if not addressed threaten to reverse the gains in decentralization. It is hoped that our recommendation on how the DS can be phased out will address this problem.

## **h) Accountability to donors, Government and other stakeholders**

Reports outlining the progress being made and the challenges being encountered are provided quarterly and annually to donors and Government. However, there are instances of delays in issuance of reports leading to donors not releasing the budgeted funding. Reports are also provided to Government. However, Government has often not provided timely feedback on the same resulting in certain activities getting stalled or delayed. There seems to be a general problem in giving feedback to the beneficiaries of the program, civil society and NGOs on specific program details. During field visits, many of those consulted reported not being aware of specific details of projects they are implementing. Basic details such as project budget were never communicated making it extremely difficult for the beneficiaries to demand for accountability.

## **3.5 Procedures and Systems**

### **3.5.1 Financial management system**

The Decentralization Secretariat make annual work plans and budgets and submits them to UNDP for approval. After the work plans and budgets are approved, the DS requests funds on a quarterly basis by filling a financial report. The financial report indicates the amounts requested but after deducting any balances remaining from expenditures in the previous quarter. Before UNDP releases the funds, the DS submits the cashbook and bank reconciliation for the period. UNDP then deposits the money on the funding account at the Reserve Bank. The DS processes transfer instructions from the funding account to the Commercial Bank. The DS then spends funds on the planned activities and submits accountability reports before release of another installment. The financial management system described above between UNDP and DS seem to be adequate although there were reported delays in release of funds from UNDP/UNCDF as well as delayed accountabilities from the DS in some instances.

### **3.5.2 Personnel recruitment**

The Local Government Act empowers the Local Authority Service Commission (LASCOM) to appoint District Assembly employees from the position of Director up to Chief Executive. The main challenges related to this process are<sup>17</sup>:

- Inadequate funding of LASCOM because its funding comes from DLG vote;
- Inadequate office equipment and vehicles;
- Half of its positions are vacant and the existing personnel, including its Commissioners, are inadequately trained for their jobs;
- Conflict between the LASCOM Act and the Local Government Act, whereby the former empowers LASCOM to recruit staff up to EO and equivalent grades, and the latter mandates LASCOM to recruit only up to the Director level;
- Communication between LASCOM and DLG is in some instances ineffective – e.g. LASCOM is not informed by the DLG about deployment, redeployment, or transfer by DLG of senior staff in DAs

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<sup>17</sup> These challenges are also outlined in the review of the NDP 2004 report page 48.

The MTR team recommends that staff recruitment, promotion and disciplining be undertaken by the DAs themselves in future as this would make the staff more accountable to the respective DAs rather than the centre. However there are issues of caution that should be taken into consideration from the on set:

- Avoiding political influence in the staff recruitment process. Political influence may lead to a situation where the recruitment process gives preference to staff from the respective Districts rather than being based on merit;
- The centre, especially in the first years of implementing the process should provide support (not instructions) to the DAs to ensure appropriate recruitment;
- There must be a provision for the central government to intervene in disciplining of staff in case of non-adherence to the procedures and failure of the DAs to act;

### **3.5.3 Contracting and procurement procedures**

At the District Assembly level, there is a Procurement Management Committee composed of Directors. The Procurement Management Committee is supposed to advertise for potential suppliers for tenders above the threshold and to obtain three quotations for tenders below the threshold. The Procurement Management Committee receives applications, conducts interviews in case of labour contracts and/or open bids. The Procurement Management Committee technically evaluates the bids considering prices, reputation, relevance to the job etc.. Thereafter, the Procurement Management Committee makes recommendations to the Finance Committee for approval, award the contract, communicate to the supplier and sign the agreement. The suppliers directly supplies the goods to the project sites where the Project Management Committee certify receipt of goods/works and the technical team is supposed to verify the quality of the goods/services delivered before payment. Procurement was seen to be procedurally right but is prone to the limitations below:

- There is lack of transparency and accountability in procurement practices in DS and at Assembly level (review of the NDP 2004 page 65). For example, the PMCs receive and take care of the materials but do not know the cost of these materials and the quantities specified in the contract between the DA and the supplier;
- The Procurement Committees are yet to be trained, though the terms of reference were developed. The Management Procurement Committee need training in specification writing, tender document preparation and bid evaluation process. There is need for more development of evaluation criteria, a strategy for follow-up, technical support and supervision.

## **3.6 Capacity issues**

This section examines the management capacity, competency and innovation in implementation of the projects including staff qualifications and its relation/impact on the quality of outputs produced by institutions central to the success of the program.

**a) Cabinet Committee on Decentralization**

The capacity of this Committee to provide policy direction on issues pertaining to the program has been compromised by its inactivity. It has hardly met over the period among others due to focus on such issues as elections but also because issues for discussion were not forthcoming from the IMTC. Recently, a new Committee was appointed, but it has not been oriented on its duties.

**b) Inter-Ministerial Technical Committee on Decentralization**

The Committee is expected to meet at least quarterly to discuss progress related to the implementation of the decentralization program in general. It has also suffered from inactivity due to intermittent inputs from the Ministry of Local Government and Rural Development and the Decentralization Secretariat. It would have been expected that as the pace of decentralization picks up the Committee would have been meeting more often to address emerging issues. As it is, the Committee only met once this year.

**c) Ministry of Finance**

Efforts have been made to build the capacity of the Ministry, to enable it effectively relate to the process of decentralization through the program. Although efforts have been made to train Ministry of Finance staff in local government and decentralization so as to enhance their understanding and support towards issues pertaining to decentralization, these were compromised by the inability of the Ministry to retain the staff in the roles they were expected to perform. Therefore, more training is required for a far large group so as to mitigate the effects of transfers. According to records provided by DS, an officer from the Accountant General also benefited from training under the program in the area of Fiscal Decentralization and Local Government Financial Management.

An area where Ministry of Finance could play a more prominent role than hitherto is in providing guidance on development of SWAPs and financing modes. SWAPs are an important concept for organizing and delivery of public services, although they have their critiques and do pose great challenges for alternative delivery of services, and poverty reduction strategies through decentralization. The failure of the Ministry to provide leadership has resulted in players at various levels not knowing the official stand of Government on SWAPs, except that some Ministries have been allowed to embrace the concept. How the concept relates to such processes, as decentralization is not clear, although some see it as a largely top down process. It is therefore recommended that the Ministry of Finance take a lead in defining the interface between the different planning frameworks and modes of service delivery, particularly as the lack of such definition could harm such efforts as decentralization.

**d) Ministry of Local Government and Rural Development**

Several staff has been trained in the Ministry to build their capacity to coordinate activities of the program. As the case with Ministry of Finance, some of the staff trained have since been transferred to other government departments or are busy with other assignments not related to the ones they were trained for. The records from DS show that at least 14 members of staff from the Ministry have benefited from training under the program. Staff such as the Director of Local Government Services, Controller of Human Resources and Management, several staff in the Planning Department have benefited

from the program through training. However, more than half of the staff trained under the program has since been posted out to other Ministries by their respective Common Services. Consequently, the capacity of the Ministry to effectively coordinate the program is still largely questioned by many stakeholders.

**e) Decentralization Secretariat**

The capacity of DS to implement what it was set up for, albeit temporarily, is a rather mixed one. It has during the program suffered from low motivation among its staff members due largely to uncertainties associated with contractual arrangements for its staff. None of its staff members have employment contracts. It was learnt during the Mission, that some of its staff have over the years been relocated to the Ministry of Local Government and Rural Development on the understanding that they will continue to perform similar functions within the Ministry. However, due to the structure of the Ministry, it has been difficult for the relocated staff to focus on functions that they were performing while within the Secretariat, leading to such functions being unattended to. A case in point is the sector devolution, which has now stalled.

A look at the profiles of staff in the Secretariat shows that they possess the requisite knowledge and skills to undertake the key task of the Secretariat, which is that of systems development and capacity building. Except for one staff member who was relocated to the Ministry during the implementation of this program, and one who recently resigned, other staff members still remain in their posts. It is worthy noting though that the staff who have left the DS were performing functions critical to the success of the program. The staff members in posts are more than adequate to undertake the functions of the DS. There is evidence of excess staff in some areas especially in the accounting area as each donor funding aspects of the programme has its own accounting staff.

**f) LASCOM**

It currently takes up to six months before LASCOM concludes the recruitment of senior staff members for the Assemblies. It is difficult to see how such recruitment processes can ably support capacity building at DA level. The delays can also be partly attributed to the Ministry of Local Government and Rural Development that for some reasons that are not very clear, has got itself involved with the recruitment process for senior staff members of the Assemblies.

LASCOM has through the program benefited from funding for the conduct of a Strategic Plan, as well as a Functional Review. In terms of capacity, the Mission observed that the quality of Commissioners mandated to undertake recruitment for the Assemblies leaves a lot to be desired. Many of them simply lack professionalism. There has been several instances of staff recruited to the Assemblies without the requisite qualifications. Understandably, MoLGRD is partly to blame for this state of affairs, as they are involved in the appointment of Commissioners. The current team of Commissioners has shown tendencies of being prone to manipulation. As the current term for the Commissioners is coming to an end, appointment of the new team should be purely on merit focusing on people of integrity with sound and proven professional backgrounds.



**g) NLGFC**

Although, NLGFC has in theory a structure that could enable it to effectively discharge of its functions, it suffers capacity problems largely due to a number of its key posts not being filled. It is also clear from the consultations with staff of the Committee that the planned transfer of the DDF from the DS to the NLGFC will not succeed if not accompanied by proper re-alignment of the Committees structure to accommodate the new function. Staff with the requisite qualifications and experience will be needed to manage the DDF once it is transferred. It is hoped that the planned study by KFW will provide the way forward on this matter.

**h) MALGA**

MALGA was established to facilitate the implementation of the decentralization policy being an advocacy forum for all local Government Assemblies in Malawi. Since its formation in 2001, steps have been made towards improving the capacity of MALGA that have included the creation of a permanent secretariat, attainment of a legal status, and development of a Strategic Plan to guide its operations. The Mission shares the observation made by the Review Team of the National Decentralization Program that MALGA has to a large extent devoted much of its attention to matters pertaining to the welfare of councilors, such as loans and allowances, as opposed to helping facilitate the implementation of decentralization in such crucial areas as revenue enhancement at local level. A case in point is its recent efforts aimed at having the central government pay the Councillors allowances. A move the MTR mission considers that it might compromise the independence of the Councillors. Moreover MALGA is heavily dependent on donors and Government. Its dependence on Government is likely to compromise its advocacy role, while its dependence on the donors opens it up to the risk of disruption of its services, if the donors pull out. MALGA is currently, through a consultancy funded by NORAD, its major donor developing training materials for Councillors. It is understood that the training will be implemented once new Councillors are appointed next year.

**i) District Assemblies**

Based on consultations with the three sampled District Assemblies and examination of secondary data pertaining to the functioning of the Assemblies, the Mission shares the observation made by the Review Team of the National Decentralization Program that the capacity of the Assemblies is still considerably weak to take on the challenges of implementing decentralized governance and development.

For the Councillors, apart from a basic orientation program conducted soon after the Local Government elections, which were held in November 2000, no further capacity building programs have been undertaken. The Mission further observed that the Parliamentary elections made the situation worse as many Councilors resigned to campaign for seats in the National Assembly. This led to several Assemblies re-organizing its Committees to fill in the vacancies. As the Local Government Act is also unclear about what to do in the event of vacancies occurring during the life of an Assembly, many Assemblies have several constituencies that lack Councilors, leaving the role of spearheading development to un elected chiefs and officials.

The DCs office is expected to provide administrative support to the District Assembly but was also observed to be equally weak in terms of capacity in several areas including human, financial, and material. The data gathered through a recent UNDP/UNCDF and GoM joint field monitoring visit confirms the point.

Notwithstanding the above, the District Training Teams (DTTs) have already been formed and given ToT in Participatory Development Methods and District Planning Systems. There has however, been a tendency for staff in the DTT to neglect their day-to-day duties to focus on training because of the incentives involved. There are also limitations noted regarding the delivery of training activities at DA level. There is no evaluation of the previous training programmes, training plans are not based on a systematic capacity needs assessment, most of the international training opportunities have been provided for staff at the centre and the DAs have no funds earmarked to capacity building. The situation is not any better at sub-district level, where ADCs and VDCs visited reported to have gone through some kind of orientation program during the Fifth Country Program. Capacity building efforts at district level should as much as possible be based on needs assessment and closely tied to performance improvement. Further, a budget should be allocated to the districts specifically for capacity building.

#### **j) Training Institutions**

The capacity of some training institutions, namely Staff Development Institute (SDI), the Malawi Institute of Management (MIM), the University of Malawi (Chancellor College) and the Polytechnic was expected to be strengthened during the program to help them address some of the capacity gaps identified at various levels. The information emerging out of these institutions and DS is that the planned capacity enhancement of these institutions in the areas of governance and development has not yet taken place. It is understood though that capacity building efforts of these institutions are waiting for the conduct of a nation-wide capacity Training Needs and Resource Audit, as it is believed that would help inform the strengthening of training institutions. It is also understood that a twinning strategy has been agreed with NORAD and the Malawi Government to pair institutions in Malawi with those in Norway with the aim of building their capacity. Notwithstanding these comments SDI has seized the initiative and designed a programme on decentralized governance for district assemblies.

Whilst the MTR mission appreciates the importance of these institutions to address much of the capacity gaps identified at various levels, their capacity to effectively undertake this is severely limited. The Mission notes with concern that the program under review does not pay sufficient attention to the role that the NGOs and the private sector can play in building capacity of Local Authorities. The Mission is also of the view that the centre should not focus on conducting a training needs assessment and resource audit, but rather on providing a strategic framework for the Assemblies to use in conducting their own training needs assessment. The Central Government institutions could also help provide hands-on support to the districts in terms of how to develop their own Capacity Building Plans. The support to the Assemblies could also include Capacity Building Manuals (do it yourself kits).

## **k) The way forward**

In general, to address the above challenges, it is proposed to establish a capacity building grant managed by the DAs where priority focus would be to bridge the gaps identified during the performance assessment to ensure the reinforcing link between the DDF, incentive system and capacity building (see more under 4.2). There is also need to ensure a balance between institutional performance enhancement and individual staff career building needs. The Centre should provide support in crosscutting areas and backstopping the very weak DAs. This necessitates the centre to retain some funds for outreach programmes as well as institutional building.

The NDP review recommended that a comprehensive capacity building strategy be developed on the basis of a planned needs analysis, for both central Ministries and Departments involved in devolution, and Assemblies. The MTR team agrees with the recommendation but differ in the approach proposed. Whereas the review of NDP proposes that the initial activity be done nationally and DA getting involved as more staff are recruited, the MTR team proposes that each DA should be given hands-on support to conduct own capacity needs assessment and develop the capacity building plan based on anticipated resources as this is a capacity building strategy in itself. This capacity building plan should then be reviewed as other capacity building gaps emerge especially from the proposed performance assessment under the DDF.

## **3.7 Monitoring and Evaluation**

### **3.7.1 Overview of the monitoring and evaluation system**

The Monitoring and Evaluation plan for the Decentralized Governance Programme was designed as a program specific plan, not intended to be a plan that evaluates the whole decentralization programme. It was therefore designed in such a way that it would operate within the context of the Decentralisation Secretariat Monitoring and Evaluation system which feeds into the M & E system of the Ministry of Local Government. The objectives of the program's M& E plan were:

- To coordinate with the government M& E system;
- Enhance result based program management;
- Share lessons learned with key policy makers;
- Monitor sustainability of produced outputs; and
- Ensure accountability for use of funds.

The focus of the M&E plan was on performance monitoring in terms of whether the agreed upon activities as spelt out in the project results and resources framework, the POP were being correctly and effectively implemented, whether outputs were being realized, whether objectives were being achieved, whether there were any bottlenecks in the reporting system and whether there was any shift in the assumptions affecting the performance of the programme

In order for this to be achieved the plan provided for regular inspection tours and field visits to monitor how assemblies were implementing the programme, quarterly reports from the Ministry of Local Government and Rural Development and annual review meetings of the Decentralized Governance Programme comprising members of the program coordinating committee and other partners to review progress. Monitoring activities at the area and village level are part of the district planning system and are described in the District Planning Handbook. Quarterly reports are the pillars to ensure communication from the districts to the Secretariat on the progress of micro-project implementation financial disbursements and trainings conducted at VDC, ADC and district levels.

### **3.7.2 Achievements**

According to the 2003-2004 Annual report from the Decentralization Secretariat two types on monitoring visits were undertaken to the Assemblies. The first type was where DS staff were organized into teams to monitor the implementation of systems. A number of issues emerged from these visits such as: lack of progress on the implementation of the integration strategies prepared in 2002, lack of training and dormancy of VDCs, ADCs and AECs, an increasing number of vacancies especially in finance, lack of monitoring of activities at the Assembly level and inadequate training on the DDPS. Recommendations were made on the filling of vacant posts, training of district institutions in DDPS and institutionalization of M&E at the district level.

The second type of monitoring visits was sectional visits where each sectional staff in institutional development and capacity building, planning, finance visited the Assemblies to check on the various sections. Issues emerging from these visits were as follows:

- a) Institutional Development and Capacity Building Section:
  - Some DTT members were not competent enough to deliver training;
  - Some VDCs were not functional due to poor leadership and lack of training;
  - Although communities had heard about '*mphamvu ku wanthu*', literally meaning '*power to the people*' the slogan that is currently being used for decentralization civic education initiatives they do not have an understanding of how that power can be actualized; and
  - Most councilors did not know their roles and responsibilities
- b) Planning Section:
  - Type of projects being implemented were mainly in education, water and road sectors;
  - Some projects were being dictated from above;
  - Weaknesses in record keeping rendering monitoring and evaluation activities problematic; and
  - Lack of indicative planning figures from donors frustrating the planning process.
- c) Finance Section:
  - Persistent breach of procurement procedures;
  - Inadequate capacity in the Finance Directorate in all the assemblies; and
  - The team recommended running of refresher training programmes for DDF staff in critical aspects that were identified to be problematic.

A joint government /donor field monitoring visit was undertaken in between September and October 2004 by a team of 6 members comprising staff from UNDP/UNCDF and the Decentralisation Secretariat. The visit, which covered 11 of the 12 UNDP/UNCDF districts, was undertaken to assess progress of the Programme in terms of the performance of the assemblies and their experiences in relation to the programme. Their findings confirm the observations that the other field visits made.

Monthly and Quarterly reports were being produced by the Decentralisation Secretariat. These reports provided progress in terms of achieving planned activities according to the work plan and the logframe. They also provided financial reports, an indication of the challenges and suggestions for a way forward.

A computerized M& E system has been prepared and installed in a few pilot districts. As a system for monitoring it is expected that it will ease data management, storage and retrieval at the same time easing linkages with the national monitoring and evaluation system managed by EP&D and the activity based budgeting system being introduced in Assemblies by the NLGFC. Monitoring is being done to assess its effectiveness before replication to other districts.

Three government/donor programme review meetings were undertaken during the period from July 2003 to June 2004 through which all collaborating partners discussed the progress regarding the implementation of the programme and recommendations on how best critical programme activities could be carried out. The meeting raised a number of concerns such as the slow progress of sector devolution, lack of a linkage between local development planning and financing system that is able to translate the funding into districts into interventions that reduce poverty at community level, capacity building issues at the assembly and local level and issues of role conflict between councilors, MPs in the assemblies. It was recommended that a technical officers task force should be convened to discuss in detail the issues raised and map the way forward and that the meetings should be held regularly as one way of improving coordination with collaborating partners.

An Inter-Ministerial Technical Committee meeting took place in January 2004, 15 months after its last meeting, through which sector representatives discussed the progress of sector devolution<sup>18</sup>. The meeting noted that there was a slow pace in the preparation of sector guidelines, sectors were dragging their feet and some were interfering with already devolved functions. Based on the observations, it was agreed that inter-ministerial meetings where sectors should report progress should be held regularly, and that sectors should inform assemblies of new arrangements and meetings between Ministry of Local Government and Rural Development and Decentralisation Secretariat should be held. To date no follow up actions have been taken and another meeting to report on progress has not been organized. A Review of the National Decentralization programme was conducted which revealed a number of important issues that were later incorporated as part of the terms of reference for this review and also informed the NDP II currently under preparation.

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<sup>18</sup> The details are contained in the annual report prepared by the Decentralization Secretariat from July 2003 to June 2004.

### **3.7.3 Challenges**

Although the various reports, reviews and meetings are providing some important and consistent information relating to the general picture of the implementation process and an indication of the general problems that are affecting the implementation aspects of the three components of the programme, there does not seem to be an indication of how much that information is being used to take corrective action or re-orient budgetary allocations and spending patterns to target areas that are essential to the achievement of the primary objectives of the programme.

Apart from the general picture that the reports provide, the work plans mainly provide output indicators of results achieved in the three components of the program. While this information is consistent with the UNDP/UNCDF framework, this type of information is limited in the sense that it does not give much indication of the kind of impact the interventions may be having on the achievement of the immediate objectives of the programme.

