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PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

MALAWI

Third Social Action Fund

(MASAF 3) APL II (LDF Mechanism) Project

Report No. 106389
JUNE 27, 2016

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MALAWI

MALAWI THIRD SOCIAL ACTION FUND (MASAF 3) APL II (LDF MECHANISM) PROJECT
(IDA-44830, IDA-47880, IDA-51420, IDA-H7940)

June 27, 2016

IEG Human Development and Corporate Evaluations
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Malawi kwacha (MK)

2008	US$1.00	MK 150.00
2009	US$1.00	MK 152.00
2010	US$1.00	MK 151.00
2011	US$1.00	MK 151.00
2012	US$1.00	MK 167.00
2013	US$1.00	MK 406.00
2014	US$1.00	MK 409.00
2015	US$1.00	MK 438.00
2016	US$1.00	MK 684.00

Abbreviations and Acronyms

ADC	Area Development Committee
AEC	Area Executive Committee
AF	additional financing
APL	adaptable program lending
BA	beneficiary assessment
CAS	country assistance strategy
CDD	community-driven development
CMC	Community Management Committee
COMSIP	Community Savings Investment Promotion
CRC	Citizen Report Card
CRW	crisis response window
CSC	Community Score Card
DESC	District Environmental Subcommittee
EDO	Environmental District Officer
ESMF	Environmental and Social Management Framework
EIMU	Education Infrastructure Management Unit
ESMP	Environmental and Social Management Plan
ESWAP	education sectorwide approach
GDP	gross domestic product
GoM	Government of Malawi
ICR	implementation completion and results report
IDA	International Development Association
IEG	Independent Evaluation Group
IFMIS	integrated financial management information system
IFR	interim financial report
IPC	Internal Procurement Committee
ISM	Implementation Support Mission
ISR	implementation status report
LA	local authority
LACE	local authority capacity enhancement
LAMIS	local authority management information system

LAPA	local authority performance assessment
LDF	Local Development Fund
MAC	minimum access conditions
MASAF	Malawi Social Action Fund
MDG	Millennium Development Goal
M&E	monitoring and evaluation
MGDS	Malawi Growth and Development Strategy
MIS	management information system
MLGRD	Ministry of Local Government and Rural Development
PAD	project appraisal document
PAM	performance assessment measure
PDO	project development objective
PPAR	Project Performance Assessment Report
PWP	public works program
PWSP	public works subproject
RAP	resettlement action plans
RRP	rapid response program
SDR	special drawing rights
SOE	statement of expenditures
TASAF	Tanzania Social Action Fund Project
TST	technical support team
VDC	Village Development Committee
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Programme

Fiscal Year

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Contents

This report was prepared by Malathi S. Jayawickrama and Hjalte S. A. Sederlof, who assessed the project in November 2015. The report was peer reviewed by Caroline Mascarell and panel reviewed by Lourdes Pagaran. Carla Fabiola Chacaltana provided administrative support.

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Principal Ratings

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Moderate	Significant	Significant
Bank Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible World Bank department. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

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About this Report

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Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This report is the Project Performance Assessment Report (PPAR) for the Third Social Action Fund (MASAF 3) APL II (Local Development Fund Mechanism) Project in Malawi (MASAF 3 APL II), P110446.

MASAF 3 APL II, for an International Development Association (IDA) Credit of US$50 million, was approved by the World Bank's Board of Executive Directors on June 20, 2008. The total credit and grant amount, including additional financing (AF) was US$114 million. Two AFs were provided. Additional financing 1 (AF1) was a credit of US$14 million from IDA's crisis response window (CRW), approved on June 15, 2010. Additional financing 2 (AF2) was a credit of US$25 million and a grant of US$25 million under the rapid response program, approved on July 12, 2012. The project closed on June 30, 2014.

The project's development objectives were focused on improving the livelihoods of poor and vulnerable households and on strengthening the capacity of local authorities (LAs) to manage local development.

This report was prepared by Hjalte Sederlof, consultant, and Malathi Jayawickrama, senior public sector specialist and task team leader, Independent Evaluation Group (IEG). It is based on a mission to Malawi in November 2015 to visit field sites and to discuss the project with government officials, project beneficiaries, World Bank staff, and other knowledgeable persons; and an extensive review of project documents, research papers, and other sources (see Appendix B for the complete list of persons interviewed). This mission was followed by a mission to Tanzania by Mr. Hjalte Sederlof for the PPAR on the Tanzania Social Action Fund Project, a similar project, which allows for a comparison of two similar social action funds.