Although the M&E system for DDP implementation was revised, monitoring at Area and District level is being done in ad hoc manner or not being done at all. In addition the indicators for ongoing monitoring and evaluation have mainly focused on time and cost effectiveness of planned activities for the projects compared to their actual achievement with little or none on process and impact tracking indicators. The effect of this for example in the districts visited was not possible to provide information on number of village level structures that are working, composition of such structures, comprehensive information on revenue generation in some cases. Information on the gender composition of the various committees was not readily available.

The absence of an effective M&E system at the operational level has had serious effects on the lesson learning dimensions of the programme. Assessment of the programme and capacity to draw lessons in many areas can be made from the qualitative information but is greatly enhanced by quantitative data that is generated by an operational M&E system. A further area of M&E work that has suffered from weak M&E system is that of assessment of performance against immediate objectives of each of the components. Assessments of the extent to which the expected outputs are genuinely contributing towards achieving the program's immediate objectives are mainly in general qualitative terms. It is hoped that the computerized M&E system when up and running will help in this regard.

In many districts, there are no systems for work supervision and assessing how individual work activities relate to the entire program. There are no work plans to link individual work plans with projects plans and an absence of regular reporting. In the districts visited it was only in Mangochi district where an elaborate system of work supervision and monitoring has been designed which links programme activities with individual work plans together with a weekly reporting system. This is an example of best practice and it could be used as a model for others to emulate.

#### **3.7.4 Recommendations**

The programme needs to enhance its communication and feedback mechanisms that will ensure that critical information from various reports and meetings is being followed up instead of gathering dust on the shelves and the relevant offices are taking timely action.

While the computerized monitoring and evaluation system is being monitored, there is need for the programme to develop process and impact tracking indicators in addition to the output indicators that are currently being used. These three indicators should be used as benchmarks for all monitoring visits at the district level. This will ensure consistency in the type of information districts will collect, and also uniformity in the reporting process. This information should feed into the annual impact evaluation exercise and it should also allow continuous tracking of how each intervention is likely to contribute or not contribute to the attainment of immediate project objectives.

In order for this to happen, there is need to have a full time Monitoring and Evaluation Officer at district level within the planning directorate. Currently the monitoring functions are handled by the DPD as an added on function. As a result monitoring is not being given the attention it deserves to be given.

Realizing that there are already some efforts underway by the Ministry of Economic Planning and Development to review the district planning and monitoring system so that it is integrated with the national planning and monitoring framework, the Ministry of Local Government and Rural development should work together with the ministry and MASAF which has got its own monitoring system to ensure that these efforts are harmonized and will not lead to overburdening staff at the assembly level.

## **4.0 ASSESSMENT OF RESULTS PER OUTPUT**

This chapter assesses the progress made in the attainment of each of the programme outputs. For each of the outputs we outline the indicators as per the Project Document, describe the achievements made towards the attainment of the indicators, analyze the limitations and challenges and provide some recommendations to improve the process.

### **4.1 Institutional Development and Capacity Building**

This component objective is to strengthen the management and technical capacity of central and local governments in relation to their roles and responsibilities.

The component aimed at achieving four outputs hence:

- DLG (MoLGRD) strengthened for effective implementation of the NDP;
- Decentralization Secretariat strengthened for effective implementation of the NDP;
- Decentralization Secretariat functions institutionalized in relevant institutions; and
- District Assemblies strengthened for gender mainstreamed development and effective service delivery.

#### **4.1.1 MoLGRD Strengthened**

##### **a) Indicators**

To measure whether the MoLGRD has been strengthened eight indicators were proposed:

- Number of meetings of Cabinet Committee and Technical Committee;
- NDP supervised according to M&E plan;
- DLG management information system installed and working properly;
- Number of strategic partnerships established with other development partners in the area of decentralization;
- NDP implemented according to schedule
- Government/Donor joint reviews carried out;
- Gender mainstreamed strategy developed and implemented;
- Donor support map developed

##### **b) Progress and Achievements**

The MoLGRD has established a number of partnerships with development partners to technically and financially support the decentralization process namely UNDP/UNCDF, ADB, GTZ and NORAD. Government/Donor joint reviews have been carried out as planned. A study to develop a strategy for mainstreaming and implementing gender was commissioned and a draft report produced. As a form of strengthening the MoLGRD a number of both career development as well as short term performance improvement courses have been provided to staff. In addition 15 vehicles and equipments (like computers) have been procured.



### **c) Constraints and challenges**

Meetings of Cabinet Committees and Technical Committee: The Cabinet Committee has only met once for the whole of this year due to election related matters and lack of technical input from the DS to inform the discussions. This has created a vacuum regarding technical and political champion for the implementation of the decentralization policy and the NDP.

The MoLGRD Management Information System installed and working properly is yet to be established due to the Ministry only having one IT specialist burdened by other responsibilities.

Regarding strategic partnerships established with other development partners in the area of decentralization: The key drawback of the nature of relationships existing with development partners is geographical focusing that has resulted in uneven implementation of the decentralization process and serious equity problems due to varying resources among the cooperating partners. There are yet other partners supporting district level activities such as DFID, JICA, and USAID that are supporting decentralization through SWAs, Sector Investment Frameworks and projects. The World Bank through MASAF will be funding community level activities through the District Assemblies. The World Bank has in addition bought vehicles for all DAs.

NDP implemented according the Schedule: As noted earlier there were delays in the launch of the program under review. This has had a negative impact on the timely implementation of the NDP. The implementation of the NDP has also in part suffered from delays in releasing the government circular to initiate commencement of the sector devolution. As most activities under the MDGP were premised on the implementation of sector devolution, some delays have inevitably been experienced. It is also noted that there has been no schedule developed for activities.

Donor Support Map Developed: No formal Donor Map has been developed.

### **d) Recommendations**

The review of the NDP I recommended a need to have a political (the President) as well as technical (Chief Secretary) champion for the implementation of decentralization. This MTR team reinforces that recommendation and suggests having an efficient and effective secretariat for the technical champion. Ideally this secretariat for the technical champion should be the MoLGRD. One of the strategies for effecting the championship role is to coordinate the meetings of the IMTSC to feed into Cabinet Committee. The issues discussed in the IMTSC should feed into discussions of other committees impacting on decentralization (for example the Malawi Government and Donor Aid Coordination Meeting). This arrangement will ensure among others that donor as well as sector interventions in DAs are gradually harmonized in support of devolution.

Under NDP II, UNDP/UNCDF through the MDGP should support the development of a clear decentralization road map (not just a work plan) with milestones and benchmarks together with mechanisms of monitoring that will ensure that the NDP II implementation is on track. UNDP/UNCDF should support the MoLGRD to conduct regular visits and provision of hands-on technical backstopping to DAs. Progress regarding the implementation of the NDP II should be an agenda in the meetings of the relevant

committees. In order to execute the function proposed, the MoLGRD should ensure that there are right staff in the right positions. UNDP/UNCDF under the MDGP should provide support and further capacity building, but this support and capacity building should be based on results of a specific training needs assessment and tailored to filling specific functional gaps and the job demands of the staff. The DS before phasing out (see below) and in close liaison with the ministry responsible for gender, should finalize the gender strategy to inform gender mainstreaming within a decentralized context. MDGP should make financial and technical provisions to ensure that the gender strategy is implemented.

#### **4.1.2 DS strengthened for effective implementation of the NDP**

##### **a) Indicators**

To measure whether the DS is strengthened for effective implementation of the NDP, five indicators were proposed<sup>19</sup>.

- 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;
- Number of training programmes developed and evaluated for impact;
- Number of additional donors supporting NDP;
- Number of planning, financing, participatory systems and sub-systems developed and working for effective implementation of the decentralization process; and
- Number of institutions strengthened for implementation of the NDP

##### **b) Progress and Achievements**

The DS has undertaken several studies aimed at revamping systems including those for DDPFMS and IFMIS. A number of training interventions at both the national, DA and community levels were undertaken aimed at enhancing the capacity of institutions for effective implementation of the NDP.

Efforts have been undertaken to strengthen LASCOM, MALGA and Ministry of Finance. For LASCOM and MALGA these efforts have been in the form of facilitating the development of Strategic Plans and conducting of functional reviews. On the other hand efforts to strengthen the Ministry of Finance have aimed at assisting the Ministry to relate better to issues of decentralization.

##### **c) Constraints and Limitations**

Whereas a number of training activities have been supported, there has been no mechanism for monitoring how the training have impacted on the performance of individual staff as well as the overall organization performance. Overall, there is wide knowledge about the concept of decentralization but many of the stakeholders consulted (especially at the DA and sub-district level) do not seem to comprehend the demands and implications of implementation of the decentralization policy.

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<sup>19</sup> Please note that the MTR has already raised concerns to whether these were the appropriate indicators to measure the output. Similarly, the team noted that some of the indicators were not mutually exclusive with the indicators under other outputs and hence have not been repeated here.

#### **d) Recommendations**

The MoLGRD building on the activities currently under the DS, should prepare communication materials that will be used to explain to the different stakeholders their responsibilities, rights as well implications to the execution of their work under a decentralized context. This will help to strengthen the institutions for implementation of the NDP.

The review of the NDP concluded that the capacity of the formal training institutions needed to be strengthened to enable them to undertake the tasks effectively (page 45). The MTR further notes other options to ensure the quality delivery of capacity building activities in DAs. These include:

- The formal training institutions may have to revisit their training curriculum to ensure that the graduates can operate within a decentralized context;
- The main focus of the training institutions should be in career development related aspects where they have a comparative advantage, previous experience and resources;
- Because most of the training gaps in DAs are likely to be addressed through tailored short-term performance improvement courses and hands-on training, it is further proposed that DA technical staff be provided with the training skills to conduct training activities especially at ADC and VDC levels through further strengthening of the DTTs. The private firms in Malawi should also be given an opportunity to provide training to the DAs to complement the DA training teams. However, the private providers need to be pre-qualified against set criteria to ensure quality delivery of the training activities. There is need to develop an office or unit within the DAs to coordinate the training activities, preferably under the human resource development office.

#### **4.1.3 DS functions institutionalized in relevant institutions**

##### **a) Indicators**

The indicator that was proposed to measure the attainment of this output is number of functions of the DS transferred to and operational in other institutions i.e. DLG, LASCOM, MALGA, NLGFC, DS etc...

##### **b) Progress and Achievements**

The DS was expected to transfer its current functions to other institutions as a strategy of 'working itself out of the job'. Some efforts have been made in this regard. For example some functions and staff (like for Institutional Development) have been transferred to MoLGRD, fiscal decentralization transferred to the NLGFC and Councillor training to MALGA.

##### **c) Constraints and Challenges**

Despite the attempts to transfer the functions to other relevant institutions, these have not yet been institutionalized. The staff from the DS to the MoLGRD for instance were reported to have been assigned other routine functions not related to those they were

performing under the DS. Whereas, the NLGFC is responsible for the allocation and tracking of resources to DAs from the Central Government (like the General Resource Fund), it has not fully taken up the responsibility for the allocation and tracking the use of the DDF, which was previously under the DS. Another challenge regarding the transfer and institutionalization of functions is the high staff turnover among staff in the MoLGRD. Moreover, the MoLGRD, the DS and other institutions have not designed 'an exit strategy' to guide the phasing-out of the DS.

#### **d) Recommendations**

The coordination of the implementation of decentralization policy is a mandate of the MoLGRD. The DS was created to offer technical support to the MoLGRD in the execution of this mandate on an assumption that the capacity of the MoLGRD will gradually be strengthened to wholly take over the functions. Lessons and experiences to-date show that:

The MoLGRD in particular and other institutions in general will need technical support to gradually strengthen their capacities for the implementation of the new and challenging policy of decentralization for some time to come;

The modality of offering technical support through a more or less permanent structure, operating like a normal government department but outside the mainstream ministry is very slow in enhancing the capacities of the institutions mandated to implement the policy in particular as well as the policy in general.

Following from the above two lessons and experiences, the MTR proposes that any future technical support provided by UNDP/UNCDF through the MDGP (and other donors) for the implementation of decentralization should be based on the principles below:

- Flexibility and responsiveness in delivery of technical support;
- Integral part of MoLGRD and working under its direct authority;
- Based on priority gaps identified in the MoLGRD for implementation of decentralization road map;
- Result and output focused;
- Drawing expertise from the relevant GoM institutions like the relevant ministries, private sector and NGOs;

In line with the above principles, the following is proposed regarding the future of the DS and technical support for implementation of decentralization.

#### **Future of DS**

As requested by the MoLGRD, UNDP/UNCDF under the MDGP should support the DS up to December 2005 to allow transition into a new modality of technical support. However, the MoLGRD, NLGFC and the DS should review the tasks and outputs expected of the DS and develop a strategy of how to attain these outputs before March 2005. From March 2005 to December 2005, the DS should only retain, and UNDP/UNCDF only pay, staff mandated to attain the prioritized outputs. Progress towards attainment of the outputs should be reviewed quarterly and necessary corrective measures taken accordingly.

Further Technical Support for Decentralization policy implementation

From the NDP II currently under preparation, UNDP/UNCDF should support the MoLGRD to develop in consultation with other stakeholders a road map for decentralization implementation before March 2005. The road map should have clear milestones that have to be achieved at any given time and with clear benchmarks and monitoring processes. The MoLGRD should then allocate the responsibility of coordinating decentralization implementation in one of its offices. UNDP/UNCDF using part of the resources previously earmarked for DS staff salaries should support the MoLGRD to attract technical assistance from the public service as well as the private sector. This arrangement is expected to rationalize resource use, ensure output-oriented performance and also ensure the keeping of institutional memory. In other words, depending on the assessment of capacity within the MoLGRD, UNDP need to support the recruitment of highly qualified technical advisors to be understudied by MoLGRD staff. However, the actual execution of the functions should mainly draw from expertise in other GoM departments as a buy-in process as well private providers depending on the task at hand.

**4.1.4 DA strengthened for gender mainstreamed development & service delivery**

**a) Indicators**

The indicators proposed to measure the attainment of this output include:

- Number of DAs with capacity building plans;
- Number of DAs with qualified and competent management staff;
- Number of DAs using operational guidelines in their day-to-day management operations and;
- Number of DAs with corporate strategic plans that reflect gender issues

**b) Progress and Achievements**

Some interventions have been undertaken at the DA level to ensure that effective service delivery takes place including training of DA staff.

**c) Constraints and Challenges**

A key challenge at the DA level has been the recruitment and retention of qualified and competent staff to perform the key functions including management, financial management and development planning. To-date, the DAs have not been supported to conduct tailored capacity needs assessment and develop comprehensive capacity building plans.

**d) Recommendations**

To improve the situation, GoM need to review the recruitment procedure and strategies and develop a competency framework for DAs that could facilitate recruitment, staff development and career progression. Provision of training in DAs should be based on specific functional gaps and aimed to fill tailored performance improvement gaps. As mentioned earlier, MDGP should support the MoLGRD to liaise with the Ministry responsible for gender to ensure that gender issues are mainstreamed in development activities implemented by the DAs.

## **4.2 Fiscal Decentralization**

This component objective was to have mechanisms for financing local governments in support of decentralized service responsibilities consolidated. The component aimed at achieving three outputs namely:

- An intergovernmental fiscal transfer system operational;
- Capacity to mobilize, generate and allocate revenues by the DAs improved; and
- Enhanced financial transparency and accountability in DAs.

### **4.2.1 An intergovernmental fiscal transfer system operational**

#### **a) Indicators**

To measure whether the intergovernmental fiscal transfer system is operational, four indicators were proposed:

- Formula for allocation of resources approved by the National Assembly;
- Number of DAs receiving resources according to approved IGFTS formula for general and development grants;
- Number of districts where resource allocation is compliant to the IGFTS formula; and
- Number of sectors disbursing funds to DAs according to approved sector grants formula
- Another indicator related to this output is the number of Districts in compliance with minimum conditions and performance measures.<sup>20</sup>

#### **b) Progress and Achievements**

Allocation formula for the General Resource Fund: The allocation formula of the General Resource Fund that was developed during the previous program was approved by the National Assembly and is in full use in all DAs. The Central Government is expected to transfer 5% of the national revenues excluding grants to be used for the development of districts. The nature of the grant provides room for the LGs to exercise their discretion in the use of the grant. According to the approved formula, 80 percent of the funds is allocated to the DAs 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 weighs 20% and access to safe water weighs 15%. It has further been decided that 25% of the GRF be earmarked for development purposes whereas the 75% is used unconditionally but mainly used for meeting the recurrent costs. The National Local Government Finance Committee announces the monthly General Resource Fund released to all Assemblies as a mechanism of ensuring transparency and accountability of Government Funds.

Allocation formula for development grant: The allocation formula for the development grants was also approved and is used to allocate the DDF by donors to all DDAs. 50% percent of the fund is allocated per capita while the remaining 50% is allocated based on agreed poverty indicators.

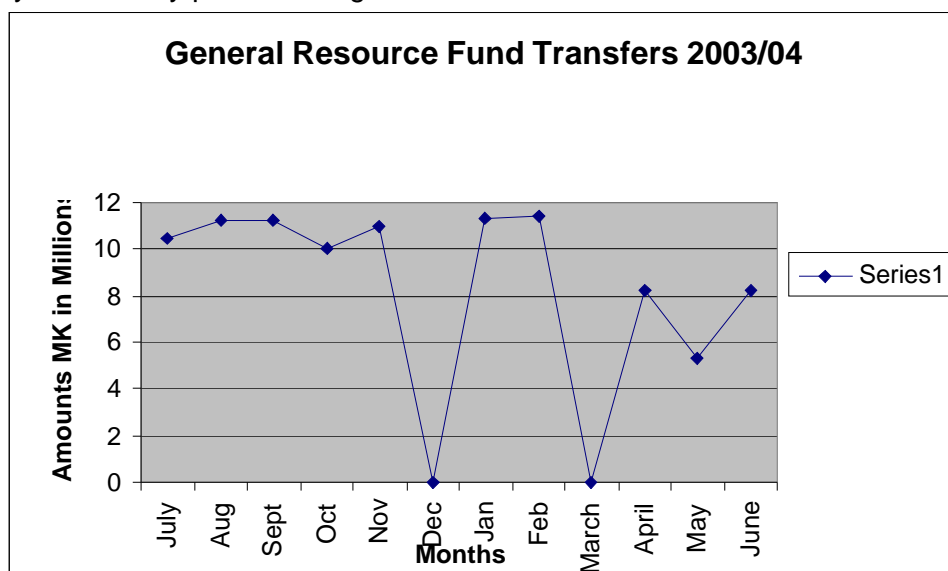
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<sup>20</sup> Please note that whereas under the programme description these indicators and the related activities are under Fiscal Decentralization, under the Logframe and POP it is under output 3.3: District Assemblies Capacity for Service Delivery Enhanced. For consistence and logical flow of the argument, in the MTR this issue was addressed under Fiscal Decentralization.

Sector disbursement: The sector allocation formulae in place are for education, based on the population of the school going age per district and health based on both population and health indicators. Some sectors including Agriculture; Trade, Commerce and Industry; Rural Housing Programme; Gender, Community and Social Welfare have started transferring funds to DAs via a devolved sector account. However, this has only been done a few times and is still ad hoc

### **c) Challenges and Constraints**

General Resource Fund Allocation: Whereas the formula for the general grant stipulates that 5% of the net national revenue (NNR) excluding grants should be allocated to DAs as general grants, this has never been the case<sup>21</sup>. The approved fiscal transfers to DAs as GRF has been far below the recommended 5%<sup>22</sup>. Hence funds from NLGFC transferred as general grants are meagre and also fluctuate a lot. The review team of the NDP noted that this requirement is not achievable in the short-term as government has to service other obligations such as debts, pensions and gratuities, salaries and wages<sup>23</sup>. Moreover, the GRF is not part of the protected pro-poor expenditure and as such liable to reduced funding. The implications are that DAs find it very difficult to systematically plan for the general resource fund.



Source: The NLGFC announcement of Government GRF to all District Assemblies

As noted above, 25% of the GRF is specifically earmarked for development. But similarly the amounts are meagre and not certain hence the DA use the funds in a contingency like manner and mostly to meet operation and maintenance costs of economic investments. Table 4.1 below illustrates how the development portion of the GRF is used in one of the Districts but the situation is not very different from other districts.

<sup>21</sup> The proposed formulae on intergovernmental fiscal transfers allocation (June 2002) defined the national revenue base as actual tax collected less recurrent statutory expenditure i.e. debt service, refunds and retentions, pensions and gratuities.

<sup>22</sup> For details please refer to Table 1: Central Government Transfers on page 24 in the Review of the NDP of Malawi 2001/2004.

<sup>23</sup> This was ignoring the fact that debt service, pensions and gratuities are deducted from the revenues before the 5% is calculated.