The IEG team gratefully acknowledges the logistical assistance and support of Mr. Chance Mwabutwa, consultant in Malawi, who accompanied World Bank staff on all field and site visits in Malawi and drafted minutes of these meetings. IEG is also grateful to the staff in the World Bank's Lilongwe office for all assistance.

Following standard IEG procedures, a copy of the draft report was sent to the relevant government officials and agencies for their review and feedback. No comments were received from the borrower.

Summary

This Project Performance Assessment Report (PPAR) evaluates the performance of the Third Malawi Social Action Fund Project, APL II (MASAF 3 APL II, P110446), a community development fund project, approved by the World Bank Group's Board of Executive Directors on June 20, 2008. The total credit and grant amount, including additional financing, was US$114 million. The International Development Association (IDA) Credit was originally US$50 million. During implementation, there were two additional financing credits: AF1, a credit of US$14 million from IDA's crisis response window (CRW), approved on June 15, 2010; and AF2, a credit of US$25 million and a grant of US$25 million under the rapid response program, approved on July 12, 2012. The project closed on June 30, 2014.

In 2008, when MASAF 3 APL II was approved, Malawi was one of the poorest countries in the world with a per capita gross domestic product (GDP) of US$302. Slightly over half of the population of 6.4 million lived below the poverty line, and 22 percent were classified as "ultra-poor," that is, living below the food poverty line. Human development indicators and access to services were dismal and well below the average for Sub-Saharan Africa; they were especially severe among the poor. The country had experienced persistent poverty and relatively weak growth during much of the nineties and the early 2000s. By the turn of the century, the government had recognized that growth was not translating into benefits for the poor, and that the economy appeared trapped in a vicious cycle of emergency appeals to address economic and climatic shocks, to which the international community responded through interventions that were characterized by humanitarian assistance rather than building blocks toward sustainable economic development. Faced with such policy challenges, stabilization and poverty reduction emerged as central objectives of economic management, and strengthened the nexus between growth and poverty reduction, the main emphasis of strategy. New policies introduced around the turn of the century confirmed the government's commitment to sustainable poverty reduction through decentralization, by building the capacity of communities for self-reliance and the promotion of transparency and accountability among local authorities (LAs).

The MASAF program was launched against this background. MASAF offered an approach to poverty alleviation that also supported the decentralization agenda by ensuring that citizens at the grassroots level would have a voice in the planning and implementation of local development initiatives. The first MASAF project, MASAF 1 (1996-2001), piloted activities that were likely to improve community access to basic services, including socio-economic infrastructure for better provision of basic services, public works schemes providing temporary income to smooth over seasonal shocks, and institution building. MASAF 2 (1998-2003) scaled up MASAF 1 nationally. While both projects had run parallel to established government institutions, MASAF 3, a series of three adaptable program lendings (APLs) approved in 2003, turned towards supporting the government's decentralization strategy, with the gradual mainstreaming of MASAF processes into administrative processes, especially at the local level. MASAF 3 APL I (2003-07) would do so by integrating community empowerment processes (participatory planning and implementation) into district planning; MASAF 3 APL II would continue and deepen that process, while promoting accountability and measurement of results; and MASAF 3

APL III would further build on activities under MASAF 3 (APL I and II), to solidify the mainstreaming of processes and institutionalize outcome-based reporting by communities.

The project development objective (PDO) for MASAF 3 APL II set out in the financing agreement and the project appraisal document (PAD) was *to improve the livelihoods of poor households within the framework of improved local governance at community, local authority, and national levels.* The PDO was revised with the introduction of AF1 in 2010, for additional clarity. The new objective was *to improve the livelihoods of poor and vulnerable households and to strengthen the capacity of local authorities to manage local development.* The two versions of the PDO are substantially the same–to improve livelihoods and strengthen local governance. Therefore the assessment does not undertake a split evaluation in rating the project outcome.

The projects had three components: (i) *a community livelihood support fund (CLSF)* to finance small labor-intensive community-level public works schemes; the construction of teacher housing and classroom blocks; and supporting voluntary community savings-investment groups; (ii) *a local authority capacity enhancement fund* for building the capacity of LAs to manage grant moneys (federal fiscal transfers) and support community participation in district planning and implementation of community sub-projects; and (iii) *a national institutional strengthening fund* to finance a technical support team for project implementation.

The project outcome is rated **moderately satisfactory**, as there were moderate shortcomings in the operation's achievement of its objectives and in its efficiency. The ratings are based on the following assessments:

- The relevance of the PDO is rated **high**. With its focus on poverty alleviation and governance, it was consistent with country conditions and Malawi's current development priorities as set out in its growth and development strategy. It was also relevant to the World Bank's most recent country assistance strategy (CAS) and its focus on poverty alleviation and productive safety nets.