**Table 4.1: Utilization of the 25% development fund in Mzimba District**

Months	Expenditure MK <sup>24</sup>	Expenditure Item/Project
July 2004	54,500	Construction of Ekwendeni Slaughter Slab and Re-roofing of Burnt Market
August 2004	00,000	N/A
September 2004	91,343	Construction of Dart Room and re-ceiling of Mzimba Rest House
October 2004	68,750	Rehabilitation of Ekwendeni Market and Construction of extension on DC office – now MASAF office
November 2004	106,020	Renovation of Mzimba Butcher, construction of Septic Tank – Mzimba, installation of hot water system – Mzimba Rest House, Digging of Disposal Pit at Slaughter at Mzimba

Source: Finance Department Mzimba District

The information in table 4.1 shows that most of the projects where the money is spent are District Assembly projects and of economic nature yet one would have expected that operation costs for economic investments would have been financed from the funds raised from these investments. The above notwithstanding, the 25% is very little to be invested in capital investment. The NLGFC was of the view that so long as these funds are not spent on allowances but for maintenance of infrastructure then it is OK.

Development Grant Allocation and revision of the DDF: There are a number of issues worth mentioning:

- a) The allocation formula for the development grant is applied based on the funding levels of each donor. This implies that there is a great variance in the per capita allocations to the Districts, which is also not linked to the poverty levels of the districts. For instance, the districts benefiting from ADB generally received far higher transfers than the rest in 2003 as illustrated in table 4.2 below:

**Table 4.2: DDF allocation to DAs per capita**

District	Donors	Population	DDF MK2003	DDF \$ 2003	\$ Per Capita
Balaka	Norad	253,098	9,000,000	84,112	0.3
Blantyre	Norad	809,397	5,200,000	48,598	0.1
Chikwawa	UNCDF	356,682	7,300,000	68,224	0.2
Chiranzulu	UNCDF	236,050	5,400,000	50,467	0.2
Chitipa	ADB	126,799	23,500,000	219,626	1.7
Dedza	UNCDF	486,682	8,300,000	77,570	0.2
Dowa	Norad	411,387	8,100,000	75,701	0.2
Karonga	Norad	194,572	7,100,000	66,355	0.3
Kasungu	UNCDF	480,659	8,700,000	81,308	0.2
Likoma	Norad	8,074	7,200,000	67,290	8.3
Lilongwe	ADB	1,346,360	23,700,000	221,495	0.2
Machinga	UNCDF	369,614	7,200,000	67,290	0.2
Mangochi	UNCDF	610,239	9,900,000	92,523	0.2
Mchinji	UNCDF	324,941	6,200,000	57,944	0.2
Mulanje	ADB	428,322	36,400,000	340,187	0.8
Mwanza	ADB	138,015	29,000,000	271,028	2.0

<sup>24</sup> Expenditure does not necessarily equal to the allocations as data on allocations was not accessed.



District	Donors	Population	DDF MK2003	DDF \$ 2003	\$ Per Capita
Mzimba	UNCDF	610,994	8,500,000	79,439	0.1
Neno	ADB		4,000,000	37,383	
Nkhatabay	UNCDF	164,761	5,100,000	47,664	0.3
Nkhotakota	Norad	229,460	10,200,000	95,327	0.4
Nsanje	UNCDF	194,924	5,900,000	55,140	0.3
Ntcheu	UNCDF	370,757	6,700,000	62,617	0.2
Ntchisi	Norad	167,880	9,900,000	92,523	0.6
Phalombe	ADB	231,990	0	0	0.0
Rumphi	Norad	128,360	6,900,000	64,486	0.5
Salima	ADB	248,214	11,500,000	107,477	0.4
Thyolo	UNCDF	458,976	8,600,000	80,374	0.2
Zomba	Norad	546,661	14,000,000	130,841	0.2
<b>Total</b>		<b>9,933,868</b>	<b>293,500,000</b>	<b>2,742,991</b>	<b>0.3</b>

- o Population data is from 1998 Malawi Population and Housing Census Report Dec. 2000. There is no distinction between the District and Town Assembly data.
- o 1 USD = 107 MK
- b) Allocation of funds to districts based on the revised DDF system indicates that four (4) Districts got the DDF from UNDP/UNCDF in 2003 (representing FY 2003/04). These are Machinga, Mangochi, Mchinji and Nkhata-bay (see table 4.3 below). The other districts supposed to receive the DDF from UNDP/UNCDF benefited from NORAD funds under a basket fund arrangement. The balance of UNCDF funds under the DDF were used to finance DAs not part of the MDGP. These are Balaka, Karonga, Likoma and Ntchisi. This therefore implies that donors may not be in position to earmark their funds to specific DAs under a basket fund arrangement.

**Table 4.3: DDF transferred to DAs under the MDGP**

District	UNCDF	NORAD	Total
<b>a) Under MDGP</b>			
Nkhatabay	5,100,870	0	5,100,870
Mzimba	0	8,543,858	8,543,858
Kasungu	0	8,658,250	8,658,250
Mchinji	6,172,449	0	6,172,449
Dedza	0	8,277,895	8,277,895
Ntcheu	6,715,819	0	6,715,819
Mangochi	9,939,519	0	9,939,519
Machinga	0	7,161,613	7,161,613
Chiradzulu	0	5,408,050	5,408,050
Thyolo	0	8,604,697	8,604,697
Chikwawa	0	7,340,682	7,340,682
Nsanje	0	5,085,751	5,085,751
<b>b) Outside MDGP</b>			
Balaka	4,555,262	0	4,555,262
Karonga	4,199,551	0	4,199,551
Likoma	4,678,956	0	4,678,956
Ntchisi	3,676,487	0	3,676,487

Source: Decentralization Secretariat

Note: UNDP/UNCDF entered into a basket funding arrangement with NORAD and Danida.

- c) Whereas the DDF guidelines provided for vertical allocation of funds between the District and Community levels at a ratio of 30:70, the allocation of the DDF did not put into consideration the funding levels sufficient to stimulate participatory planning at the different levels. This is especially because the per capita allocation is too low and cannot benefit all the ADCs, which are planning entry points in a District in one year. The situation becomes worse if the funds are allocated to the most appropriate level the VDCs. Table 4.4 below shows the trends in DDF funding over the last 10 (ten) years.

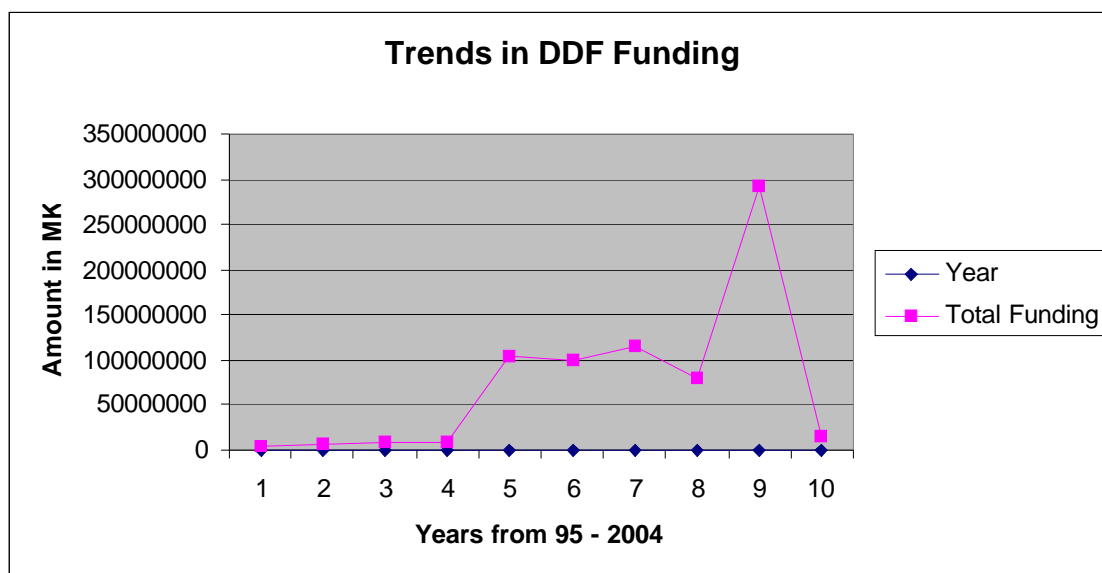
**Table 4.4: Trends in DDF funding over the last ten years**

District	Donor	95	96	97	98	99	2000	2001	2002	2003	2004
Balaka	Norad	0	0	0	0	3.1	2.9	0	0	9	0
Blantyre	Norad	0	0	0	0	4.1	3.3	0	11.5	5.2	0
Chikwawa	UNCDF	0	0	0	0	3	3	6.7	0	7.3	0
Chiranzulu	UNCDF	0	0	0	0	3.6	2.9	5.8	0	5.4	0
Chitipa	ADB	0	0	0	0	2.3	1.9	0	4.4	23.5	0
Dedza	UNCDF	0.7	1	1.2	1.3	8	7.4	15.2	1.1	8.3	0
Dowa	Norad	0	0	0	0	3.2	3.1	0	17.5	8.1	0
Karonga	Norad	0	0	0	0	2.4	2	0	0.7	7.1	0
Kasungu	UNCDF	0	0	0	0	2.6	3.2	0	0	8.7	0
Likoma	Norad	0	0	0	0	0	0	0	0.7	7.2	0
Lilongwe	ADB	0	0	0	0	3.5	4.6	0	8.9	23.7	0
Machinga	UNCDF	0	0	0	0	3.1	3.1	7	1	7.2	0
Mangochi	UNCDF	0.7	1.1	1.1	1.2	6.3	8	14.5	1.1	9.9	0
Mchinji	UNCDF	0.7	1	1	1.8	6.5	6.5	13.2	0	6.2	0
Mulanje	ADB	0	0	0	0	3.7	3	0	7.5	36.4	14.5
Mwanza	ADB	0	0	0	0	2.8	2.4	0	6.1	29	0
Mzimba	UNCDF	0	0	0	0	2.6	3.4	8.5	0	8.5	0
Neno	ADB	0	0	0	0	0	0	0	0	4	0
Nkhatabay	UNCDF	0.7	0.9	1	1.1	5.9	5.5	14.2	0.7	5.1	0
Nkhotakota	Norad	0	0	0	0	2.5	2.7	0	8.3	10.2	0
Nsanje	UNCDF	0.7	1.1	2.3	2.7	8.9	6.6	15.8	0	5.9	0
Ntcheu	UNCDF	0	0	0	0	3	2.9	0	0	6.7	0
Ntchisi	Norad	0	0	0	0	2.9	2.7	6	0	9.9	0
Phalombe	ADB	0	0	0	0	3.7	2.8	0	1	0	0
Rumphi	Norad	0	0	0	0	2.2	2.5	0	6.9	6.9	
Salima	ADB	0	0	0	0	3	2.6	0	7.9	11.5	0
Thyolo	UNCDF	0.7	1.3	1.3	1.4	7.9	6.3	0.08	0	8.6	0
Zomba	Norad	0	0	0	0	3.4	3.2	7.4	1.1	14	0
<b>Total</b>		<b>4.2</b>	<b>6.4</b>	<b>7.9</b>	<b>9.5</b>	<b>104.2</b>	<b>98.5</b>	<b>114.38</b>	<b>86.4</b>	<b>293.5</b>	<b>14.5</b>

**Notes**

- o Amounts in million MK
- o Whereas transfers for 2003 went under different tranches they have been summed together from January 2003 – December 2004.
- o Actual amounts rounded up to the nearest million MK

- d) From table 4.4 it is clearly manifested that by 1999 a national system was trying to emerge. However, the GoM and UNDP/UNCDF did not build on the opportunity to develop a national system at that time of MDGP formulation. Understandably, by then most of the donors were not forthcoming but under the UNCDF/UNDP programme there was no specific activity of supporting GoM to negotiate with the donors to offer funding of the DDF using common modalities perhaps under basket funding;
- e) The DDF transfers in 2004 are minimal. One of the arguments put forward is that GoM wanted to harmonize donor funding with the GoM financial year. The FY started in July but to-date very little in terms of the DDF has been transferred to the Districts. There are different reasons for the different donors. For UNDP/UNCDF they are awaiting accountability from the DS, NORAD is under a transition phase and ADB refused to transfer funds before the DAs refund the part of the funds they used to pay surcharge. There is a great likelihood of losing the momentum.



- f) As mentioned above, the DDF guidelines provide for the vertical allocation of funds between the DA level and ADC level at a ratio of 30:70 respectively. However, this was not based on definite allocation of planning responsibilities between the two levels. In most of the Districts the funds are not vertically allocated as it was planned. Practically, there is no distinct difference between a community and district projects. In some DAs like Mchinji, all funds were spent at community level but implemented by the District Assembly.

**Table 4.5: Investment menu for the DDF: A case of Mzimba District**

		MK	MK	MK
<b>Project Title</b>	<b>Categorization</b>	<b>Total Provision</b>	<b>Project Reserve</b>	<b>Total Cost</b>
<b>a) Community Projects</b>				
Thumbi SB & 2 Toilets	Community	807,508	81,000	888,508
Yeleyele SB & 2 Toilets	Community	769,904	77,000	846,904
Manoro SB & 2 Toilets	Community	700,216	70,000	770,216
Kaweche SB & 2 Toilets	Community	670,216	67,000	737,216
Mabilabo Police Staff House	Community	657,824	66,000	723,824
Khosolo Postal Agency + Toilets	Community	823,824	83,000	906,824
Eswazini Police Unit + 2 Toilets	Community	793,512	80,000	873,512
<b>Sub-total Community</b>				<b>5,747,004</b>
<b>b) District Projects (Urban)</b>				
Ekwendeni Market, New Road	District	943,216	94,400	1,037,616
Mzimba Rest House, Shop, Bar	District	1,585,000	158,500	1,743,500
Mzimba Community Hall	District	8,000	0	8,000
Mzimba New Guest	District	67,000	0	67,000
<b>Sub-total District Projects</b>				<b>2,856,116</b>
<b>Grand Total DDF</b>				<b>8,603,120</b>
<b>%age to community projects</b>				<b>67%</b>
<b>%age to District Projects</b>				<b>33%</b>

Source: Mzimba District Financial Project Progress Report, February 2004

From table 4.5 above, it is noted that:

- There is great variance in similar project costs. For example whereas a school block and 2 toilets cost MK 737216 in Kaweche, they cost MK 888,508 in Thumbi.
  - The project costs seem to be relatively low because the communities contribute local materials for the projects.
  - There are some problems in categorization of projects e.g. Police Staff House and Postal Agency is categorized as community projects yet they are a Central Government and Malawi Postal Corporation Functions. In Eswazini for instance, whereas the major problem identified by most of the VDCs was related to health, the construction of the Police Unit took precedence and during our interviews the community members raised concerns as to whether construction of a Police Unit should be their obligation.
- g) Whereas the DDF formula provides for 70% of the funds to be allocated to ADC level, the allocation formula did not provide for the allocation of funds within the DA i.e. across the ADCs. The respective Districts use different modalities. Whereas some DAs give some IPFs to ADCs (like Mchinji), others like Mzimba reported that they allocate funds according to the expressed needs. Information flow on amounts of funds spent on projects implemented at ADC level is not widely publicized. Notwithstanding the above, the LGFC reported that allocation of funds below the District is in the work plan for financial year 2004/05. The anticipated problem is however lack of data like that related to poverty indicators.

- h) Whereas there was an attempt to establish minimum requirements in the allocation of the DDF, the MCs were not systematically introduced, assessed or used in the allocation of the DDF. The Performance measures have not been used.

Sector disbursements: The sectors with significant amounts of funds (Health and Education) have not started devolution of funds to DAs.

#### **d) Recommendations**

General Grant Allocation: Central Government should transfer an increasing proportion of the funds to the DAs. The funds currently financing activities in DAs under delegated and de-concentrated arrangements (like for salaries and sectors) should be increasingly transferred to the DAs. However, there is need to enhance the capacities of the DAs to allocate, manage and account for these resources.

Development Grants: UNDP/UNCDF through the MDGP in liaison with donors providing development funds to DAs, should support the GoM to develop a national system for devolution of discretionary development funds through harmonized modalities for the use of the DDF by all donors. This would involve calculation of an optimal per capita allocation, legalizing the appropriate planning structures at sub-district level as well as the planning responsibilities for the different levels, revisiting the vertical allocation formula between the District and sub-district structures as well as allocation among the sub-district structures. An incentive based allocation system for the DDF that subjects the allocation of the development grant to basic performance standards supported with a DA managed Capacity Building Grant should be developed and implemented.

Sector Grants: The programme should support the MoLGRD to liaise with Treasury and the sector ministries to further work out the modalities, implications and needed support to make the devolution of sector grants real.

### **4.2.2 Capacity to mobilize, generate and allocate revenues in DAs improved**

#### **a) Indicators**

To measure whether this output is attained, three indicators were outlined:

- Number of DAs implementing revenue collection and enforcement mechanisms;
- Number of DAs using own revenue to fund development projects and other services; and
- Number of DAs having data on potential revenue sources

#### **b) Progress and Achievements**

Revenue collection and enforcement: The Decentralization Secretariat reported to have started the implementation of approved recommendations on property rates and business licensing study in District Assemblies in a phased manner. Data collection and finalization of property and business registers has been completed in NkataBay, Mchinji, Dedza, Thyolo, Chiradzulu and Blantyre District Assemblies. Data collection alone has been completed in Kasungu, Ntchisi, Dowa and Khotakota DAs. The exercise is continuing in Zomba, Karonga, Rumphi, Mbelwa, Balaka, Machinga and Chikwawa DAs;<sup>25</sup>

<sup>25</sup> Refer to NDP Annual Report July 2003 to June 2004 page 20

Notwithstanding the limitations discussed below and the fact that the potential to raise local revenue is greatly untapped, the local revenues are increasing in absolute terms in most of the District Assemblies. The licenses from medium size businesses, which were formerly collected by the Ministry of Trade, Commerce and Industry is increasing in absolute terms. Other sources of revenue in DAs, which are increasing in absolute terms, include service charges like affidavit of birth, Pass Port forms and Identity Cards fees.

Funding Development Projects: Some DAs reported to be using some of their local revenue to fund development projects. For example Mchinji DA reported that they used some of their local revenue to construct a toilet at a market and a fish shed. The above notwithstanding, most of the local revenues is used for meeting recurrent costs (see below on challenges).

### **c) Challenges and Constraints**

Revenue collection and enforcement: The systems in place to support the Assemblies in revenue and mobilization are still weak. The completed Local Revenue Mobilization Study outlines mechanisms to enhance DA capacity in this regard but is just a study<sup>26</sup>.

**Table 4.6: Local revenue collection: A case of Mchinji District**

	<b>MK – as per Nov 04</b>	<b>MK- Actual</b>	<b>MK - Actual</b>	<b>MK - Actual</b>
<b>Source</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>	<b>2001/02</b>
Property Rates	0	0	0	0
Small Business License	230,863	322,681	436,903	319,440
User Charges	1,629,093	4,837,697	4,289,141	3,854,700
Medium Business License	150,177	111,200	23,360	25,560
Other Sources	45,286	380,982	142,037	115,000
<b>Total</b>	<b>2,055,419</b>	<b>5,652,560</b>	<b>4,891,441</b>	<b>4,314,700</b>

Source: Finance Department Mchinji District

Exchange rate 1 USD: 107 MK

From the table above, the following can be concluded which is not so different from data collected in other DAs;

- Whereas data on properties was collected in some districts (like Mchinji), the DAs have not yet started the collection of property rates. The reason for failure to collect property tax is that the DAs cannot raise bills because they have not been declared as a rating area and the rating criteria are yet to be developed.
- In some districts, whereas business registers were produced, the revenue from business licenses started to decrease from 2002/03 to-date. Please note that in other districts like Mangochi, revenue from business licensing is indicated to have significantly increased by over 300% from MK 262,837 in financial year 2003/04 to MK 1,140,420 by the end of the first quarter of financial year 2004/05 reportedly because of increased supervision, strict and timely banking of revenues (but the figures also include revenues from medium sized businesses like cottages, groceries and resorts);

<sup>26</sup> Refer to the NDP, Annual Report July 2003 to June 2004 page 19.

- c) User charges show a steady increase from 2001/02 to 2003/04. The user charges constitute gross revenue from infrastructure owned by the DAs including a Rest House, Community Hall, Old Treasurer's Office, Old District Commissioners Office, Council Bottle Store, Ferry Fees and Medical Fees. In all DAs, it was noted that no effort was made to calculate whether the economic investments are making profits. That notwithstanding, it was reported that the Rest House being directly managed by the DA places huge costs to the DA and is likely to be making net losses. In Mangochi District for instance, one of the Rest House and Bottle store in Monkey Bay is closed for failure to pay utility bills (water and electricity) up to the tune of MK 275,000 incurred in the previous financial year (2003/04);

Funding development projects: Most of the local revenue is spent on salaries of direct employees, payment of utility bills, supplies and services, chiefs operational expenses, monthly ward allowances for councillors, payment of bursaries for needy students as well as maintenance of vehicles and equipment. In Mangochi District for instance, in financial year 2003/04 MK 1,050,466 was spent on Assembly costs alone out of the total local revenue of MK 3, 266,947 representing approximately 32%.

#### **d) Recommendations**

The MDGP should support the MoLGRD to build on the previous studies to further document and facilitate the sharing of best practices and cross-district learning in local revenue mobilization and management.