- The relevance of project design is rated **substantial**. The results framework was clear with components closely linked to the specific development objectives. The expansion of basic services and promotion of income earning opportunities were designed to improve the livelihoods of poor and vulnerable households. The mainstreaming of community development functions into local government management systems, and related capacity building, supported the second objective of improved local governance.

- The achievement of project objectives was based on an assessment of improved livelihoods and capacity building, separately. Achievement of both was assessed as **substantial**. In the first instance, the project was able to moderate temporary income shocks and record asset formation among households participating in savings-investment schemes. In capacity building, the project was able to improve local planning and management of the development process at district levels.

- Efficiency is rated **modest**. The analysis focused on the potential cost effectiveness of various interventions, albeit with some concerns: the validity of comparators for public works schemes; and implementation issues that may have escalated economic and financial costs. While the construction costs of teacher housing and classrooms compared favorably with similar ministry projects, it is not clear that the comparisons are sufficiently rigorous. A more rigorous benefit cost analysis of the Community Savings Investment Promotion (COMSIP) activities also should have been considered. The voluntary savings-investment instrument seemed to be effective in mobilizing savings and generating asset formation, albeit for a low percentage (20 percent) of potential clients. There was no analysis of the fiscal implications of the project.

Other ratings were as follows:

- The risk to the development outcome is rated **significant**. It depends on the extent to which the public sector will continue to create livelihood opportunities for poor and vulnerable households; and whether LAs have the opportunity to use the capacity to manage the local development process that has been built up under the project. Uncertainty is attached to both. The former depends on macro-economic performance, good governance, and as a function of that, on continued donor support at significant levels. The latter depends on the slow-moving decentralization process gathering steam. It also reflects current weaknesses in sub-project ownership and maintenance at the community level.
- World Bank performance is rated **moderately satisfactory**, with both quality at entry and quality of supervision rated **moderately satisfactory**. Regarding Quality at Entry, the results framework provided clear links between outcome indicators and the PDO, and the indicators directly addressed issues identified in the PDO. The indicators were well specified, and data sources were credible. The World Bank had somewhat unrealistic expectations about the decentralization process, which was already slow. There were also shortcomings in project risk analysis. On supervision, the World Bank team was proactive and was able to work well with the MASAF team and government on challenges as they arose. Still, many of the implementation challenges seem to have remained not fully resolved, albeit not having a decisive impact on project performance. In instances where changes may have had broader policy implications beyond that of the specific project, challenges of capacity building and financial flows requiring changes in central government procedures, appear to have persisted.
- Borrower performance is rated **moderately satisfactory.** Government performance is rated **moderately satisfactory,** reflecting a solid performance that was weakened by process issues – staffing problems and delays in financial transactions. Implementing Agency (MASAF) performance is rated **satisfactory.** Despite early staffing problems, the MASAF team was able to maintain solid oversight over the project. Monitoring and evaluation is rated **substantial:** an already established MIS was extended to the local level, allowing relevant project indicator data to be captured on a continuous basis.

The main lessons to draw from the project are as follows:

- **Community-driven development (CDD) can facilitate decentralization, but the right balance must be struck between community priority setting and local development planning.** MASAF's participatory planning process–providing facilitation and financing that allowed communities to define their priorities, develop investment proposals, have them financed, and implement them–was mainstreamed into the local planning process, giving LAs the role MASAF had played. In principle, this addresses the main objective of decentralization, that is, to improve service delivery, and ensure participation. However, in undertaking mainstreaming, care must be exercised that proper balance is found in the participatory process: while community participation was formally incorporated into the local development process in MASAF 3 APL II, community priority setting seemed to have become secondary to district level planning. While this may be justified in terms of broader and longer term district level planning objectives, it also points to the need for transparency in the setting of district level planning objectives.