It was earlier recommended that MDGP should support the GoM to develop an incentive based allocation system. Local revenue enhancement requirements should be incorporated in the proposed incentive based allocation system for the development grants. These could include requirements for DDF co-funding using DA own revenues as a requirement to access the DDF and the increase in local revenues collected as well as the amount of local revenue invested in capital investments as basis for rewarding or sanctioning a DA.

The MoLGRD should encourage the DAs to privatize the management of the economic infrastructure projects. MDGP should explore and formulate strategies, which can be used by the DAs to create a conducive environment for the operation of the private sector as a revenue enhancement process.

Once the sub-district structures are legalized, MDGP should support the NLGFC to workout revenue sharing arrangements between the DA and sub-district structures. Sub-district structures need revenues for maintaining their system, for meeting of operation costs for their investments as well as investing in new community projects. Sharing of revenues with the sub-district structures could also be an incentive for them to participate in local revenue mobilization.

### **4.2.3 Enhanced financial transparency and accountability in DAs**

#### **a) Indicators**

To measure the achievement of this output, six indicators were specified namely:

- Number of District Assemblies producing timely and accurate monthly and quarterly reports;
- Number of DAs with public notices on revenue received, generated, mobilized and allocated;
- Number of DAs with no irregularities and queries on audited accounts;
- Number of DAs with timely audited final accounts submitted to LGFC;
- Number of DAs holding bi-annual briefing and consultative meetings with communities; and
- Number of DAs with no proven fraud and corruption cases.

#### **b) Progress and achievements**

The computerized Integrated Financial Management Information System has been implemented in 6 districts on a pilot basis. These districts were reported to be using the system to produce monthly reports and for managing the payroll for the Direct DA staff. The DS has also commissioned an assignment to develop a staff orientation manual for finance personnel.

#### **c) Challenges and Constraints**

The DAs are reluctant to publicize the revenues received, generated, mobilized and allocated. They argue that the community will put undue pressure to them. Stimulating the communities to demand for accountability is in essence the rationale of publicizing the information as an empowerment tool.

Many District Assemblies still have staffing gaps in finance management. It was reported that DAs find difficulties to attract and retain staff especially in financial management capacity. The Positions of Accounts Assistants (both revenue and development) is not filled in many DAs. For example the joint monitoring visit conducted in November 2004 in 18 District and Town Council Assemblies revealed that out of the 18 visited, nine (9) of them did not have Directors of Finance, ten (10) did not have Accountants Assistant Revenue and sixteen (16) did not have Assistant Accountants Development <sup>27</sup>. The MTR team further explored this issue and unearthed a number of issues as depicted by the Case Study of Mzimba District Assembly summarized in table 4.7 below:

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<sup>27</sup> Please see Bill Chanza et al: MDGP, Report on Joint Monitoring Visit, Appendix 1, November 2004.



**Table 4.7: Staffing in finance and audit department: a case of Mzimba DA**

<b>Position</b>	<b>Status</b>	<b>Date Filled</b>	<b>Qualification</b>	<b>Date Graduated</b>
Director of Finance	Filled	January 2003	B.A. Accounting	2002
Internal Audit	Vacant	-	-	-
Asst. Acc. Revenue	Filled	January 2003	DIPA	1998
Asst. Acc. Development	Vacant	-	-	-
Acc. Asst. DDF	Filled	Experienced	MSCE	
Acc. Asst. Revenue	Filled	Experienced	MSCE	
Acc. Asst. MASAF	Filled	Experienced	CIA	
Acc. Asst. Salaries	Filled	Experienced	MSCE	

From the table above, the following can be further concluded:

- Even some of the Directors of Finance and other qualified staff in place are recently recruited with insufficient practical experience;
- The staff who are experienced and have been in position for long are those with low qualifications and perhaps not marketable elsewhere.

The implications, which are similarly relevant to other Districts, are that DAs find difficulties in producing financial statements and preparing books of account. In Mzimba they have never produced a financial report using IFMS. The last financial report produced by the time of the visit in November 2004 was for September 2004. In Mangochi District for instance, whereas the cashbook is maintained, other books of account especially ledgers were last posted in July 2002. As such, Mangochi District last produced the final accounts in financial year 2001/02.

There are also significant backlogs of audits, which means that in effect there are few effective financial checks and balances in place at District Assembly level. For instance in Mangochi District there is no Internal Auditor and apart from external audits for specific projects, the DA accounts have never been externally audited since the financial year 1994/95.

There are also reported cases of fraud, misappropriation and diversion of funds. For example, Mangochi District was reported to have lost approximately MK 8.2 million (out of which MK 3.2 million was DDF) in 2003. As a result, most of the DDF projects in the District despite being near completion have stalled for about a year now. The District is struggling to pay for the loss from 25% of the GRF earmarked for development.

#### **d) Recommendations**

MDGP should support the NLGFC to publicize revenues to DAs and the wider public including in national newspapers. Communication, transparency and accountability (including publicizing of revenue) should be a performance measure under the proposed incentive based allocation system.

The MoLGRD, LASCOM, Treasury and other relevant government departments should devise strategies for dealing with the staffing problem in finance department. Options that could be explored include (i) upgrading of the position of Director Finance to attract and retain experienced staff especially from Central Government and (ii) intra and inter – DA arrangements where staff within the District Assembly (like those currently under the Accountant General or the sector departments) and staff from another DA respectively

can be used to backstop the weak finance sections. As a short-term plausible alternative, MDGP and other donors should support the provision of tailored, on-the-job, hands-on support for staff in Finance Department. As an interim measure, the program should support timely audit of accounts, as this is likely to improve the quality of financial management. The GoM should make the staff found guilty of fraud and/or misappropriation of funds personally liable as a deterrent to financial misappropriation and diversion.

### **4.3 District Planning and Financial Management Systems**

Previous reviews had noted that the District Planning and Financial Management Systems that were developed in 1994 needed revision to make them consistent with the new local government system based on decentralization. It was also noted that District Planning system did not provide a very clear mechanism for linking planning and budgeting, integration of crosscutting issues of gender, environment and HIV/AIDS. Community participation and input into the district planning process was limited and communities did not have much say in the allocation of resources at the district level.

The component objective was therefore to strengthen the capacity of central and local governments and local communities in the planning and management of local development and service delivery strengthened. The component aimed at achieving three outputs namely:

- A revised District Development Planning and Financial Management System Developed;
- DDPFMS implemented in focus districts; and
- District Assemblies Capacity for Service Delivery enhanced.

#### **4.3.1 A revised DDPFMS developed**

##### **a) Indicators**

To measure whether a revised DDPFMS was developed, four indicators were proposed:

- Number of DAs with District Plans linked to budgeting framework;
- Number of DAs budgeting according to the MTEF;
- Number of DAs where VAP system is integrated into the DDP system; and
- Number of DAs whose sector plans are integrated into the DDP

##### **b) Progress and Achievements**

DAs where VAP system is integrated into the DDP system: In order to ensure participatory planning, the Local Governance and Development Management programme developed a Village Action Manual in 1999. However it was considered that the manual was less focused and too involving for community level facilitators. To deal with this challenge, the Decentralization Secretariat has reviewed and redesigned the VAP manual so that it is simplified. So far it has been piloted in Phalombe<sup>28</sup> district and currently it is being implemented in Mangochi district. The District Training Team in Mangochi District has been trained in the use of the revised manual and in turn the DTT trained AEC members in seven out of 13 ADCs in Mangochi District. It is the AEC who

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<sup>28</sup> Phalombe District is being supported by ADB.

are facilitating the development of the VAPS in the communities. To ensure that standards are adhered to the staff in the office of the Director of Planning conduct field visits to monitor the way AEC members are facilitating the VAP process. It is hoped that the VAPs will provide a sound basis for the updating of the Socio-economic profile and revision of the District Development Plans that were developed a few years ago.

Clarifying the post project completion maintenance strategy: Since the implementation of the planning system supported with DDF funding a number of infrastructure projects have been completed and in many cases the plans have not provided for maintenance mechanisms. In order to maximize the value of such infrastructures with a proper maintenance strategy, a consultant was commissioned to develop a post project maintenance strategy to enable Assemblies maintain their projects. The Report has since been submitted to the Ministry of Local Government for comments and final action.

### **c) Challenges and constraints**

DAs where VAP system is integrated into the DDP system: The process of VAP is ideal and it allows people to participate in the planning process. However it faces a number of challenges including:

- The quality of the output depends on the quality of the facilitator and facilitation process. Although the AEC members go through appropriate orientation in facilitating the VAPs, it is still very difficult for others in the team to comprehend and facilitate the process because of the low capacity. People become AEC members by virtue of being officers in the various sectoral offices.
- The VAP process is conducted without indicative planning figures. The process hence creates expectations in people's minds that once their needs are identified then their projects will be funded. Once you produce plans, which are commonly long lists of needs (wish lists) people expect that they will be funded. The question is what next in terms of actual implementation.
- Due to high illiteracy levels, capacity at the community level to clearly analyze and define their real needs or projects that would have a meaningful impact in their lives is very low. It was reported that some of the issues communities bring as concerns are causes of the problem. To analyze and come to real needs poses a big challenge. As a result community leaders easily manipulate them and development is construed as "brick work". For example, in both Mzimba and Mangochi despite food security being the first priority in their Development Plans, about 99% of the projects implemented during the period 2002 to date were basically 'brick work' projects that had less to do with their livelihoods. This is mainly to do with the menu of projects allowed under the DDF mechanism.
- In many areas the VDCs are dormant. Hence to enable the facilitation of the VAPS the committees have to be reorganized
- Similarly the District planning system has not been revised to include gender, HIV/AIDS and environment. A study was commissioned to come up with recommendation on how best to mainstream gender and HIV in the planning system but it has not yet been finalized. However with respect to HIV/AIDS, at the District

level there is a coordinating structure called DACC that deals with HIV/AIDS issues. Initially DACC was formed by NAC and the Assembly was not involved. After some negotiations DACC has come to be a sub committee of DEC. Previously funds for HIV/AIDS used to go through the Assembly but now funds go through NGOs. For example in Mangochi District, the funds are channeled through Save the Children. The justification is that the Assembly does not have the capacity so the NGOs have been contracted to manage the finances and build capacity in the Assembly in the years to come. However the kind of capacity that should be built has not been defined. All project staff have their offices at Save the Children and there are no mechanisms or strategy on how the Assemblies capacity will be built overtime. This is a common problem that focus on building capacities of other institutions

DAs with District Plans linked to budgeting framework: To-date the development budget comes from external sources and there is no in built recurrent aspects of the projects. Most of the time planning is done parallel with the budgeting process. The major challenge to the District planning system is that District Assemblies do not get indicative figures of how much funds will come into the district for development purposes from the DDF and other donors. Without IPFs, the planning exercise therefore amount to generation of a shopping lists whose funding status is uncertain. This results in frustration in cases where planned activities fail to take off due to budget cuts once figures are known.

DAs budgeting according to the MTEF: Similarly, the linkage between development planning and the national budgeting framework has not yet been clarified. A study was commissioned by the Economic Planning Division towards the end of last year to look into this but the results have not yet been implemented.

Revision and legalization of institutional planning structures below the Assembly: The Decentralization policy and Local Government Act does not provide detailed provisions regarding structures below the district. It only indicates that the Assemblies may establish such other committees at ward, area or village level as they may determine. However the District Planning System currently recognizes Village and Area development committees as basic structures for planning at the local level. These committees were mainly chaired by chiefs and were part of the earlier Local Governance Development and Management Programme. Although the revised District Planning Hand book (2001) indicates that the Traditional Authority (T/A) and the Group Village headman (GVH) should not chair these committees and that members should elect a chairperson from among themselves, in practice this has not materialized.

In almost all the districts visited the T/As continue to chair Area Development Committees and the VDC is basically a committee of village chiefs with a few people representing various groups and the Group Village headman continues to head the Village Development Committee. Ward councilors are basically members of these committees. The continuation of this arrangement sidelines the ward, which is the jurisdiction of councilors. And yet the form of decentralization the country is implementing emphasizes the role of locally elected members as representatives of the people in the development process.

The continued existence of the old administrative systems has created its own problems such as:

- Role confusion of the key stakeholders at the local level in terms of who is responsible for what. Sometimes this has affected feedback when one player has felt that the other will relay important assembly decisions to the communities;
- The whole question of the extent to which chiefs can promote democratic participation given the fact that they are not elected but they are hereditary determined is still posed;
- The extent to which chiefs can be accountable to local communities given the amount of power and respect they wield in the communities. In many places the chief's word is final and yet the whole essence of decentralization is to have communities who are empowered in such a way that they can begin to demand for accountability from their leaders in the delivery of services;
- Structures of planning below the district being utilized by local leaders to gain projects that will promote their popularity and re-election instead of being mechanisms through which voices of the communities are heard.

#### **d) Recommendations**

The MDGP need to support the implementation of the VAP process initiated in Mangochi to the other districts in order to facilitate genuine participation of the people in the revision of the SEPs and the DDP. In line with this, GoM should legalize the institutional planning structures below the district to ensure that they represent the people interests especially the marginalized. As proposed under the DDF, there is need to publicize the IPFs to facilitate meaningful participatory planning guided by hard budget constraints.

The MoLGRD should closely work with the Ministry responsible for Planning, which is in the process of refining the planning systems integrating those of the DAs with those at the national level. In the process there is need to ensure that priorities identified at the local levels inform the planning and budgeting processes at the respective higher levels i.e. in the production of DDPs at DA level and the PSIP at the national level depending on the nature of the project.

#### **4.3.2 DDPFMS implemented in focus Districts**

##### **a) Indicators**

The indicators to measure the attainment of this out put are:

- Number of DA staff and members of Assembly trained in DDPFMS;
- Number of DAs with data banks established and maintained;
- Number of DAs producing SEPs as a basis for the preparation of the DDP and impact evaluation; and
- Number of VAPs that include gender prepared in a participatory manner.

**b) Progress and Achievements**

DA staff and members of the Assembly trained in DDPFMS: The Decentralization Secretariat has commissioned a team of experts to develop a training manual for the District Development Planning and Financial Management System. Although the training manual is not yet finalized there is an indication that a variety of groups in various groups have been trained in the District Development Planning and Financial Management systems as shown in the table below.

**Table 4.8: The status of training in DDPFMS in the 12 districts**

DISTRICT	Planning and finance staff	Development Committees	DEC	ADC	AEC	VDC
Mzimba	1 DPD					
Nkhatabay	1 DPD					
Mchinji	1 DPD		33		88	
Dedza	1 DPD					
Mangochi	1 DPD		45			
Machinga	1 DPD		26		56	
Thyolo	1 DPD					
Chiradzulu	1 DPD					
Nsanje	1 DPD					
Chikwawa	1 DPD					

As can be noted from table 4.9 above, some training on the District Development Planning system has been conducted under this programme. In all the districts Directors of Planning were trained. Training of DEC, AEC, and Development committee members have only been done in a few districts.

Number of DAs with data banks established and maintained: Data banks have been established in almost all the districts (for analysis of the operation of the data banks see challenges below in C).

**c) Constraints and Challenges**

Training in DDPFMS: Whereas there was reported training at the DA level, there has been none for ADC and VDC members except for those districts that have significant presence of NGOs such as Mzimba. Our visits to the various districts revealed that because of this lack of training or orientation many councillors, lower level committees such as ADC, AECs and VDC do not know what to do and how they can carry out their responsibilities. It was reported that most of these lower level structures below the Assembly were targeted for training during the LGDMP but not in this new programme. As people are moving in and out of districts that capacity is no longer there and many of the people in these committees are new. Therefore the extent to which they can guide the communities and facilitate participatory development is hampered because it is like *'the blind leading the blind'*.

We noted that because of lack of knowledge on the procedures and appropriate roles of each committee and the various players, and an absence of a vibrant civil society their ability to push for accountability for example in procurement procedures and practices is seriously compromised. In the entire DDF project communities visited the clients as well

as the various committees including the project committees were not able to tell how much funds were allocated to the projects being implemented in their community and they also did not know who to ask for such details. They were only able to tell the quantity of the materials the Assembly had delivered to the community. With no benchmark with which to assess the adequacy of the materials, communities can easily be taken advantage of. In such an environment the question of community empowerment becomes elusive.

Training planning staff in gender and HIV/AIDS: In most of the districts, planning staff have been trained in gender and HIV. However lack of a gender and HIV strategy precludes any coordinated approach to the way such cross cutting issues may be handled. Ideally it is the strategy that should come first and the training should inform training needs and package. At the moment this training is more of an awareness programme.

Undertaking regular field visits and conducting impact evaluation studies: There is no serious supervision of the lower level structures that are part of the planning process. Once in a while the Assembly is supposed to conduct field visits to the lower level structures to monitor the operations of the sub national structures and offer advice. In most cases this is not happening. One of the reasons that is usually cited is lack of transport for the planning directorate to conduct such visits. In addition the district Assemblies do not have monitoring and evaluation officers to coordinate and carry out regular monitoring exercises. The Planning directorate office is currently performing this function although in most cases the emphasis is on the status of development projects in the communities for reporting to the Assembly. There is less focus on how the systems are working at the local level in order to generate lessons and take corrective action. As a result, District Assemblies are not even able to provide information of how many ADCs, VDCs, and AECs are actually operational, save for a general picture that many are not functioning.

Number of DAs with data banks established and maintained: Whereas most of the DAs have established data banks, they still face a number of challenges, which include:

- The quality of the data included in the data banks;
- The ability of the relevant personnel to use of the data including some Directors of Planning. To-date the information in the data banks has not been used to guide the planning process;
- The management of the databanks. In most assemblies this is left in the hands of some clerks or data entry staff and not the Directors of Planning and Development who are supposed to be using the data in the planning process; and
- Ability to update the databanks so that the data could be utilized in the revision of the Socio-economic profiles that would inform the revision of the District Plans.

#### **d) Recommendations**

Under the proposed refinement of the DDF, MDGP should review the menu of projects allowed under DDF. MoLGRD through the routine visits should ensure that information in the data banks is used to inform the planning process.

MDGP should support training programmes targeting the ADC, VDC that focus on their roles in the planning system so that they can facilitate the planning process better. There

is need to support civil society organizations at the local level to help communities in understanding their roles and how to actualize powers transferred to the people through decentralisation so that they can begin to demand for accountability and transparency.

The DDPs guidelines being developed should allow for annual revision to addressing emerging community needs – introduction of the concept of a rolling medium term plan.

### **4.3.3 District Assemblies Capacity for Service Delivery Enhanced**

#### **a) Indicators**

To measure the attainment of this output, a number of indicators were proposed and include<sup>29</sup>:

- Number of DAs allocating development resources and providing services based on gender;
- Number of DAs with well maintained projects after completion;
- Number of DAs producing timely and accurate DDF project reports;
- Number of DAs conducting quarterly monitoring of DDF projects; and
- Number of DAs successfully implementing DDP

#### **b) Progress and Achievements**

Two types of monitoring visits were undertaken. First Decentralisation Secretariat staff were organised into teams and this was followed by section visits from each of the departments such as planning, finance and institutional development. A number of important observations were made through these visits. Districts produce DDF reports but sometimes these reports are not timely (for details refer to 3.7.2)

#### **c) Constraints and Challenges**

The review of the DDF has not yet taken place hence funds are still being allocated according to the old DDF system. Again due to lack of a gender strategy, the resource and service allocation is not gender based. Although project visits are being made there are no specific indicators as benchmarks on which to assess performance. Where issues are identified through the field reports there is little follow up or actions take on the issues raised. Although the M&E system for DDP implementation was revised, monitoring at Area and District level has not been done in many districts. The effect of the non-operative M&E system is evident in the lack of data on the implementation of the project.

#### **d) Recommendations**

MDGP should support the development an M&E system that will ensure the tracking of performance at input, process, output and impact levels. Currently much of the focus is on activities.

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<sup>29</sup> Please note that some of the indicators under this output related to financing are not included here because they were discussed under 4.2 of this report.



#### **4.4 Likely Attainment of Immediate Objectives**

In this section, the mission attempts to assess the attainment, or likelihood of attainment, of the projects immediate objectives as per the outcome indicators established by the project.

Regarding immediate objective number 1, “to strengthen the management and technical capacity of central and local governments institutions in relation to their roles and responsibilities” the team’s assessment is, whereas attempts have been made to strengthen both the national and district level institutions through mostly career development training to individuals, the current pace and modality of capacity building delivery is not sufficient to strengthen the institutions and make them efficient and effective in the execution of their duties and responsibilities.

Regarding immediate objective number 2, “to strengthen mechanisms for financing local governments in order to increase locally generated and mobilized revenues in support of decentralized service delivery responsibilities” the teams assessment is that:

Whereas a lot has been attempted in relation to the allocation formula for central government transfers, actual transfer of funds as well as studies for enhancement of local revenues, at the current pace and trend the immediate objective is not yet attained and is not likely to be attained in the near future. The basis for the team’s assessment reflected in detail in the report is that the GRF is still meagre and irregular, the 25% of the GRF earmarked for development is mainly used for operation expenses of DA economic investments, the funding under the DDF has a number of loop holes related to funding levels, allocation below the district, nature of projects funded and lack of incentives for performance improvement, sector devolution is clearly in its infancy with no clear strategies for accelerating its pace, there are no clear incentives for increased local revenue mobilization and there are still great challenges in financial management practices and production of the required outputs. Un less the fore mentioned challenges are addressed holistically the attainment of the immediate objective will be further differed.