- **CDDs that emphasize longer term improvements may not always be the best instruments for addressing shocks**. CDDs with their support for expanding access to basic services form part of the social safety net. However, they may not always be well suited to address short-term shocks. In MASAF, this was partly the case–while some of its livelihood components built longer term capacity, only the public works mechanism was one that could easily be expanded and compressed in reaction to economic or climatic shocks—hence the introduction of two AFs, providing resources to expand public works; and subsequently the emphasis placed on unconditional cash transfers and public works under MASAF 4. An adaptable safety net should contain both longer-term productive mechanisms, as well as mechanisms that can be adapted to respond to crises.
- **Assessing institutional capacity at the design stage, and systematically during implementation, is critical, especially when the project includes a component on capacity building at the local level.** The design of the project should take into consideration the institutional capacities available under the project to get a better sense of the limitations on absorptive capacity, the institutional risks and needed capacity to effectively administer and monitor proposed activities. During implementation, the systematic assessment of institutional arrangements and capacity should be integral to project supervision. One of the successes of the project was that the APL II design included systematic assessment of current capacities of LAs and the establishment and use of capacity benchmarks to support LAs in their new tasks.
- **Beneficiary feedback throughout the assessment, provides important evidence of the impact of the operation from the perspective of the beneficiaries.** MASAF did well in designing surveys and evaluations that provided information on project process and outcomes. Participatory M&E (through citizen report cards and community score cards) helped to identify service gaps and promote accountability of service providers. This is critical, particularly given the nature of a CDD operation, which supported community-driven infrastructure and extended basic services to the vulnerable poor. Documenting how feedback was used to improve activities, processes and arrangements under the operation is also very important.
- **Sub-project economic and financial costs should take into account affordability of sub-projects in poor communities**. In some instances, communities faced difficulties in meeting a 25 percent community contribution towards the cost of educational sub-projects, including in particular when material shortages pushed up unit costs. In other instances, application processes proved too complicated. Increased attention needs to be paid to direct as well as indirect costs in designing sub-projects to ensure their affordability. .

- **Linking income generation interventions with asset building opportunities can help build economic resilience.** MASAF linked savings-investment opportunities (COMSIP) to the public works schemes. This resulted in group savings and revolving funds that allowed participants over time to build a savings and assets base. It is important to consider such opportunities of linking savings-investment schemes to cash transfers as a means of more permanently improving the situation for poor households.

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1. Background and Context

1.1 This Project Performance Assessment Report (PPAR) reviews the performance of the Malawi Third Social Action Fund APL II (Local Development Fund Mechanism) Project (MASAF 3 APL II, P110446). The project, for an International Development Association (IDA) Credit of US$50 million, was approved by the World Bank Group's Board of Executive Directors on June 20, 2008, and became effective on March 24, 2009. There were two additional financings (AFs): AF1 for US$14 million from IDA's crisis response window (CRW) was approved on June 15, 2010; and AF2 for a US$25 million grant and a US$25 million credit was approved on July 12, 2012 under the rapid response program (RRP). The total credit/grant amount, including additional financings was US$114 million. The project closed on June 30, 2014.

1.2 While the review focuses on MASAF 3 APL II, it does so in the context of a series of MASAF projects, starting in 1996, when MASAF 1 was introduced, and ending in 2018, when the current MASAF 4 (Strengthening Safety Net Systems) is expected to close.

Socio-Economic Context

1.3 In 2008, when MASAF 3 APL II was approved, Malawi was one of the poorest countries in the world. Slightly over half of the country's 6.4 million people lived below the poverty line and 22 percent were classified as "ultra-poor," that is, living below the food poverty line (ICR, p. 42).[1] Malawi's human development indicators were dismal, including high illiteracy (about 41 percent; 36.2 percent for men and 54.7 percent for women), low life expectancy at 37 years, and high infant and child mortality rates at 104 and 189 per 1000 live-births, respectively. Maternal mortality had increased from 620 to 1,200 per 100,000 between 1992 and 2000. Access to social services was limited, especially in rural areas. An estimated 43 percent of the population lacked access to safe water (Malawi Demographic and Health Survey 2000). Malawi also faced a high rate of HIV and AIDS incidence, estimated at 15 percent, resulting in high mortality among persons in the productive age group of 15 to 49 years, consequently contributing to an increase in orphans (National AIDS Commission 2002).

1.4 Poverty was mainly rural, and rural-urban differences were reflected in a Gini coefficient of 0.62, the highest in any African country with available data. Some 85 percent of the population lived in rural areas, where the poverty rate was 55.9 percent in 2004/05. Agriculture was the foundation of the economy, with the sector accounting for 30 percent of GDP. Farming was mainly rain fed, characterized by limited access to irrigation, and diminishing average landholding sizes as a result of population pressure. The majority of farming households practiced subsistence agriculture, with maize being the stable crop, and its availability defining food security status in the country.

[1] The poor are categorized as ultra-poor and moderately poor in Malawi's National Social Support Policy and Program, the Integrated Household Surveys, and Poverty and Economic Analyses. The criteria for the 'ultra-poor' category is an income of 10,029 MK or below per person per year (836 MK per person per month) (MASAF 4, PAD, p. 1).

1.5 The project should be seen against this background of widespread and persistent poverty, extensive food insecurity, weak human development indicators, and limited access to basic social services, especially in rural areas. By the turn of the century, the government had recognized that growth was not translating into benefits for the poor. Also, that the economy was trapped in a vicious cycle of emergency appeals to address external shocks, where the international community responded through interventions characterized by humanitarian assistance rather than sustainable economic development. The longer-term and persistent problem of chronic and predictable hunger was treated as if it was an unpredictable emergency. To break out of the cycle required predictable resources, recognition of risks and shocks, and a more structured effort to manage them. The strategy needed rethinking towards one that would focus on growth, while recognizing the need to protect the livelihoods of the most vulnerable, and create better opportunities for the poor by addressing human development needs through more equitable access to education, nutrition and health services, and by creating opportunities to stabilize incomes and build productive assets.

1.6 Faced with such policy challenges, stabilization and poverty reduction emerged as central objectives of economic management. The emphasis was placed on strengthening the nexus between growth and poverty reduction. A key instrument was decentralization – it could better identify needs and improve service delivery; and it could increase citizen participation in the development process. Improving access to basic services would increase economic and social welfare, while participation, i.e. engaging citizens in local decision making, would increase the relevance of public service provision and promote transparency and accountability in local governance. In 1994, the government had launched a Poverty Alleviation Program making poverty alleviation a shared responsibility of all actors on the national scene, and promoting decentralization as a means to achieve the program’s objectives. Decentralization policy was first introduced through a local government act in 1998. It was further emphasized in the government’s Growth and Development Strategy, issued in 2003, which confirmed its commitment to sustainable poverty reduction through decentralization, notably by building the capacity of communities for increased self-reliance, and promoting transparency and accountability in the LAs plan and implement development activities in the districts. It was followed in 2006 by a Decentralization Policy that placed decentralization in a key role for achieving the country’s longer term poverty alleviation objective. At the same time, it recognized the CDD approach as a preferred means of moving forward on this objective.

1.7 The World Bank has been supporting decentralization directly and indirectly over the past twenty years through a number of activities. A Local Government Development Project implemented over the period 1993-2001 contributed to policy analysis on decentralization, in addition to providing training for local officials and financing minor works as a means of providing them with “learning-by-doing” experience. A number of investment projects, including in rural transport, infrastructure services, health, and financial management supported efforts at local economic development. AAA offered policy options for decentralization. The MASAF program came to play a leading role in the local development process. It was the main instrument for financing local infrastructure projects; its operating procedures would serve as a model for financing and implementing local infrastructure projects, especially in terms of the interaction between local government and communities in the local planning process.

Box 1. 1. Malawi Government Decentralization Policy

The Government Decentralization Policy of 1998 called for the establishment of elected Authorities in district and urban centers, and devolution of significant central Government functions in order to improve service delivery. The four broad objectives of decentralization were to: (a) create a democratic environment and institutions for development at the local level and facilitate the participation of grassroots in decision-making; (b) eliminate dual administrations at the district level with the aim of making the public service more efficient, economic and cost effective; (c) promote accountability and good governance at the local level in order to help Government reduce poverty; and (d) mobilize the population for socio-economic development at the local level. The strategy drawn up by the Ministry of Local Government in 2000 recognized that "decentralization is a long-term process, and the implementation process will cover a period of ten years divided into crash, medium, and long-term programme", which the proposed APL phases were to complement by working with LAs in meeting benchmarks on delivering to communities within approved sectoral guidelines.

Source: MASAF3 APL I.

The MASAF Program – An Overview

1.8 The first project, MASAF 1 (1996-2001) introduced activities on a pilot basis that were likely to improve community access to basic services. They included construction of socio-economic infrastructure to improve basic service provision, and public works schemes to mitigate seasonal shocks. It also included capacity building at central government levels for better poverty analysis. MASAF 2 (1998-2003) scaled up infrastructure sub-projects and public works to national scale; and it introduced livelihood improvement initiatives aimed at vulnerable groups, as well as information and capacity building in MASAF procedures among central and local agencies. The initial two MASAF projects had the MASAF management team working directly with communities, functioning as a parallel structure to existing government institutions. Communities selected and prepared their sub-projects for MASAF financing, implementing them under MASAF supervision. Sub-project selection was coordinated with sector ministries to ensure that requirements for operations and maintenance of completed public service infrastructures would be met.