Regarding immediate objective number 3, “to strengthen the capacity of central and local governments and local communities in the planning and management of development and service delivery” the team’s assessment is that the attempts to support the development of village action plans is good in stimulating participation in planning but it needs to be made realistic through publicizing IPFs. There is also need to ensure linkages between the planning and budgeting processes at District level, integration of sector plans and DA level as well as finalizing modalities for linking the DA planning processes with the national one.

#### **4.5 Likely Attainment of Impact**

Whereas the intentions are justified and the means appropriate, there are a number of both systemic and implementation challenges that if not addressed in the short-term, the intended objectives will at best take long to be attained. “The boat is facing the right direction, but has lost the momentum and is not likely to reach the destination if not quickly rowed”. This assertion is based on:

- A need to strengthen a democratic environment in Malawi especially at the sub-district level where for now the clients are not empowered and lack information to demand for accountability from political representatives and political representatives not empowered to demand for accountability from technical staff;
- The slow pace of DA managed development financing and resource allocations not targeting specific poverty indicators; and
- The slow pace of sector devolution contributing to the slow pace of coordination and integration of activities within a decentralized context.

In section 6.0 of this report we have provided a number of recommendations that if implemented can facilitate the MDGP to contribute to the attainment of its impact.

## **5.0 CRITICAL ISSUES**

### **5.1 Institutionalization and Sustainability**

#### **5.1.1 Policy environment**

This section reviews and assesses the policy environment to determine if it is conducive for attainment of MDGP goals i.e. we assess the extent to which donor policies (including UNCDF and UNDP policies) as well as government policies are supportive or are a deterrent for project implementation..

The direction of the National Decentralization Policy is highly conducive to the sustainability of the Decentralized Governance Programme since its activities support the implementation of the NDP. However there is growing skepticism in government and among some donors about the geographical focus of the project and balkanization of districts by donors whose equity considerations do not seem to take into account poverty status of the districts because the concern of government lies with decentralization across the country and not with a particular set of districts.

An important policy initiative is the decision of the World Bank supported MASAF III programme to disburse its capital development funding support using the planning and appraisal system with full involvement of DEC members within the District planning system. This has also brought with it operational support in terms of vehicles, computers etc. Also significant is European Union's decision to channel development funding through the District planning system. These initiatives will enhance district capacity building and ensure effective replication and deepening of the planning systems developed under the earlier UNDP/UNCDF programme.

Another important World Bank initiative in support of decentralization that has potential to accelerate the sector devolution process relates to actions under the Structural Adjustment Credit that require that responsibility for specific decentralized activities together with staff carrying out those activities be transferred to District Assemblies. The provisions of this Credit arrangement require that the budgets for these be transferred directly from Ministry of Finance to District Assemblies. Currently as part of phase one, the Ministry of Finance has transferred budget support for Ministries of Agriculture, Commerce and Industry, Water, Housing, Transport and Agriculture to DAs.

Although these positive indications are conducive to the implementation of the programme, there remains some uncertainty with respect to the national political and policy environment. While poverty still remains the central development goal of the country, changes in the country's leadership due to the 2004 Presidential and General elections have brought with it a lot of restructuring of institutions and obviously staff transfers and reallocations. As part of this restructuring, the Department of Local Government is now a Ministry of Local Government and Rural Development and it is in the process of re-organizing itself so that its activities and structures fit with the new mandate.

The restructuring process has also had a direct impact on the major coordinating and steering bodies namely the Inter-ministerial Technical Committee on Decentralisation and the Cabinet Committee on Decentralisation. The resultant effect of this is that the progress of sector devolution plans, on whose success this programme heavily relies,

has stalled. Further the decentralisation agenda in Malawi has mainly been championed by a core group of dedicated Malawians who have grown up with the process. Therefore, it is not clear as to what impact the restructuring and staff reallocations may have on the sustainability of the decentralisation programme in Malawi.

An important policy development at the national level in this regard is the new President's emphasis of poverty reduction through growth and Integrated Rural Development System. Its links with decentralization are not precisely clear. The likely impact of this emphasis on the decentralization process needs to be monitored.

### **5.1.2 Institutional bottlenecks**

This section reviews the institutional bottlenecks of the central and district administration that are affecting the effectiveness of the programme in the context of its overall objective.

#### **a) Institutional Bottlenecks at Central Administration Level**

The institutional issues and bottlenecks that pose a challenge for MDGP at central administration level are several and include;

- Reluctance of sector ministries to devolve their functions to the DAs;
- Absence of an effective secretariat at Ministry of Local Government and Rural Development and central government level (lack of political and technical championship);
- The new government has resulted in some restructuring of Ministries that would necessitate reconstitution of Sector Devolution Task Forces and further Orientation. It has also resulted in a new Cabinet Committee on Decentralization, and the Ministerial Technical Committee;
- Functional Reviews that were conducted by the Public Sector Change Management Agency within the Central Government Ministries did not take into account decentralization and hence have led to strengthened central functions at the central level;
- Support to district level structures has not been systematically or consistently given by central government institutions;
- The recruitment process in the hands of central level agencies is inefficient and unresponsive to the needs of DAs; and
- Some level of ownership and understanding exists among officials at central level concerning the MDGP in the sense they are able to articulate what they have been able to do and what they failed to do with regard to the program.

#### **b) Institutional Bottlenecks at District Assembly Level**

- Functions of the District Commissioner and those of former District Council are yet to be fully integrated in terms of shared Terms and Conditions of Service and unified grading structure;
- Largely dysfunctional ADC and VDC structures;
- Largely inactive Standing Committees, except for the Finance, Development and the Public Works Committee;
- Largely un elected sub-district structures not consistent with the aims of decentralization;

- Weak linkages between AEC and DEC, and AEC and ADCs;
- High vacancy rates over long periods of time; and
- There is a great degree of understanding of the program at district level among the key staff. Knowledge at the sub-district seems limited to operation of the DDF, but even with the DDF there are certain crucial elements that the sub-district structures do not know, such as budgets for projects, expenditure on the project, and fund balances at the end of the project.

### **5.1.3 Sustainability of financing**

This section assesses the sustainability of financing based on local financing of capacity building and potential of local financing for operations and maintenance. Our assessments in the previous we have indicated that individuals in DAs and central government institutions have attended a number of training courses. However, these courses have been entirely funded by donors and the various programmes. Analysis of how local revenues have been spent at the District level does not indicate that the DAs have ever allocated locally generated funds for capacity building. Given the levels of local revenues there is little likelihood that the DAs will start to finance capacity building activities in the near future.

The situation is the same for operation and maintenance. Previous assessments have revealed that operation and maintenance costs are mainly met from the GRF transfers even for the economic infrastructure projects. This implies that, with the increasing investments using the DDF, MDGP need to emphasize the plans of meeting the recurrent cost implications of projects before they are implemented.

To deal with the challenge and ensure sustainable financing, local revenue enhancement efforts should intensified. It should also be emphasized that locally generated revenue should not only finance assembly operations in form of councilor allowances but also used to finance operation and maintenance as well as new investments. The requirement for generation, management and allocation of local revenues should be an integral part of the proposed incentive based allocation system.

### **5.1.4 Replicability**

UNDP/UNCDF intervention related to decentralization in Malawi started as far back as 1994 even before the decentralization policy was in place. The lessons from UNDP/UNCDF were then used to develop the decentralization policy and the LG Act. Similarly by 1999, following the piloting of UNCDF all districts had started to receive capital funds from a number of donors using more or less the same arrangements as those used by UNCDF. In the current phase, UNDP/UNCDF has agreed on a DDF basket fund arrangement with NORAD. Based on the previous experience, it is clear that if UNDP/UNCDF strategically documents its lessons and experience and uses them to negotiate with other donors and GoM they could easily be replicated and used to inform the development of national systems. This is especially so during this period when the national systems are at best in their infancy.

## **5.2. Operational Capacity**

### **5.2.1 Capability & efficiency of Government to manage & implement the Program**

Government has through DS created some degree of capacity to manage the Program. It is not clear however, what would happen in the event of the DS being phased out. It should also be noted that the capacity of DS has been seriously compromised over the years owing to the vacancy that existed at the Programme Manager level, which is reported to have been vacant for three years. This led to a situation where the program was being managed from the Ministry. As a result, activities stalled because the DS was expected to obtain approval before implementing activities in the approved work plan. Instances of miscommunication between the Program Coordinator in the Ministry and colleagues within the Ministry was done in a manner that left a lot of people in the dark about program progress and challenges. The situation is said to have improved with the coming of the new PS.

At the DS level, there are serious concerns of laxity among officers as the DS has operated without a performance management system since its inception. There are also concerns about the excessive number of staff particularly in areas such as finance. Our proposal is likely to address the laxity in the DS by introducing a more outputs result oriented culture.

### **5.2.2 Capability to implement the Program at DA level**

The operational capacity of DAs to implement the program is compromised by a number of factors. These include:

- High level of vacancies of senior level posts;
- Inability to attract highly qualified and experienced staff;
- Inadequate transport and equipment; and
- Lack of well targeted training opportunities.

## **5.3 Gender issues**

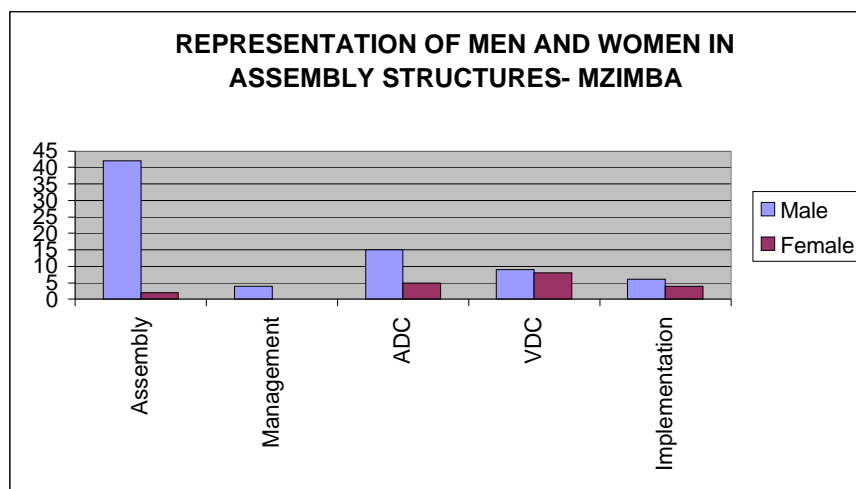
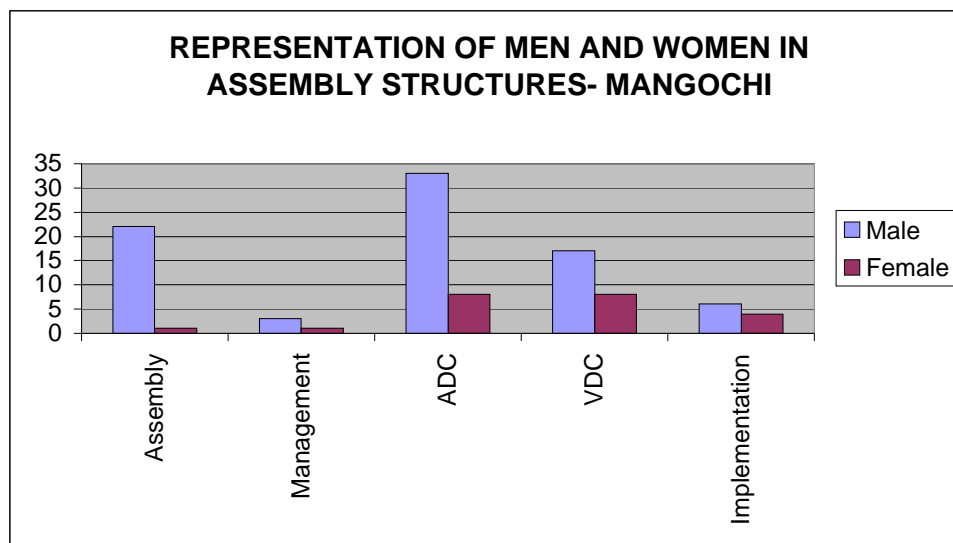
The MTR mission assessed the extent to which gender issues are mainstreamed into the project, and identified issues that need to be addressed.

### **5.3.1 Findings**

It was noted that, the lack of a strategy for mainstreaming gender issues into the project has had an impact in the way gender issues have been understood and handled in the project. The decentralization policy is silent about gender issues. We also noted that staff at the secretariat as implementers of the programme do not have a conceptual understanding of what gender is so as to devise appropriate interventions and enforce existing provisions. In the composition of local level planning structures some guidelines have been given pointing to inclusion of both men and women. For example the composition of the VDC requires that there should be 4 women representatives nominated by people within the VDC. Further it provides that if a male person is elected as a chairperson, the vice chairperson should be elected from among the women members or vice-versa. In the composition of the ADC, it is provided that there should be a representative of women groups in the area and in the composition of the

Assembly; the provision is that there should be five representatives of special interest groups.

However, the way these provisions have actually been rolled out in the districts tends to vary from one district to the other. The practice has shown that there is little representation of women in the various local government committees and structures. An analysis of the various committees in the districts visited clearly highlights this observation as shown below



What is clear here is that, there is very little or no representation of women in the Assembly, ADC and in the management of these institutions. The picture is slightly different when we look at VDCs and implementation committees. With VDCs there is a slight improvement in women's representation and very little difference between men and women in project implementation committees. The implication here is that more women are more involved in the implementation committees than decisions making bodies such as the Assembly, ADC and management. Discussions with men and

women and the various committees in the communities also revealed a widely shared view that during implementation of the community projects there are more women than men. This echoes an observation that was made during an Impact Assessment of the Decentralization process that was carried out in 2001 in seven districts namely Chiradzulu, Mchinji, Mulanje, Mwanza, Nkhatabay, Nsanje, and Ntcheu.

There are various reasons that could be advanced for this state of affairs. However, the communities themselves were of the view that women dominate during implementation because in most communities the population of women is higher than men. Ironically, if that is the case why do we have low representation in the decision-making structures? This suggests that other underlying factors such as culture, lack of capacity, other than population could be contributing to the state of affairs.

The presence of both men and women at the VDC level has the potential of facilitating identification of priority projects that address men and women's needs during the VAP process. However the process of coming up with a Development Plan has to do more with actions and decisions taken at the ADC and Assembly level than just the VDC. It has been observed that sometimes even when communities have properly identified what they consider to be priority projects, projects that may come out of the system may not necessarily be consistent with what the communities chose because of political influence.

Political influence is proving to be one of the major challenges of the implementation of the Development Plan. Communities may come up with priority projects as included in the plan. However the process requires that a list of development projects to be implemented in each year have to be approved by the Development Committee and the Assembly. It is at this approval stage where the challenge is. Community priority projects are replaced with projects that political leaders consider to be tangible projects that they can show to their communities. Mostly these are infrastructure projects that the leaders want in order to fulfill campaign promises and secure re-election. During the consultation in one assembly examples were given that prior to the 2004 general and presidential elections, an Assembly rejected projects such as environmental projects, seed multiplication projects which target food security in favour of visible structures that they would be able to show to their communities.

Therefore what this means is that the presence of women in these other committees other than the VDC is critically important because of the power relations involved in the distribution of community projects.

The MTR mission also examined the degree to which the project and the local level planning process facilitated dialogue between women and local governments. As indicated in the analysis above, we could only infer that there is some level of dialogue at the local levels but the higher up you go the ladder the chances decrease unless the few women in the committees are able to articulate and represent women's concerns so that they are considered in the decision making process.

### **5.3.2 Recommendations**

The fact that there are more women than men in the implementation of these projects suggests that the burden of local development is falling on women in Malawi. The implications of this on the health, time, and energy of women needs to be investigated



considering that According to the 1987 census, 70% of all farm work in the smallholder sub-sector is carried out by women. This, combined with arduous household tasks, child bearing and raising, collection of water and fuelwood and engagement in other productive activities is likely to exert a severe strain on their health, time and energy.

The MDGP and the Ministry of Local Government should refocus its activities and budgetary allocation to ensure that the empowerment of women is given due attention in this programme. There is need to collaborate with the ministry of gender to ensure that a strategy to mainstream gender has been developed. In order to deal with the emerging observations and literacy conditions in the rural areas, the strategy needs to have a twin track approach focusing on integration of women and men as decision makers in all the decentralized governance programme activities and specific activities to empower women as decision makers.

This should be followed with material production that will enable training of all staff and will serve as reference materials.

In the meantime, guidelines provided for in the District Development handbook on composition of committees should be enforced.

#### **5.4 Partnerships and Coordination Role of the Project**

In this section, the MTR mission assesses the nature and quality of the partnerships the programme has forged with local actors, as well as the effectiveness of the coordination role the project plays in aligning the efforts of different players towards the programme objectives. As mentioned throughout the report, GoM institutions through a national programme and policy context are implementing MDGP. This has provided an opportunity for the programme to work closely with GoM as well as donors. For instance, MDGP is financing the DS together with other donors not only to support the implementation of the programme but also the NDP as well as the decentralization policy. Under the DDF, the programme has agreed on a basket funding arrangement with NORAD. There is however need for a more streamlined coordination with donors in support of decentralization. There is also need to support the GoM to involve the NGOs as both service providers, say for capacity building but more importantly as a mechanism of providing checks and balances. The programme needs to establish partnerships and ensure synergies with MASAF especially because MASAF is channeling significant amounts to the DAs.

## **6.0 CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Key Conclusions**

#### **6.1.1 Programme design related conclusions**

The design of the MDGP was based on the lessons and experiences of the previous programmes and within the context of the NDP, the Decentralization Policy and Malawi Poverty Reduction Strategy. In particular the aspect of DDF deepening where it was designed to transfer discretionary development funds to DAs is an effective way of consolidating central local transfers, participatory development planning, financial management and accountability.

However, there are a number of systemic gaps inherent in the programme design;

One of the programme strategies was to facilitate cross-district learning through twinning the LIA and non- LIA districts. However, during the design, neither specific activities nor resources were specifically elaborated to attain the virtues of this arrangement;

The design, especially the decision to have geographical focusing in the 12 districts was based on the availability of funding for the DDF. Given the lessons from the previous programme, the MTR team is of the view that by the time of programme design, the issue of negotiating with other donors to have a programme co-funding arrangement would have been high on the agenda and would probably have yielded results in terms of developing a national programme as well as systems. Efforts during implementation by UNCDF to co-fund the programme yielded results because NORAD accepted to co-fund the DDF under a basket arrangement with UNCDF after the budget cuts;

The design team identified the strategy of alternative livelihood strategies as being key but did not incorporate clear strategies in the project document of how that strategy could be implemented. Similarly, whereas gender and HIV/AIDS were key challenges during the time the project was designed, there were no clear strategies on how the programme should contribute to their solving as part of the other programme activities;

Whereas the design team recognized the need for addressing challenges in a wider local governance framework, the programme only elaborated activities related to local governments and with a bias to the national and DA levels as opposed to the sub-district levels. The strategies of involving the civil society organizations and the private sector in the local governance framework were not elaborated;

Capacity building at both the national and DA level was identified as key in enhancing the capacities of the relevant institutions in regard to supporting programme implementation. However, the main focus was enhancing the capacities of the formal institutions as training providers with little room for the private sector and NGOs. The private sector and NGOs would introduce competition in capacity building delivery, ensure learning by doing leading to over all improved efficiency;

Some of the activities under the outputs are not mutually exclusive, not exhaustive and in some cases not the most relevant ones to achieve the intended outputs

### **6.1.2 Programme implementation related conclusions**

As per the design, MDGP was implemented through GoM institutions at the national as well as DA levels. This mode of implementation in itself provided an opportunity of these institutions to learn by doing and also provided room for coordination of initiatives in the implementation of decentralization. However there are some challenges related to implementation of the programme.

The implementers of the programme have not been able to implement many of the planned activities of the programme. This is manifested in the analysis above but also the fact that only 55% of the UNDP budget for the period was spent by the time of the MTR. Moreover 80% of the UNDP budget was spent on component 1 mainly regarding meeting the operation costs of the DS as well as sponsoring of career development courses for staff mainly at national level. Overall approximately 20% of the total programme budget has been spent mid-way the life span of the project.

There are a number of factors, which have contributed to the above scenario. The Inter-ministerial Committees and Cabinet Committees did not function as planned. There was inadequate coordination between the DS and MoLGRD with no strategy of transferring the functions of the DS to the MoLGRD without interfering the process of implementing the programme and other decentralization related activities. The coordination between the donors and the GoM institutions as well as among the donors themselves also leaves a lot to be desired.

The programme executors and implementers did not develop a clear road map with milestones to guide the monitoring of activity implementation. As such, despite the fact that in some cases the DS staff made monitoring visits to the DAs, the monitoring and inspection roles have been inadequate. This has greatly affected the performance of the DAs especially because of the poor staffing levels in terms of both quality and quantity that would have greatly benefited from the technical backstopping role of the central government institutions.