1.9 With MASAF 3 (approved June 2003) the approach shifted. While maintaining the social fund and livelihood improvement approaches of MASAF 1 and 2, MASAF now also turned towards a gradual mainstreaming of the social fund mechanism into regular government processes in support of decentralization. This aimed at making community empowerment an integral part of the district planning process, retaining the comparative advantage of social funds, while at the same time promoting transparency and accountability in the way development activities were planned and implemented at district levels. This shift in emphasis corresponded to the government's strategy for achieving its long-term goal of sustainable poverty reduction, as reflected in its policy statements since the mid-1990s – decentralization to local levels with a greater voice for communities. To implement this change in emphasis, a three-phase Community Empowerment and Development Program was elaborated by the government in collaboration with the World Bank, and confirmed in a policy letter from the government to the World Bank. A series of three APLs covering the period 2003 to 2015 were to support the Program. Its success was to be measured through achievement of 12 specific MDGs by 2015 by investing in basic services and livelihood improvement initiatives defined at local and community levels. The first phase - MASAF 3 APL 1 - was to integrate community empowerment processes (participatory planning and implementation) into district planning. MASAF 3 APL II was to continue and deepen that process, while also promoting accountability and measurement of results; and MASAF 3 APL III was to further build on activities under MASAF 3 APL I and II), solidifying the mainstreaming of processes, and institutionalizing outcome-based reporting by communities.

1.10 MASAF 3 APL I continued sub-project financing for basic services and temporary income support, both of which had been MASAF mainstays throughout the program. It introduced a voluntary savings-investment mechanism to promote household savings, and household and community asset building. An institutional development component was to build capacity to gradually enable LAs to internalize the CDD approach into the district development process.

1.11 With MASAF 3 APL II mainstreaming took place. The project no longer included community infrastructure financing (beyond a component for teacher housing and classrooms), but retained public works and the household savings-investment mechanism. Moreover, MASAF was transformed into a Local Development Fund (LDF), emphasizing its role as a fiscal transfer mechanism. A centrally located technical support team channeled financing to projects that were agreed on between communities and district authorities in a participatory process and were included in the district investment plan; and it provided technical assistance to maintain the participatory planning process on track.

1.12 MASAF 3 APL III was not initiated as originally planned. Instead, it was replaced by MASAF IV (Strengthening Safety Net Systems), shifting the focus from decentralization and community development towards supporting the development of a coherent safety net. Decentralization was progressing slowly in the absence of a solid fiscal and institutional decentralization plan, and the country had experienced a series of shocks around the turn of the decade – the international food crisis and the subsequent international economic and financial crisis had severely affected the economy, and in particular poor and vulnerable groups. Moreover, increasingly, the sub-Saharan Africa policy dialogue was being devoted to cash transfers as social assistance. Drawing on these elements, the government turned towards building a more adaptable and responsive safety net, elaborating a National Social Support Policy in early 2013. MASAF IV builds on this: it introduced a productive safety net, including community identified and managed public works schemes, and a related savings and investment promotion mechanism; unconditional cash transfers would be targeted at the poorest and most vulnerable households. The LDF was to supervise and coordinate implementation of the project.

Table 1. 1. PDOs and Components of the MASAF Projects – Overview

Project	Project Development Objective	Components
MASAF 1	Improve access to social services, promote community empowerment, reduce food insecurity, strengthen poverty, monitor and assess poverty	1. Community sub-projects 2. Public works schemes 3. Institutional capacity building for M&E
MASAF 2	Enhance and sustain the provision and use of resource endowments by beneficiary communities which will contribute to poverty reduction	1. Community sub-projects 2. Public works schemes 3. Sponsored sub-projects (1) 4. Capacity enhancement of national and sub-national agencies in MASAF procedures 5. Information, education, communications, about MASAF to stakeholders
MASAF 3	Overall, the Program (2003-2015) was to achieve capacity building for improved service delivery by communities, Local Governments and Sector Ministries within the Malawi Poverty Reduction Strategy Paper, with decentralization as a key strategy, so that Malawi can achieve its MDGs	
MASAF 3 (APLI)	To empower individuals, households, communities, and development partners in implementing measures to better manage risks associated with health, education, sanitation, water, transport, energy and food insecurity, and provide support to the vulnerable through sustainable interventions	1. Community sub-projects 2. Social support programs (1) 3. Savings-investment promotion 4. Transparency and accountability promotion 5. Institutional development
MASAF 3 (APL II)	Original: To improve the livelihoods of poor households within the framework of improved local governance at community, local authority and national levels Revised: To improve he livelihoods of poor and vulnerable households and to strengthen the capacity of local authorities to manage local development	1. Public works schemes 2. Savings-investment promotion 3. Teacher housing, classrooms 4. Capacity enhancement of LAs in planning and management 5. Transparency and accountability promotion
MASAF 4 Strengthening Safety Net Systems	To strengthen Malawi's social safety net delivery systems and coordination across programs	1. Productive safety nets (public works, livelihood and skills development, cash transfers) 2. Related capacity building

(1) Projects to rehabilitate facilities and services that will benefit vulnerable groups: orphans, street children, disabled, the elderly and those affected by HIV/AIDS.

2. Objectives, Design, and their Relevance

Project Development Objectives

2.1 The project was the second phase of a three-phase Adjustable Program Loan (APL) intended to cover the period 2003-2015. The objectives of the overall program as set out on page 25 in the Project Appraisal Document (PAD) for the first phase of the APL, were:

> *To achieve capacity building for improved service delivery by communities, Local Governments and Sector Ministries within the Malawi Poverty Reduction Strategy Paper, with decentralization as a key strategy, so that Malawi can achieve its Millennium Development Goals.*

2.2 MASAF 3 APL II was meant to cover the period May 2008 to September 2013, but was subsequently extended to June 2014. The PDO set out in the Financing Agreement (page 5) and the PAD (page 9) was:

> *To improve the livelihoods of poor households within the framework of improved local governance at community, local authority, and national levels.*

2.3 The PDO was revised with the approval of AF 1 on June 15, 2010 as follows:

> *To improve the livelihoods of poor and vulnerable households and to strengthen the capacity of local authorities to manage local development*

2.4 The PDO was formally revised for additional clarity, and the two versions of the PDO are substantially the same. Both aim to improve livelihoods and strengthen local governance. The original key indicators were maintained, and additional outcome indicators were introduced to strengthen the results orientation of the project, notably focusing on improved livelihoods and capacity building. AF 2 approved in 2012, added further key indicators for improved livelihoods. Table 2.1 provides the evolution of key indicators.

2.5 The assessment does not undertake a split evaluation in rating the project outcome, as the two PDOs are substantially the same.

Relevance of Objectives

2.6 Relevance of objectives is rated **high**.

2.7 The PDO was relevant to the country situation at the time of project appraisal and remains so today. The MASAF program was introduced into an environment of stagnant growth and increasing poverty, and while growth performance has improved over time, poverty remains widespread, and poverty reduction a major focus of policy. The PDO directly addresses poverty reduction through its poverty-targeted livelihood improvement objective; and its focus on building the capacity of local authorities (LAs) for participatory planning in collaboration with communities, which is expected to result in improved public services, and increased social and economic welfare.

Table 2. 1. Key Project Indicators

Key indicators	Target	Actual
Original project (OP)		
Number of households that experience an increase in their annual average incomes	1,475,125 (OP+AF1+AF2)	2,163,944
% LAs able to set objectives and achieve 70 percent of objectives by mid-term review	70	68
Additional Financing 1		
Public Works (PW) beneficiaries with savings of at least 50% of PW wages after one year % women	48,750 (OP+AF1+AF2) 40	78,758 n.a.
PW beneficiaries able to buy agricultural inputs following participation in PW % women	700,000 (AF1+AF2) 40	748,725 51
Person days PW provided	26.7 million (AF1+AF2)	46.9 million
Number of direct project beneficiaries	7,63 million (AF1+AF2)	10.9 million
Additional Financing 2		
% beneficiaries who believe project investments reflected their needs	95	88 (satisfied with PW)
% grievances about benefit delivery addressed	75	n.a.
% beneficiaries aware of project information and investments	80	75

Sources: ICR, AF1 and AF2 Project Papers, Impact Assessment.

2.8 The PDO was in line with the government's Growth and Development Strategy, introduced in 2003 and updated in 2011. The PDO supported major aims of that strategy: it addressed the growth and poverty nexus by creating better opportunities for the poor to participate in the development process; provided a safety net for populations most at risk; and promoted the decentralization process. These policy aims of the government are reflected in the World Bank's CAS for the FY07-11 period, and in the current FY13-16 Strategy. Consistent with CAS goals, the project, as well as AF1 and AF2, serve the social protection needs of households with limited access to basic services, vulnerable individuals needing assistance, and households with limited employment opportunities. Moreover, the project (and the MASAF program more broadly) is directly in line with the World Bank's Africa Strategy through its Pillar 2: Vulnerability and Resilience.