## **6.2 Key Recommendations**

The recommendations proposed below are not discrete and hence should be implemented simultaneously and in a mutually reinforcing manner.

### **6.2.1 Immediate recommendations (January – March 2005)**

- a) UNDP/UNCDF should ensure that the MoLGRD considers and incorporates the findings, lessons, experiences and recommendations of the MTR into the NDP II currently under preparation;
- b) UNDP/UNCDF should support the GoM through the MoLGRD to develop a decentralization road map with clear benchmarks and monitoring indicators. The road map should clearly indicate the modalities for monitoring progress of implementation as well as periodic reviews;

- c) After the approval of NDP II, UNDP/UNCDF should field a technical team with representatives from the GoM and other donors to revisit and re-orient the MDGP within the changed context of the NDP II, but also to consider and devise strategies of implementing the recommendations of the MTR. Key issues for consideration during the MDGP re-designing could include but not limited to:
- Ensuring a symbiotic relationship and synergies with NDP II, donors programmes, the decentralization policy as well as the wider public sector reforms;
  - Elaborating donor coordination arrangements in the implementation of programme activities as well as helping the GoM to develop national systems for financing service delivery under a decentralized context;
  - Refining the modalities for implementation of the DDF including detailed design of the incentive based allocation system and mechanisms for implementing it; and
  - Ensure that the outputs and indicators are relevant, exhaustive and consistent under the different components of the programme.
- d) The Decentralization Secretariat and the MoLGRD should review their work plan and identify the key tasks that should be implemented before the DS is phased out. The prioritized tasks should be used to determine the staffing requirements of the DS in both numbers and skills mix up to the end of 2005;
- e) The MTR has identified some of the principles that should be followed in the provision of further technical assistance to the MoLGRD in the implementation of the NDP and the decentralization policy. The MoLGRD as well as other government institutions in close liaison with the donors supporting decentralization should discuss and make a final decision on how technical support for decentralization should be delivered and financed in the medium term;
- f) The draft gender strategy elaborating on how gender should be mainstreamed in a decentralized context is in place. UNDP/UNCDF should support the MoLGRD to work with the ministry responsible for gender to finalise this strategy and detail the practical arrangements for its implementation;
- g) Considering the gender implications revealed so far, UNDP/UNCDF should support the MoLGRD to work with the ministry responsible for gender to finalise this strategy and detail the practical arrangements for its implementation;
- h) The MoLGRD should liaise with the Ministry responsible for economic planning to ensure linkage between the planning manuals especially for VAPs developed by the DS with those being developed by the MoDEP. This process should include the definition of planning responsibilities and start the linkages between the DA and national planning; and
- i) UNDP/UNCDF should support the MoLGRD to work closely with other donors and programmes (including MASAF) to ensure that the DA development plans are revised to inform the implementation of activities starting 2005/06

**6.2.2 Short-term recommendations (April – June 2005)**

- a) MoLGRD should conduct the inaugural comprehensive assessment of DAs to establish whether they meet the requirements that would have been elaborated under the incentive based allocation system. The results of the assessment should:
  - Determine the DAs that will be eligible to access the DDF in financial year 2005/06;
  - Identify the functional gaps in the DAs that should inform the design of the capacity building plans (initially could only be capacity building schedules). The activities in the capacity building plans should be given priority for funding using the capacity building funds;
- b) UNDP/UNCDF under the MDGP should support the MoLGRD to implement the Gender Strategy – ensure mainstreaming into all the outputs including the development plans, capacity building plans as well as implementation of activities;

**6.2.3 Medium-term recommendations (July 2005 – June 2006)**

- a) Donors to release funds to the NLGFC and the NLGFC to ensure timely transfer of the DDF to qualifying DAs. The DAs that are not qualifying to access the DDF should receive funds for capacity building so long as they have produced a capacity building plan with work plans of how the funds would be utilized;
- b) Second round of DA assessment in April/May 2006. This should cover both minimum requirements for accessing the DDF in 2006/07 as well as performance measures to reward and penalize those DAs that would have properly or poorly used the DDF in the previous year respectively;
- c) Review of the programme, terminal evaluation and informing the design of the successor programme or intervention.

**6.2.4 Long-term recommendations (July 2006 and Beyond)**

The decision on the specific actions to take beyond 2006 will depend on the re-design and implementation of both the MDGP as well as the NDP. However the options to be considered could include:

- a) Designing of a successor programme; or
- b) Developing a national programme to be supported by all donors. This would involve transfer of the DDF by treasury as any other CG transfers and gradual folding in other funds from programmes (MASAF) and sectors.

## **ANNEXES**

### **Annex 1: List of persons interviewed**

#### **UNDP/UNCDF and Other Donors**

Mr Keating Resident Representative, Daphne Casey - Deputy Resident Representation; Joyce Stanely, Florence Navarro – UNCDF, Regional Technical Adviser; Mr Jockley Mbeye – Regional Technical Adviser; Mr Bill Chanza – Programme Officer; Chigomezgo Mteghe - Assistant Policy Adviser, Poverty Reduction Support Team DFID; Asgeir Rustad – First Secretary, Royal Norwegian Embassy; Mr Francis Mbuka - Agricultural Development Specialist, World Bank;

#### **MoLGRD and other GoM Ministries**

Mr Charles Gunsaru – Secretary for Local Government and Rural Development; Dr Milton Kutengule – Secretary to the Treasury, Mr Willie Samute – Secretary for Rural Development; Mr Sebastian Sentala – Director of Local Government Services (former); Brian G. Mtonya – Director Economic Planning, R.A. Kampanje – Accountant General, Mr Luckie Sikwese – Deputy Director of Planning

#### **Decentralization Secretariat**

Dr Aubrey Mvula - Programme Manager; Ms Wezi Mjojo - Director of Finance & Administration; Mr Jack Nguluwe - Training Manager; Mr Steve Zulu - Data Analyst; Mr Costly Chanza - Urban Planner; Mr Feston Zambezi - Planning Manager (Formerly); Mr Peter Mtema - Information Technology Manager; Mr Henry Mphasa – Finance Manager; Eliam Banda – Programme Accountant; Mr Elvis Njoka – Database Development Officer; Alifeyo Banda – M&E Officer.

#### **National Local Government Finance Committee**

Mrs. K. Kaluma - Executive Secretary; Mr Abdi Chilungo – Finance and Administration Manager; Mr F. Kadawere – Senior Economist

#### **MALGA**

Mr. H Mbetewa – General Secretary; F.C. Macheso - Accountant/Administration

#### **LASCOM**

Mr H.J. Mwabupighu – Secretary

#### **MASAF**

Mr Charles Mandala – Director Community Sub-projects

#### **Mchinji District Assembly**

Mr. H. Masiye - Councilor, Chairman of Assembly, B.C Mandere - District Commissioner; Mr. M.S. Lungu - Director of Public Works, Mrs. M.C. Phiri - Director of Planning and Development, Mr. Y. Mpaso - Senior Assistant Accountant

#### **Dambe ADC**

Traditional Authority, G.V.H. Panye; Jacks Tasowana; J.R. Mvula, Y.M. Sande; L. Yamikani, J.J. Kachigunda, Kholowa Uliya, G.V.H. Kakunga, G.V.H. Chibele, G.V.H Chimatiro, G.V.H. Nthema, G.V.H. Chilowa; J.I.J. Miti; G.V.H. Mphanda; G.V.H. Chalunda; G.V.H. Dambe (Mrs.); E. Msapenda; G.V.H. Kwalozza; G.V.H. Chimwala; V.H. Siula; V.H Zele

#### **Mzimba DA**

P.R. L Shawa - Chairman of the Assembly; K. S. Msachi - Member of Assembly Member; K. Jingini - Director of Finance, K.J.B. Mughogho - Director of Planning & Development; J. Tembo - Acting Director of Admin/HRMO; J. Munyetena - District Commissioner; D. Chintengo - Assistant Accountant;

**Esazwini ADC**

Traditional Authority (Chair) – Inkosi Kampingo Sibande; Mr V.T. Sinkhamba – Secretary; Mr B.P.Mphande – Vice Secretary; Mr Robema Sibande – Treasurer; Zebron Kamanga – GVH ; Inkosana Chidumayo Lusale; Enyanyuweni Sibande – GVH; Mrs T.D. Msachi; Inkosana Samson Sibande; K.S. Msachi – Councillor.

**VDC Matekenya**

Mr Watson Msachi – Chairperson; January Msowoya; Ms Jane Msachi; Mr Chikukula Msowoya; Mrs E.S. Mkandawire; Mr Sanders Msachi.

**VDC Enyanyuweni**

L.A.K. Sibande – Chairperson; Mrs T.D. Nyirenda; Mrs T. Mwale; Mrs A. Sibande; Mr M.A. Nyirenda; Mrs J.L. Sibande; Mr Paulos Sibande; Robema Sibande; Mrs W.L. Sibande; Mr S.P.Kabonje Nyasulu; Mr V. Nyirenda.

**Beneficiaries – Women**

Nolias Nyirenda; Lorence Ngwira; Loncy Harawa; Agness Chirwa; Kefulina Kanyasko; Victoria Rozi; Esther Chirwa; Rose Nyirongo; Unes Soko; Dorothy Nyirenda; Olivia Chirwa; Gloria Mwanza; Tiwine Mvula; Elssy Sibande; Annie Nyirenda; Esther Moyo; Moline Nyirenda; Justina Thewu; Grace Lobore; Elina Mphakati; Seveline Dube; Tamalatose Mapara; Esnat Hunga; Mickles Phiri; Tifines Kanyasko; Fadren Zungu; Wyness Mphande; Helena Nyirenda; Mercy Banda; Tryness Sibande; Enet Nkhoma; Dafless Chirwa; Fales Ngzosi; Maria Banda; Lachness Mwale; Mestina Mwanza; Esobel Thole; Maria Sibande Banda

**Beneficiaries – Men**

D.Z. Mphande; D. Dube; M.Phiri; K.Msachi; E.M.Chavula; H.N.Sibande; M.Nyirenda; I.Phiri; L.Sibande; E.Sibande; C.Mphalani; I. Ntcheta; L.Sibande

**Police Building Committee**

Mr W.L.Msachi; Mrs R. Chisusu

**Mangochi District Assembly**

Mr Yusuf M. Kusweje – Councillor (Chairman of the Assembly); Ms Rose Tapiwa Amini – Councillor (Deputy Chairperson); Mr Kiswell D. Dakamau – District Commissioner; Mr L. Chiona – Acting Director of Planning and Development/UNV Planner; Mr K.N. Banda – Acting Director of Public Works; Ms M.M.Mpanda – Acting Director of Finance; Mr G.B.Shaibu – HRMO; Mr Johnson Yeboah – UNV Planner/CM; Mr S.A. Eliasi – District Trade Officer; Mr Wale J.A.Mtunila – District Forestry Officer; Mr J.W. Pelani – Senior Assistant District Fisheries Officer; Ms Annie Chiumya – Social Welfare Assistant; E.G. Gomiwa – Senior Community Development Assistant; Mr D.D.S. Chalira – SAHRMO Education

**Monkey Bay AEC**

Mr Stanely Banda; Mr Manfred Kadzuwa; Mr Johns Chingoni – Community Development Assistant; Mr James M. Billiat - PEA; Ms Phales Chizule – Assistant Community Development Officer.

**Monkey Bay ADC**

Chairman – V.H. Balamanja; Mr I.A. Kankwalala – Councillor; Mr V.H.Nsumbi; GVH Mwanyama; GHV Chwalo; GVH Chembe; Fosco Madzedze.

**Chigonele VDC – Sangazi School (Project)**

Mr Mahangula; Mr Cossam; Mr Chitenje; V.H Zimba Wadi; Mr Luanda; V.H.Chigonere; V.H Chilawi; Mr Madzombe.

**Annex 2: List of documents and references used in the evaluation**

Apthorpe, R, Chiviya, E. Kaunda G. Decentralisation in Malawi, UNDP and Ministry of Local Government and Rural Development, 1995

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**Annex 3: Detailed Schedule of Activities Undertaken by the MTR**

<b>Date</b>	<b>Activity</b>	<b>Remarks</b>
Nov. 15	<ul style="list-style-type: none"> <li>• Courtesy call to UNDP Resident Representative</li> <li>• Discussion with Regional Technical Advisor</li> <li>• Team introductory meeting to interpret the ToR, design the study approach and work plan and agree on role distribution and coordination arrangements</li> <li>• HQ Phone Briefing</li> </ul>	<ul style="list-style-type: none"> <li>• Got a brief on the expectations of the client in relation to the assignment;</li> <li>• Obtained clarifications on the tasks, scope of work and reporting arrangements.</li> </ul>
Nov. 16	<ul style="list-style-type: none"> <li>• Review of key secondary data</li> <li>• Development of key consultancy questions/checklist</li> <li>• Consultations with UNDP/UNCDF</li> </ul>	<ul style="list-style-type: none"> <li>• Further orientation to MDGP;</li> <li>• Agreed on the study work plan</li> </ul>
Nov. 17	<ul style="list-style-type: none"> <li>• Initial discussion with the Decentralization Secretariat;</li> <li>• Discussion with the Deputy Resident Representative – Programme, UNCDF RTA and UNDP - PO</li> <li>• Field work in Mchinji District Assembly (District Chairperson, District Commissioner, Director of Planning, Director of Public Works and Accounts staff),</li> </ul>	<ul style="list-style-type: none"> <li>• Explored relations with key stakeholders;</li> <li>• Team had initial discussion about the progress of programme implementation;</li> <li>• Sampled the ADCs and VDCs for consultations</li> </ul>
Nov. 18	<ul style="list-style-type: none"> <li>• Fieldwork in Mchinji District – Discussion with ADC.</li> <li>• Detailed discussions at the DA level</li> </ul>	<ul style="list-style-type: none"> <li>• Specific data was collected and in-depth discussions held.</li> </ul>
Nov. 19	<ul style="list-style-type: none"> <li>• Discussion with – NORAD (First Secretary)</li> <li>• Detailed brief and discussion per output and indicator with the Decentralisation Secretariat staff</li> </ul>	<ul style="list-style-type: none"> <li>• Explored policy issues and law reforms;</li> <li>• For each indicator achievements, constraints and proposed way forward was discussed.</li> </ul>
Nov. 20	<ul style="list-style-type: none"> <li>• Team Reporting and discussion of emerging issues for follow-up</li> </ul>	<ul style="list-style-type: none"> <li>• Generation of ideas for the report</li> </ul>
Nov. 21	<ul style="list-style-type: none"> <li>• Travel to Mzimba District</li> </ul>	
Nov. 22	<ul style="list-style-type: none"> <li>• Consultations in Mzimba District (District Commissioner, Director of Planning, Director of Finance, Directors of Administration and Assistant Accountant)</li> </ul>	<ul style="list-style-type: none"> <li>• District Assembly and Councillors interviewed</li> </ul>
Nov. 23	<ul style="list-style-type: none"> <li>• Consultations at Eswazinini in Mzimba District including ADC, Councillors for the Area, VDC, women and men, PMC members</li> <li>• Travel to Lilongwe</li> </ul>	<ul style="list-style-type: none"> <li>• ADC, VDC and Communities</li> <li>• Visited the Police Unit as a Community Project</li> </ul>
Nov. 24	<ul style="list-style-type: none"> <li>• Meetings with NLGFC, MoLGRD staff, courtesy call of P/S MoLG&amp;RD, and debrief with UNDP/UNCDF</li> </ul>	
Nov. 25	<ul style="list-style-type: none"> <li>• Travel to Mangochi District</li> <li>• Discussion with the P/S MoLGRD</li> <li>• Consultations in Monkey Bay including ADC, Area Executive Committee, Councillors for the Area, VDC and PMC</li> <li>• Discussion with the Programme Manager DS</li> </ul>	<ul style="list-style-type: none"> <li>• ADC, VDC and Communities interviewed</li> </ul>

<b>Date</b>	<b>Activity</b>	<b>Remarks</b>
Nov. 26	<ul style="list-style-type: none"> <li>• Consultations in Mangochi (District Chairperson and Vice, District Commissioner, Ag. Director of Planning, Ag. Director of Finance, Directors of Administration, Ag. Director Public Works as well as sector heads of departments)</li> <li>• Travel to Lilongwe</li> </ul>	<ul style="list-style-type: none"> <li>• District Assembly and Councillors</li> </ul>
Nov. 27	<ul style="list-style-type: none"> <li>• Report Writing</li> </ul>	<ul style="list-style-type: none"> <li>• Draft reporting</li> </ul>
Nov. 28	<ul style="list-style-type: none"> <li>• Team members compiling reports</li> </ul>	<ul style="list-style-type: none"> <li>• Draft reporting</li> </ul>
Nov. 29	<ul style="list-style-type: none"> <li>• Team meeting – put the report together</li> <li>• Discussions with MASAF (Charles), P/S Rural Development (Mr. Samute), follow-up with the DS, DfID (Assistant Policy Advisor), World Bank (Donald Mpande) and Accountant General</li> </ul>	<ul style="list-style-type: none"> <li>• Allow identification and filling of information gaps</li> </ul>
Nov. 30	<ul style="list-style-type: none"> <li>• MoF (Secretary to Treasury), MoEP (Director for Economic Planning – Brian Ntonya), MALGA (Mr Mbetewa), LASCOR (Secretary), GTZ, UNCDF and DS</li> </ul>	<ul style="list-style-type: none"> <li>• Collection of information to fill specific gaps.</li> <li>• Critical discussions, verifying findings and recommendations</li> </ul>
Dec. 1	<ul style="list-style-type: none"> <li>• Drafting the Aide Memoire</li> <li>• Sharing of the draft Aide Memoire with UNDP/UNCDF and DS (in-country debriefing session)</li> <li>• Finalization and distribution of the Aide Memoire</li> <li>• Prepare for wrap-up mission</li> </ul>	<ul style="list-style-type: none"> <li>• Aide memoire distributed;</li> <li>• Wrap presentation prepared</li> </ul>
Dec. 2	<ul style="list-style-type: none"> <li>• Evaluation Wrap up Session– Meeting</li> <li>• End of field mission</li> </ul>	<ul style="list-style-type: none"> <li>• Get the views of the stakeholders on the findings and recommendations in the Aide Memoire.</li> </ul>
Dec. 4	<ul style="list-style-type: none"> <li>• Consideration of comments from wrap-up</li> </ul>	<ul style="list-style-type: none"> <li>• All team members</li> </ul>
Dec. 5&6	<ul style="list-style-type: none"> <li>• Finalizing the draft report</li> </ul>	<ul style="list-style-type: none"> <li>• Team Leader</li> </ul>
Dec. 7	<ul style="list-style-type: none"> <li>• Share the Draft report with the team members</li> </ul>	<ul style="list-style-type: none"> <li>• By Team Leader</li> </ul>
Dec. 9	<ul style="list-style-type: none"> <li>• Team members send comments on the draft report to Team Leader</li> </ul>	
Dec. 10	<ul style="list-style-type: none"> <li>• Submission of the Draft report to UNCDF by Team Leader</li> </ul>	
Jan.	<ul style="list-style-type: none"> <li>• Debriefing of UNCDF HQ in New York</li> <li>• Finalization of the Report</li> </ul>	<ul style="list-style-type: none"> <li>• Date to be set</li> </ul>

**Annex 4: Evaluation Summary****1 Basic programme data**

Type of Evaluation:	Mid Term Review
Country:	Malawi
Program title:	Malawi Decentralized Governance Programme
Number of the Program:	MLW/02/005/01/99; MLW/02/C01
Sector:	Local Governance and Development
Sub-sector:	District Administration and Rural Development
Project Components:	Institutional Development and Capacity Building Fiscal Decentralization District Planning & Financial Management Systems
Official Duration:	2002 – 2006
Date Document Signed:	September 2002
Effective Start Date:	April 2003
Date for the MTR:	November – December 2004
Government Authorizing Agency:	Ministry of Finance
Executing Agency (at signing):	Department of Local Government
Executing Agency (to-date):	Ministry of Local Government & Rural Development
Implementing Agency:	Decentralization Secretariat
Number and names of Districts:	12 - Nkhata Bay, Mzimba (Northern Region) Mchinji, Kasungu, Dedza, Ntcheu (Central Region) Mangochi, Machinga, Thyolo, Chiradzulu, Nsanje, Chikwawa (Southern Region)

**Project Budget and Actual Expenditure at Evaluation in USD**

<b>Source</b>	<b>Budget USD</b>	<b>Actual expenditure 2003 USD</b>	<b>Actual expenditure 2004 USD</b>	<b>Total expenditure USD</b>	<b>%age of expenditure to budget</b>
GoM	7,006,120	80,248	136,443	216,691	3.09
UNDP	6,000,000	940,799	1,166,704	2,107,503	35.13
UNCDF	1,500,000	506,037	0	506,037	33.74
<b>Total</b>	<b>14,506,120</b>	<b>1,527,084</b>	<b>1,303,147</b>	<b>2,830,231</b>	<b>19.51</b>

Source: Decentralization Secretariat

## **2 Background of the programme**

The GoM in collaboration with UNDP/UNCDF developed and approved the MDGP in September 2002. The MDGP was formulated with the intention of supporting three areas of the NDP i.e. institutional development and capacity building, fiscal decentralization and local development planning and financing mechanisms. The program was designed to achieve maximum impact of the financial and technical assistance through:

- Geographical focussing by operating in 12 districts where 6 Local Impact Area (LIAs) supported since 1994 under the District Focus Programme and 6 non LIA districts were paired under a twinning arrangement to facilitate cross district learning and sharing of experiences;
- District Development Fund deepening where discretionary investment funds are provided to the District Assemblies;
- Strengthening the capacity of national institutions in support of decentralization; and
- Developing and implementing systems for district planning and financial management that allow the efficient and effective identification and implementation of projects that address community priorities.

## **3 Description of the Programme**

The overall goal of the Program is 'to empower local communities through local governance and development management for poverty reduction'. The immediate objective and the respective expected results/outputs are:

- a) To strengthen the management and technical capacity of central and local governments institutions in relation to their roles and responsibilities. The outputs are: DLG strengthened for effective implementation of the NDP; Decentralization Secretariat strengthened for effective implementation of the NDP; Decentralization Secretariat functions institutionalized in relevant institutions; and District Assemblies strengthened for gender mainstreamed development and effective service delivery.
- b) To strengthen mechanisms for financing local governments in order to increase locally generated and mobilized revenue in support of decentralized service delivery responsibilities. The outputs are: An Intergovernmental Fiscal Transfer System Operational; Capacity to mobilize, generate and allocate revenues in all Assemblies improved; and Enhanced financial transparency and accountability in DAs.
- c) To strengthen the capacity of central and local governments and local communities in the planning and management of development and service delivery. The outputs are: A revised District Development Planning and Financial Management system (DDPFMS) developed; DDPFMS implemented in focus districts; and District Assemblies capacity for service delivery enhanced.

## **4 Purpose of the Evaluation**

The review tasks in the ToR were to:

- a) Assess overall progress (or lack of thereof) in delivering project outputs for all components as defined in the Logical Framework of the Project Document, and the likelihood of attaining the immediate and development objectives;

- b) Assess the continuing validity and relevance of project objectives. Examine design features and recommend how best the design can lead to achievement of the desired objectives/outputs;
- c) Assess the effectiveness of the current funding arrangements and the constraints to achieve a consensus among the involved donors on more harmonization;
- d) Assess the institutional and implementation arrangements and their suitability for the successful attainment of the project objectives; including the consistency, or lack thereof, between the policies of the stakeholder organizations;
- e) Assess the managerial competencies, capabilities and innovation at all levels in implementation of the project;
- f) Provide perspective on outstanding management and implementation issues;
- g) Assess sustainability of the achieved outputs and identify exit strategies;
- h) Assess the reporting mechanism and establish how best can it be regarded as an effective management tool;
- i) Draw critical lessons learned about project design, implementation and management; and make recommendations to improve them and comply with the requirement of the Project Document/Financing Agreement as well as per the rules and regulations of the UNDP/UNCDF/Government of Malawi.
- j) Undertake an institutional analysis of the ability of the key decision makers of the programme management unit to manage, implement and share lessons with local stakeholders since it was stated that as the Decentralized Governance Programme is a pilot providing a mechanism for learning best practices and lessons.
- k) Further, according to substantial changes in the policy environment, the MTR was required to propose a way forward for UNDP/UNCDF in Malawi that considers the current political and administrative decentralization situation. As the MoLGRD recently submitted a request to UNDP to extend the assistance to the Decentralisation Secretariat for one year to December 2005, the MTR team was requested to review this issue as well.

## **5 Findings and Recommendations of the MTR mission**

### **Component 1: Institutional Development and Capacity Building**

#### **Output 1.1: MoLGRD<sup>30</sup> strengthened for effective implementation of NDP**

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<sup>30</sup> The Department of Local Government which appears in the Project Document was renamed the Ministry of Local Government and Rural Development.

**Achievements:**

The MoLGRD has established a number of partnerships with development partners to technically and financially support the decentralization process namely UNDP/UNCDF, ADB, GTZ and NORAD. Government/Donor joint reviews have been carried out as planned. A study to develop a strategy for mainstreaming and implementing gender was commissioned and draft report produced. As a form of strengthening the MoLGRD a number of both career development as well as short term performance improvement courses have been provided to staff. In addition 15 vehicles, 50 computers, 43 printers, 43 UPS, 1 LCD Projector, 2 scanners, 3 copiers, 1 binder and 1 shredder have been procured.

**Constraints:**

The Cabinet Committee and Inter-Ministerial Technical Committees have not been meeting as planned. For instance it had only met once in 2004 by the time of the MTR. This has created a vacuum regarding a technical and political champion for the implementation of the decentralization policy and the NDP. As a result, strategic partnerships have not been established with all the key stakeholders in the area of decentralization including sector ministries as well as donors supporting service delivery of services at DA level through other mechanisms notably SWAPs. There are lapses in the coordination between the GoM and donors as well as among the donors. There is no effective mechanism and plan for continually monitoring the implementation of the NDP and the decentralization policy in general. The MoLGRD Management Information System has not been installed and therefore not yet working as anticipated. The career development oriented trainings have taken staff out of the jobs for quite long and have mainly served individual as opposed to wider institutional development needs. As a result, the NDP has not been implemented on schedule as reflected in among others delays in sector devolution. Two of the vehicles allocated to the DAs got an accident and could not be repaired because the DAs cannot afford this from their resources. These vehicles were not comprehensively insured, as the DAs cannot meet the premium costs. Whereas with support from the MDGP, the MoLGRD is in the process of formulating a gender strategy to customise the Gender Policy to the decentralized context, the strategy is far from being complete and gender mainstreaming has not visibly taken root in most of the DA activities.

**Recommendations:**

The review of the NDP I recommended a need to have a political (the President) as well as technical (Chief Secretary) champion for the implementation of decentralization. This MTR team reinforces that recommendation and suggests having an efficient and effective secretariat for the technical champion. Ideally this secretariat for the technical champion should be the MoLGRD. One of the strategies for effecting the championship role is to coordinate the meetings of the IMTSC to feed into Cabinet Committee. The issues discussed in the IMTSC should feed into discussions of other committees impacting on decentralization (for example the Malawi Government and Donor Aid Coordination Meeting). This arrangement will ensure among others that donor as well as sector interventions in DAs are gradually harmonized in support of devolution.

Under NDP II, UNDP/UNCDF through the MDGP should support the development of a clear decentralization road map (not just a work plan) with milestones and benchmarks together with mechanisms of monitoring that will ensure that the NDP II implementation is on track. UNDP/UNCDF should support the MoLGRD to conduct regular visits and

provision of hands-on technical backstopping to DAs. Progress regarding the implementation of the NDP II should be an agenda in the meetings of the relevant committees. In order to execute the function proposed, the MoLGRD should ensure that there are right staff in the right positions. UNDP/UNCDF under the MDGP should provide support and further capacity building, but this support and capacity building should be based on results of a specific training needs assessment and tailored to filling specific functional gaps and the job demands of the staff.

The DS before phasing out (see below) and in close liaison with the ministry responsible for gender, should finalize the gender strategy to inform gender mainstreaming within a decentralized context. MDGP should make financial and technical provisions to ensure that the gender strategy is implemented and gender mainstreamed into all the DA activities. It is desirable for the DAs to comprehensively insure their vehicles from local revenue. However, given the current status of local revenues in DAs, UNDP should consider to use some of the programme resources to pay the insurance premium up to the end of the programme.

### **Output 1.2    Decentralization Secretariat Strengthened for Effective Implementation of the NDP**

#### **Achievements:**

The DS has undertaken several studies aimed at revamping systems including those for DDPFMS and IFMIS. A number of training interventions at both the national, DA and community levels were undertaken aimed at enhancing the capacity of institutions for effective implementation of the NDP.

#### **Constraints:**

Whereas a number of training activities have been supported, there has been no mechanism for monitoring how the training have impacted on the performance of individual staff as well as the overall organisation performance. Overall, there is wide knowledge about the concept of decentralization but many of the stakeholders consulted (especially at the DA and sub-district level) do not seem to comprehend the demands and implications of implementation of the decentralization policy.

#### **Recommendations:**

The MoLGRD building on the activities currently under the DS, should prepare communication materials that will be used to explain to the different stakeholders their responsibilities, rights as well implications to the execution of their work under a decentralized context. This will help to strengthen the institutions for implementation of the NDP.

### **Output 1.3    Decentralization Secretariat Functions Institutionalized in Relevant Institutions**

#### **Achievements:**

The DS was expected to transfer its current functions to other institutions as a strategy of 'working itself out of the job'. Some efforts have been made in this regard. For example some functions and staff (like for Institutional Development) have been transferred to MoLGRD, fiscal decentralization transferred to the NLGFC and councillor training to MALGA.



**Constraints:**

Despite the attempts to transfer the functions to other relevant institutions, these have not yet been institutionalised. The staff from the DS to the MoLGRD for instance was reported to have been assigned other routine functions not related to those they were performing under the DS. Whereas, the NLGFC is responsible for the allocation and tracking of resources to DAs from the Central Government (like the General Resource Fund), it has not fully taken up the responsibility for the allocation and tracking the use of the DDF, which was previously under the DS. Another challenge regarding the transfer and institutionalisation of functions is the high staff turnover among staff in the MoLGRD. Moreover, the MoLGRD, the DS and other institutions have not designed 'an exit strategy' to guide the phasing-off of the DS without compromising the quality, timely delivery of the processes as well as loss of institutional memory.

**Recommendations:**

The coordination of the implementation of decentralization policy is a mandate of the MoLGRD. The DS was created to offer technical support to the MoLGRD in the execution of this mandate on an assumption that the capacity of the MoLGRD will gradually be strengthened to wholly take over the functions. Lessons and experiences to-date show that:

- c) The MoLGRD in particular and other institutions in general will need technical support to gradually strengthen their capacities for the implementation of the new and challenging policy of decentralization for some time to come;
- d) The modality of offering technical support through a more or less permanent structure, operating like a normal government department but outside the mainstream ministry is very slow in enhancing the capacities of the institutions mandated to implement the policy in particular as well as the policy in general.

Following from the above two lessons and experiences, the MTR proposes that any future technical support provided by UNDP/UNCDF through the MDGP (and other donors) for the implementation of decentralization should be based on the principles below:

- f) Flexibility and responsiveness in delivery of technical support;
- g) Integral part of MoLGRD and working under its direct authority;
- h) Based on priority gaps identified in the MoLGRD for implementation of decentralization road map;
- i) Result and output focused;
- j) Drawing expertise from the relevant GoM institutions like the relevant ministries, private sector and NGOs;

In line with the above principles, the following is proposed regarding the future of the DS and technical support for implementation of decentralization.

**a) Future of DS:**

As requested by the MoLGRD, UNDP/UNCDF under the MDGP should support the DS up to December 2005 to allow transition into a new modality of technical support. However, the MoLGRD, NLGFC and the DS should review the tasks and outputs expected of the DS and develop a strategy of how to attain these outputs before March 2005. From March 2005 to December 2005, the DS should only retain and

UNDP/UNCDF only pay staff mandated to attain the prioritised outputs. Progress towards attainment of the outputs should be reviewed quarterly and necessary corrective measures taken accordingly.

**c) Further Technical Support for Decentralization policy implementation:**

From the NDP II currently under preparation, UNDP/UNCDF should support the MoLGRD to develop in consultation with other stakeholders a road map for decentralization implementation before March 2005. The road map should have clear milestones that have to be achieved at any given time and with clear benchmarks and monitoring processes. The MoLGRD should then allocate the responsibility of coordinating decentralization implementation in one of its offices. UNDP/UNCDF using part of the resources previously earmarked for DS staff salaries should support the MoLGRD to attract technical assistance from the public service as well as the private sector. This arrangement is expected to rationalize resource use, ensure output-oriented performance and also ensure the keeping of institutional memory. In other words, depending on the assessment of capacity within the MoLGRD, UNDP need to support the recruitment of highly qualified technical advisors to be understudied by MoLGRD staff. However, the actual execution of the functions should mainly draw from expertise in other GoM departments as a buy in process as well private providers depending on the task at hand.

**Output 1.4: District Assemblies Strengthened for Gender Mainstreamed Development and Effective Service Delivery**

**Achievements:**

The MDGP intended to develop the capacities of DAs in order for them to implement their mandates. As such, some interventions have been undertaken at the DA level to ensure that effective service delivery takes place including training of DA staff. The District Training Teams (DTTs) have been formed and oriented but still need more technical support and backstopping as well complementarily from other private providers especially the private sector.

**Constraints:**

To-date, the capacity of the DAs is still low especially in functional areas such as financial management, development planning, procurement and monitoring and evaluation. The low capacity of the DAs is associated to either many staffing gaps or lack of qualified and appropriately experienced staff partly as a result of the poor recruitment process. The few and commonly unqualified staff are rarely supported from the Central Government due to a weak inspectorate within the MoLGRD. To-date, the DAs have not been supported to conduct tailored capacity needs assessment and develop comprehensive capacity building plans. Currently most of the activities are being planned and implemented by Central Government institutions especially the DS. The few training activities that have been delivered are emphasizing career development as opposed to short-term performance improvement not only imposing a huge financial burden to the programme but also taking the staff out of the jobs for considerable amounts of time. There is no mechanism for monitoring the impact of the training on the individual and institutional performance improvement and to sum it there are limited inbuilt incentives within the decentralization system for performance improvement.

**Recommendations:**

To improve the situation, GoM need to review the recruitment procedure and strategies and develop a competency framework for DAs that could facilitate recruitment, staff development and career progression. Provision of training in DAs should be based on specific functional gaps and aimed to fill tailored performance improvement gaps. MDGP should support the DAs to conduct capacity needs assessment and develop capacity building plans tailored to the specific functional gaps. Initially, the functional gaps will be identified during the proposed assessment of DA performance. However, there will be need for MDGP to support the MoLGRD to develop a national capacity building framework that will detail modalities for capacity building delivery in the DAs. There is also need to transfer resources from the centre to the DAs for capacity building. This will necessitate the development of a unit within the DAs to be able to manage the capacity building function. The DAs should also be supported to attract and retain qualified staff as well as intra and inter DA arrangements as a short-term plausible alternative. As mentioned earlier, MDGP should support the MoLGRD to liaise with the Ministry responsible for gender to ensure that gender issues are mainstreamed in development activities implemented by the DAs.

**Component 2: Fiscal Decentralization**

**Output 2.1: An Intergovernmental Fiscal Transfer System Operational**

**Achievements:**

The allocation formula of the General Resource Fund (GRF) was approved by the National Assembly and is used by the NLGFC to allocate funds to all the DAs. Out of the GRF, 25% is earmarked for development purposes and the 75% is allocated as an unconditional grant. The MDGP provided for the transfer of the District Development Fund (DDF) as discretionary development funds to the DAs. The DDF was also anticipated to become a national modality for the transfer of development funds to DAs. The allocation formula for the development grant was also approved and is used to allocate the DDF resources provided by donors to all the DAs. In addition to the GRF and DDF, Treasury has started to transfer some sectors grants including Agriculture; Trade, Commerce and Industry; Rural Housing Programme; Gender, Community and Social Welfare to the DAs via a devolved sector Account.

**Constraints:**

Given the demands on GoM to service other obligations, the GRF allocated to the DAs has always been far below the approved 5% of the net national revenue (excluding grants), meagre and fluctuate a lot. The DAs find it very difficult to plan for the use of the GRF. The 25% of the GRF earmarked for development is similarly meagre, uncertain and used in a contingency like manner mostly to meet operation and maintenance costs of economic investments that would have been otherwise financed from the revenues these investments raise.

Despite using the approved formula to allocate DDF resources, there is a great variance in the per capita allocations to the Districts and it is not directly linked to poverty because of the different funding levels of donors allocated to Districts. Yet to-date there are no common/harmonized modalities used by the different donors for DDF funding. The levels of DDF funding are low. This makes it difficult to stimulate meaningful participatory planning at sub-district level especially in circumstances where planning responsibilities of the respective levels are not well-defined and horizontal allocation formula across

sub-district structures not elaborated. The situation is worse in the current FY (2004/05) where no donor has transferred the DDF to Districts for varying reasons greatly stifling the pace at which the DDF was comprehended and used by the DAs. Further, the development and use of an incentive based system for the allocation of the DDF that would have necessitated the DAs to meet certain performance requirements before they access the DDF and thus ensure enhanced DA performance is still in its infancy.

Treasury has not started to transfer funds for sectors with significant amounts of funds (health and education) through the DAs and sector devolution is yet to start off in earnest.

**Recommendations:**

Central Government should transfer an increasing proportion of the funds to the DAs. The funds currently financing activities in DAs under delegated and de-concentrated arrangements (like for salaries and sectors) should be increasingly transferred to the DAs. However, there is need to enhance the capacities of the DAs to allocate, manage and account for these resources.

UNDP/UNCDF through the MDGP in liaison with donors providing development funds to DAs, should support the GoM to develop a national system for devolution of discretionary development funds through harmonized modalities for the use of the DDF by all donors. This would involve calculation of an optimal per capita allocation, legalizing the appropriate planning structures at sub-district level as well as the planning responsibilities for the different levels, revisiting the vertical allocation formula between the District and sub-district structures as well as allocation among the sub-district structures. An incentive based allocation system for the DDF that subjects the allocation of the development grant to basic performance standards supported with a DA managed Capacity Building Grant should be developed and implemented.

The programme should support the MoLGRD to liaison with Treasury and the sectors ministries to further work out the modalities, implications and needed support to make the devolution of sector grants real.

**Output 2.2: Capacity to mobilize, generate and allocate revenues in all Assemblies Improved**

**Achievements:**

The Decentralization Secretariat has supported the collection of data and finalization of property and business registers in some districts and the process is continuing in others. The DS also concluded the first phase of a study on ceded revenue and administration of user charges. Notwithstanding the fact that local revenues are still very low and mainly used to meet recurrent expenses (see below), some of the DAs visited reported to be using some of their local revenues for development purposes.

**Constraints:**

As noted by the review of the NDP, the systems in place to support the DAs in revenue mobilization are still weak. The DAs cannot collect property tax because they have not been declared as rating areas and the rating criteria are yet to be developed. Most of the DAs own and directly manage economic investments especially rest houses and bottle stores. Whereas these are supposed to be generating revenues for the DAs, in a number of cases they were reported as putting huge costs to the DAs and are often

making net losses (some of them have been closed for failure to pay for utilities). A significant proportion of local revenues is mainly spent on maintaining the decentralized system (like payment of councillors and direct employees) and at best insignificant funds are allocated for development and meeting maintenance costs for the investments. The situation casts a lot of doubt on the sustainability of financing in the near future.

**Recommendations:**

The MDGP should support the MoLGRD to build on the previous studies to further document and facilitate the sharing of best practices and cross-district learning in local revenue mobilisation and management.

It was earlier recommended that MDGP should support the GoM to develop an incentive based allocation system. Local revenue enhancement requirements should be incorporate in the proposed incentive based allocation system for the development grants. These could include requirements for DDF co-funding using DA own revenues as a requirement to access the DDF and the increase in local revenues collected as well as the amount of local revenue invested in capital investments as basis for rewarding or sanctioning a DA.

The MoLGRD should encourage the DAs to privatise the management of the economic infrastructure projects. MDGP should explore and formulate strategies, which can be used by the DAs to create a conducive environment for the operation of the private sector as a revenue enhancement process (for the private sector to pay revenue to the DAs).

Once the sub-district structures are legalized, MDGP should support the NLGFC to workout revenue sharing arrangements between the DA and sub-district structures. Sub-district structures need revenues for maintaining their system, for meeting of operation costs for their investments as well as investing in new community projects. Sharing of revenues with the sub-district structures could also be an incentive for the sub-district structures to participate in local revenue mobilization.

**Output 2.3: Enhanced financial transparency and accountability in DAs**

**Achievements:**

The computerized Integrated Financial Management Information System has been implemented in 6 districts on a pilot basis. These districts were reported to be using the system to produce monthly reports and for managing the payroll for the Direct DA staff. The DS has also commissioned an assignment to develop a staff orientation manual for finance personnel.

**Constraints and challenges:**

The DAs are reluctant to publicize the revenues received, generated, mobilized and allocated and hence stifling the possibilities for the constituents to demand for accountability. Most of the DAs have staffing gaps in finance management and internal audit because of the difficulties to attract and retain staff. Even most of the staff in place especially the Directors of Finance are inexperienced and among others find difficulties in producing timely and quality financial reports. This situation is made worse by the significant backlog of audits, which means that in effect there are insufficient financial checks and balances in place at DA level. There are also some cases of

misappropriation and diversion of funds leading to the stalling of project implementation (a case of Mangochi District)

**Recommendations:**

MDGP should support the NLGFC to publicize revenues to DAs and the wider public including in national news papers. Communication, transparency and accountability (including publicizing of revenue) should be a performance measure under the proposed incentive based allocation system;

The MoLGRD, LASCOM, Treasury and other relevant government departments should devise strategies for dealing with the staffing problem in finance department. Options that could be explored include (i) upgrading of the position of Director Finance to attract and retain experienced staff especially from Central Government and (ii) intra and inter – DA arrangements where staff within the District Assembly (like those currently under the Accountant General or the sector departments) and staff from another DA respectively can be used to backstop the weak finance sections. As a short-term plausible alternative, MDGP and other donors should support the provision of tailored, on-the-job, hands-on support for staff in Finance Department. As an interim measure, the program should support timely audit of accounts, as this is likely to improve the quality of financial management. The GoM should make the staff found guilty personally liable as a deterrent to financial misappropriation and diversion.

**Component 3: District Planning and Financial Management Systems**

**Output 3.1: A revised District Development Planning and Financial Management System Developed**

**Achievements:**

The DS redesigned the Village Action Plan (VAP) manual made simpler to facilitate easy use by the DAs and users at sub-district levels facilitators. The process is currently being implemented in Mangochi District.

**Constraints:**

The District Assemblies planning system has not yet been linked to the budgeting framework. The study that was proposed to link planning with the budgeting framework in the project document is yet to be undertaken and sector plans as well as the VAP system has not yet been integrated into the DDP. Lack of the linkage with the budgeting framework creates a big challenge in the allocation and use of resources. There is no clear definition and distinction between projects that are a mandate of the sub-district structures, DA and national level.

**Recommendations:**

The MDGP need to support the implementation of the VAP process initiated in Mangochi in the other districts in order to facilitate genuine participation of the people in the revision of the Socio-economic Profiles (SEPs) and the DDP. In line with this, GoM should legalize the institutional planning structures below the district to ensure that they represent the people interests especially the marginalized. As proposed under the DDF, there is need to publicize the IPFs to facilitate meaningful participatory planning guided by hard budget constraints.

The MoLGRD should closely work with the Ministry of Economic Planning and Development, which is in the process of refining the planning systems integrating those of the DAs with those at the national level. In the process there is need to ensure that priorities identified at the local levels inform the planning and budgeting processes at the respective higher levels i.e. in the production of DDPs at DA level and the PSIP at the national level depending on the nature of the project. MoLGRD should develop and support the DAs to use planning guidelines that provide for annual up-dating of the plans and catering for mainstreaming of crosscutting issues.

**Output 3.2: District Development Planning and Financial Management System Implemented in focus Districts**

**Achievements:**

As part of the predecessor programme, all assemblies have data banks and have produced SEPs as the basis of DDP preparation. Some orientation programmes have been conducted for Directors of Planning and DEC members in the DDPFMS.

**Constraints:**

Although DDPs were developed, they are not generally used in the implementation of projects as a number of projects currently implemented are either outside or not priorities in the DDPs. The menu of projects coming out of the system to-date focuses more on the social sector other than productive sectors, HIV, or food security. Important cross cutting issues such as gender, HIV, environment have not been integrated into the planning system so the way they are handled is in an ad hoc manner. Although data banks were established, they are not being utilised. Lower level committees have not been trained to enable them facilitate the planning process well. There is role confusion of the key stakeholders at the local level in terms of who is responsible for what. There is some evidence of political influence in project selection and lack of accountability and transparency in implementation of project activities. The participation of women in terms of representation is very low at the Assembly level, ADC, VDC but high during implementation of the projects

**Recommendations:**

Under the proposed refinement of the DDF, MDGP should review the menu of projects allowed under DDF. MoLGRD through the routine visits should ensure that information in the data banks is used to inform the planning process.

MDGP should support training programmes targeting the ADC, VDC that focus on their roles in the planning system so that they can facilitate planning better. There is need to support civil society organisations at the local level to help communities in understanding their roles and how to actualise powers transferred to the people through decentralisation so that they can begin to demand for accountability and transparency.

The DDPs guidelines being developed should allow for annual revision to address the emerging community needs hence introducing the concept of a rolling medium term plan.

**Output 3.3: District Assemblies Capacity for Service Delivery enhanced**

**Achievements:**

Two types of monitoring visits were undertaken. First Decentralisation Secretariat staff were organised into teams and this was followed by section visits from each of the departments such as planning, finance and institutional development. A number of important observations were made through these visits. Districts produce DDF reports but sometimes are not timely.

**Constraints:**

The review of the DDF has not yet taken place hence funds are still being allocated according to the old DDF system. Again due to lack of a gender strategy, the resource and service allocation is not gender based. Although project visits are being made there are no specific indicators as benchmarks on which to assess performance. Where issues are identified through the field reports there is little follow up or actions take on the issues raised. Although the M&E system for DDP implementation was revised, monitoring at Area and District level has not been done in many districts. The effect of the non-operative M&E system is evident in the lack of data on the implementation of the project.

**Recommendations:**

MDGP should support the development an M&E system that will ensure the tracking of performance at input, process, output and impact levels. Currently much of the focus is on activities.

**Other Crosscutting Issues**

**Learning and replication:**

**Achievements and Constraints**

Under a twining strategy of the Local Impact Area (LIA) and non-LIA districts, MDGP intended to enhance cross-district learning. However, apart from a few congresses of best practice organized by the Decentralization Secretariat (DS), there was no evidence of cross-district learning by the district due to proximity anticipated at design stage. There was no provision in the Project Document and budgets for systematic exchange visits and learning between the LIA and non-LIA districts. The lessons and experiences have not been systematically documented to inform MDGP, NDP as well as decentralization policy refinement.

**Recommendations**

The MDGP should support and ensure cross-district learning through annual reviews to pick speed and re-direct programme, documentation of lessons and experiences as well as informing refinement of processes and policy within Malawi and UNDP/UNCDF. The use of the findings of this MTR to inform the design and implementation of the NDP II should be the point of departure.

**The local governance framework**

**Achievements and Constraints**

The GoM is in the process of legalizing democratic institutions at the sub-district level. However, to-date there are no mechanisms, especially due to lack of information, to enable the clients to demand for accountability. The MDGP concentrated on the Local Governments system at national and DA level with insufficient attention to the sub-district structures and no attention to the broader local governance framework through



involvement of the civil society and the private sector.

**Recommendations:**

The MDGP should support efforts intended towards community level empowerment. Efforts in this regard may involve ensuring that the DAs publicise information to the clients including IPFs and local revenues, supporting the development of the civil society to support the clients/community to demand for accountability as well as the private sector.

**Budget Utilization**

Partly because of the design and budgeting but also because of the high levels of budget realizations, most of the UNDP funding (80%) has been spent on the institutional development and capacity building component. Far less amounts 15% and 5% were spent on operationalization of the intergovernmental fiscal transfer system and district development planning and finance management system respectively. UNCDF had spent 34% of the funds budgeted for the DDF. Overall only approximately 20% of the total budget has been spent to-date mid-way the programme lifespan.

**Overall Assessment**

Whereas the intentions are justified and the means appropriate, there are a number of both systemic and implementation challenges that if not addressed in the short-term, the intended objectives will at best take long to be attained. “The boat is facing the right direction, but has lost the momentum and is not likely to reach the destination if not quickly rowed”.

UNDP/UNCDF should ensure that the MoLGRD considers and incorporates the findings, lessons, experiences and recommendations of the MTR into the NDP II currently under preparation. After the approval of NDP II, UNDP/UNCDF should field a technical team with representatives from the GoM and other donors to revisit and re-orient the MDGP within the changed context of the NDP II, but also to consider and devise strategies of implementing the recommendations of the MTR. Key issues for consideration during the MDGP re-designing could include but not limited to:

- Ensuring a symbiotic relationship and synergies with NDP II, donors programmes, the decentralization policy as well as the wider public sector reforms;
- Elaborating donor coordination arrangements in the implementation of programme activities as well as helping the GoM to develop national systems for financing service delivery under a decentralized context;
- Refining the modalities for implementation of the DDF including detailed design of the incentive based allocation system and mechanisms for implementing it; and
- Ensure that the outputs and indicators are relevant, exhaustive and consistent under the different components of the programme.

**6 Assessment of the programme design**

The design of the MDGP was based on the lessons and experiences of the previous programmes and within the context of the NDP, the Decentralization Policy and Malawi Poverty Reduction Strategy. In particular the aspect of DDF deepening where it was

designed to transfer discretionary development funds to DAs is an effective way of consolidating central local transfers, participatory development planning, financial management and accountability.

However, there are a number of systemic gaps inherent in the programme design;

One of the programme strategies was to facilitate cross-district learning through twinning the LIA and non- LIA districts. However, during the design, neither specific activities nor resources were specifically elaborated to attain the virtues of this arrangement;

The design, especially the decision to have geographical focusing in the 12 districts was based on the availability of funding for the DDF. Given the lessons from the previous programme, the MTR team is of the view that by the time of programme design, the issue of negotiating with other donors to have a programme co-funding arrangement would have been high on the agenda and would probably have yielded results in terms of developing a national programme as well as systems. Efforts during implementation by UNCDF to co-fund the programme yielded results because NORAD accepted to co-fund the DDF under a basket arrangement with UNCDF after the budget cuts;

The design team identified the strategy of alternative livelihood strategies as being key but did not incorporate clear strategies in the project document of how that strategy could be implemented. Similarly, whereas gender and HIV/AIDS were key challenges during the time the project was designed, there were no clear strategies on how the programme should contribute to their solving as part of the other programme activities;

Whereas the design team recognized the need for addressing challenges in a wider local governance framework, the programme only elaborated activities related to local governments and with a bias to the national and DA levels as opposed to the sub-district levels. The strategies of involving the civil society organizations and the private sector in the local governance framework were not elaborated;

Capacity building at both the national and DA level was identified as key in enhancing the capacities of the relevant institutions in regard to supporting programme implementation. However, the main focus was enhancing the capacities of the formal institutions as training providers with little room for the private sector and NGOs. The private sector and NGOs would introduce competition in capacity building delivery, ensure learning by doing leading to over all improved efficiency;

Some of the activities under the outputs are not mutually exclusive, not exhaustive and in some cases not the most relevant ones to achieve the intended outputs

## **7 Policy implications and lessons learned**

It is important to design a programme within the national and other programme context. The programme should however inform the refinement of the national processes and programmes based on lessons learnt and also adjust its design and implementation accordingly.

Whatever strategy is identified in the design should be backed up with specific activities and resources for its implementation otherwise the strategy remains on paper like the cases was for the twinning arrangement and livelihood strategies;

Effective coordination among Government institutions, between Government and donors and among the donors is key in the successful implementation of the programmes;

A clear road map with benchmarks to guide monitoring of project implementation is key in the successful implementation of the programme.

**8 Members of the Evaluation Team**

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**Annex 5 Follow-up Matrix: Key Findings and Recommended Actions**

<b>Area of Focus</b>	<b>Key Findings</b>	<b>Recommended Actions</b>	<b>Responsible Party</b>	<b>Timeline</b>
1. Learning	<p>1.1 No evidence of systematic cross-district learning due a twining arrangement between the LIA and non-LIA districts</p> <p>1.2 Lessons and experiences not well documented to inform MDGP, NDP and decentralization policy refinement</p>	<p>1.1 MDGP to finance reviews to pick speed and re-direct programme</p> <p>1.2 UNDP/UNCDF to ensure that the findings of the MTR inform preparation and implementation of NDP II and re-design of MDGP</p>	<p>1.1 MoLGRD with financial support from MDGP</p> <p>1.2 MoLGRD with financial support from MDGP</p>	<p>1.1 Annually</p> <p>1.2 Jan. to March 2005</p>
2. MDGP re-design	<p>2.1 MDGP was designed and implemented within the context of NDP and decentralization policy. However these are currently under review.</p> <p>2.2 Some of the indicators are not consistent and relevant to the outputs yet others are not exhaustive</p>	<p>2.1 Revisit the design of MDGP to ensure consistency with NDP II, donor programmes, decentralization policy as well as wider public sector reforms;</p> <p>2.2 Ensure relevance and exhaustiveness of indicators and outputs</p>	<p>2.1 MoLGRD, other GoM institutions and donors including UNDP/UNCDF</p> <p>2.2 As above</p>	<p>2.1 Jan. to March 2005</p> <p>2.2 As above</p>
3. Institutional and coordination arrangement	<p>3.1 Inadequate coordination between the different ministries, GoM and donors as well as among the donors</p> <p>3.2 There is no decentralization road map to guide implementation;</p> <p>3.3 Existence of a vacuum in regard to technical and political championship</p>	<p>3.1 MDGP should support the development of a strategy for enhanced coordination between and among GoM institutions and donors</p> <p>3.2 MDGP should support the MoLGRD to develop a decentralization road map after the design of NDP II</p> <p>3.3 MDGP should support the strengthening of the</p>	<p>3.1 MoLGRD with support from donors</p> <p>3.2 MoLGRD with support from donors</p> <p>3.3 Same as above</p>	<p>3.1 Jan. to March 2005</p> <p>3.2 Jan. to March 2005</p>

Area of Focus	Key Findings	Recommended Actions	Responsible Party	Timeline
	leading among other the slow pace of implementing the intended sector devolution	MoLGRD as the secretariat for both the technical and political champion		
4. Capacity of the DAs and Capacity building delivery	4.1 Low capacities of DAs in functional areas such as financial management, development planning, procurement & M&E;	4.1 MDGP should support tailored, hands-on performance improvement courses	4.1 MoLGRD and UNDP	4.1 After MDGP re-design
	4.2 Existence of staffing gaps and lack of experienced and qualified staff	4.2 MoLGRD and LASCOM should support the DAs to attract and retain staff – inter and intra LG arrangements as short-term plausible alternatives	4.2 MoLGRD and LASCOM	4.2 As soon as possible
	4.3 Weak inspectorate of Central Government especially MoLGRD	4.3 MDGP should support the MoLGRD to strengthen its inspectorate role. Some funds for capacity building should be retained at national level for technical backstopping	4.3 MoLGRD and UNDP	4.3 After MDGP re-design
	4.4 Concentration of capacity building at the national and DA level with little provisions for cascading. Inappropriate capacity building strategies focussing on career development with no mechanisms for follow-up;	4.4 MDGP should support the DAs to conduct capacity needs assessment and develop capacity building plans tailored to functional gaps and MDGP should support MoLGRD to develop a national capacity building framework	4.4 MoLGRD and UNDP	4.4 After MDGP re-design
	4.5 Over focus of formal institutions as training providers as well as weak DTTs	4.5 MDGP should support the strengthening of capacity building for a wide range of	4.5 MoLGRD and UNDP	4.5 After MDGP re-design

Area of Focus	Key Findings	Recommended Actions	Responsible Party	Timeline
	4.6 No DA managed capacity building funds	providers 4.6 MDGP should transfer some funds to DAs for capacity building and support the development of an office to manage the human resource development function within the DAs	4.6 Same as above	4.6 After MDGP re-design
5. Vehicles and equipment	5.1 Vehicles and equipment were purchased for DAs and national level, but the DAs cannot afford to comprehensively insure the vehicles	5.1 UNDP should allow GoM to use some of the programme resources to pay the insurance premium of vehicles up to the end of the programme	5.1 MoLGRD and UNDP	5.1 Jan. to March 2005
6. Institutionalisation of the DS functions and technical assistance provision	6.1 Most of the DS functions are not institutionalised in the GoM mainstream institutions;  6.2 No exit strategy to ensure transfer of DS functions without compromising quality and timely delivery of the process as well as loss of institutional memory	6.1 DS and MoLGRD should review their work plan and identify tasks that should be implemented before the DS is phased out December 2005.  6.2 UNDP future technical assistance support to MoLGRD should attract staff from public and the private sector but final decision on how technical support for decentralization should be delivered and financed in the medium term should be made	6.1 DS and MoLGRD  6.2 GoM and donors	6.1 Jan. to March 2005  6.2 Jan. to March 2005
7. DDF deepening	7.1 DDF from donors earmarked for specific districts leading to different	7.1 – 7.6 • MDGP in liaison with other	7.1 – 7.6 • MoLGRD and	• Jan to March

Area of Focus	Key Findings	Recommended Actions	Responsible Party	Timeline
	<p>per capita allocations not related to poverty levels – the national system has not evolved</p> <p>7.2 No formula or agreed mechanisms for allocation of DDF across ADCs;</p> <p>7.3 IPFs not disseminated and mechanisms for information flow lacking;</p> <p>7.4 No clear definition of planning responsibilities between the different levels;</p> <p>7.5 Little and irregular transfers of the DDF killing the momentum;</p> <p>7.6 No incentive based allocation system for the DDF;</p>	<p>donors should support GoM (MoLGRD) in the refinement of the design and implementation of the DDF to enable it develop into a national system of discretionary development financing</p> <ul style="list-style-type: none"> <li>MoLGRD should conduct the inaugural assessment of DAs to establish whether they meet the minimum requirements and annual assessments thereafter</li> <li>Timely transfer of the DDF to the qualifying DAs</li> </ul>	<p>other relevant GoM institutions with support from donors (NLGFC)</p>	<p>2005 during the redesigning of MDGP</p> <ul style="list-style-type: none"> <li>Inaugural assessment - April to June 2005</li> </ul>
8. Local revenue enhancement	<p>8.1 Property rates are not yet collected by the DAs</p> <p>8.2 Economic investments owned and managed by the DAs making net losses;</p> <p>8.3 Local revenue is low and mainly meeting the costs of maintaining the system (councillors and salaries of direct employees) not O&amp;M and capital investments</p>	<p>8.1 MoLGRD should ensure that DAs are gazetted as rating areas</p> <p>8.2 DAs should be advised to privatise the management of the economic investments</p> <p>8.3 MDGP should support enhancement of local revenues through among others having local revenue enhancement as a requirement in the incentive based allocation system and supporting the DAs to create a conducive environment for</p>	<p>8.1 MoLGRD</p> <p>8.2 MoLGRD</p> <p>8.3 MoLGRD and donors</p>	<p>8.1 As soon as possible</p> <p>8.2 As soon as possible</p> <p>8.3 After MDGP re-design</p>

Area of Focus	Key Findings	Recommended Actions	Responsible Party	Timeline
		the operation of the private sector		
9 Financial management and transparency	9.1 Reported diversion and misappropriation of funds in some DAs; 9.2 There are significant audit backlogs  9.3 DAs do not publicise revenues collected, received and spent	9.1 GoM should make the staff who are found guilty of fraud personally liable 9.2 MDGP should consider supporting the audit function to clear the backlogs; 9.3 Publicising of revenues should be a requirement under the incentive based allocation system	9.1 GoM  9.2 UNDP  9.3 MDGP and donors	9.1 As soon as possible 9.2 Jan. to March 2004 9.3 MDGP re-design
10 Local governance framework	10.1 There are no mechanisms especially due to lack of information for the public to demand for accountability; 10.2 MDGP concentrated on local governments at the national and district level with little involvement of the lower levels, civil society and the private sector	10.1 Incorporate within MDGP aspects intended to support community level empowerment like publicising of information to clients 10.2 MDGP should incorporate the aspect of supporting the civil society to support the clients to demand for accountability and DA to create a conducive environment for the operation of the private sector	10.1 MoLGRD with support from UNDP/UNCDF  10.2 Same as above	Jan. to March 2003 during the revisiting of MDGP design
11 Sub-district situation	11.1 Limited training of sub-district structures regarding their roles, responsibilities and rights in a decentralized context and limited knowledge of resources for	11.1 MDGP should provide more funds to support the capacity building initiatives at sub-district level	11.1 MoLGRD and UNDP/UNCDF  11.2 Same as	MDGP re-design



Area of Focus	Key Findings	Recommended Actions	Responsible Party	Timeline
	effective planning and demanding of accountability 11.2 Limited field visits and no impact evaluation studies	11.2 DAs through the DTTs, should be allocated funds for field visits and supporting of sub-district structures	above	
12 Gender mainstreaming	12.1 MoLGRD is in the process of formulating a gender strategy, but it is not complete and gender mainstreaming has not taken root in most of the DAs	12.1 UNDP/UNCDF should support the MoLGRD in liaison with ministry responsible for gender to finalize and detail arrangements for gender strategy implementation	12.1 MoLGRD and ministry responsible for gender	12.1 Jan. to March 2005
13 District Development Planning	13.1 VAP is being rolled-out but there are still no IPFs to guide realistic planning 13.2 Sub-district structures not yet clear and commonly dominated by Chiefs 13.3 Data banks have been established but currently not used to inform the planning processes 13.4 DA planning process not linked to the budget frameworks and national planning processes 13.5 Crosscutting issues like gender, HIV/AIDS and environment not mainstreamed in the planning process and outputs 13.6 Development plans are static documents leading to implementation of the plans not derived from these	13.1 MDGP should emphasize publication of IPFs for sub-district structures 13.2 GoM should legalise the democratically elected sub-district structures 13.3 MoLGRD should ensure that information in the data banks is used in planning 13.4 MoLGRD to liaise with MoF to ensure that DA plans are linked to budgets and national planning processes 13.5 MDGP to support the development of planning guidelines to mainstreaming crosscutting issues 13.6 The planning guidelines should provide for annual revision of the plan.	MoLGRD in liaison with the ministry responsible for planning and other donors supporting activities in DAs	Process to start with the current planning cycle