2.9 The PDO remained as relevant under MASAF IV. Despite an apparent shift in emphasis by the government (and supported by the World Bank) from community development towards strengthening productive safety nets and protection, poverty reduction remained central. The shift may in part have been driven by slow progress on decentralization reflecting political uncertainties at the time due to a stalled election process (and which may have subsided with recent elections), as well as the need for a more rapid intervention capacity in the face of shocks. The continued relevance of the PDO is reflected in the World Bank's FY13-16 CAS that points to continued engagement in decentralization through community development through AAA as well as readiness to re-engage in further capacity-building. Therefore, despite the current derailment of MASAF, the MASAF 3 APL II objectives remain valid.

Project Design

2.10 Project funds were channeled through a national LDF, essentially the MASAF organization renamed (see Section on Implementation Arrangements), to local level LDFs. Each local LDF had three windows to receive funding from various budget lines under the national LDF. Those windows constituted the components of the project.

2.11 **Component 1: CLSF.** Cost at appraisal: US$39.5 million; AF1: US$12.2 million; AF2: US$45 million; Actual cost: US$95.0 million
The component had two sub-components:

- **Local Authority Fund**: Based on LAs annual investment plans developed through a participatory planning process including LAs, villages and communities, the sub-component was to finance small labor-intensive infrastructure projects (public works schemes). Public-works sub-projects were to be targeted at poor households as an annual intervention to address food security related shocks that affect such households around the time they need to purchase agricultural inputs, grains, and other basic necessities. A typical sub-project was to employ about 200 beneficiaries for 10-15 days and pay a public works wage no greater than $2 per day appropriately structured to stay within the minimum rural wage while responding to vulnerability within the household.
- **Community Fund**: The Fund was to support community-level participatory planning and community financing to improve existing education services, essentially by constructing teachers' houses and classroom blocks. It also was to help promote a culture of saving and investment through a Community Savings and Promotion Agency, COMSIP, especially among participants in public works programs. Participants were to constitute mutually supportive savings groups with revolving credit provision among members. Participation was voluntary, and participants were provided with training.

2.12 **Component 2: Local Authority Capacity Enhancement Fund.** Cost at appraisal: US$4.5 million; AF1: US$0.3 million; AF2: US$0.0 million; Actual cost: US$3.8 million
The component was to support capacity building of LAs in managing grant moneys, including processes under the World Bank project, in order to prepare LAs for new responsibilities as fiscal devolution proceeds and more resources become available to them under the LDF or other longer-term government grant arrangements. (Part of this work had already been started with support from the German (KfW) assistance and the United Nations Development Programme (UNDP). The component was to systematically assess current capacities and establish capacity benchmarks within government systems for regular performance assessments, provide capacity building support to LAs, and support the design and piloting of a grant mechanism. During the first year of implementation, central agencies and LAs were to develop and agree on appropriate criteria for measuring LAs' performance.

2.13 **Component 3: National Institutional Strengthening Fund.** Cost at appraisal: US$ 4.5 million; AF1: US$ 2.2 million, AF2: US$ 5.0 million; Actual cost: US$ 12.1 million. The component was to finance national-level cross-cutting means of improving accountability and transparency in the use of project resources. It was to have two subcomponents:

- **A Technical Support Team** to oversee project implementation; and
- **Knowledge Generation and Application** to strengthen community participation in project implementation and to document community experiences with service delivery. This sub-component was to facilitate the dissemination of national guidelines for use by LAs and community organizations in project implementation, and strengthen community-level fiduciary and accountability mechanisms.

2.14 **Project changes**. Two Additional Financings were introduced during project implementation:

- **AF1**. AF1 was approved on June 15, 2010. It was an IDA credit of US$14 million, drawing on the Crisis Response Window (CRW), and responded to the effects of the international economic crisis and local earthquakes at the time. It scaled up Project Component 1, increasing resources for public works, in particular for the reconstruction/rehabilitation of schools damaged in the earthquake, and for the COMSIP program.
- **AF2**. AF2 was approved on July 12, 2012. It consisted of an IDA credit of US$25 million, and a Grant of the same amount. It formed part of an overall US$150 million stabilization package (Rapid Response Program) to mitigate the negative financial effects on the poor of the government's economic reforms early in 2012, notably exchange rate liberalization and food price increases. AF2 adjusted some of the parameters of the Community Livelihoods Support Fund, including raising the wage rate for public works, expanding the eligible work period, and extending the scheme to some 590,000 households.

Relevance of Design

2.15 Relevance of design is rated **substantial.**

2.16 The results framework was clear. The project's components and planned activities were closely linked to the specific development objectives. The results framework provided clear links between outcomes and the PDO, and indicators directly addressed challenges identified in the PDO. The formulation of the PDO indicated that LAs were expected to evolve over time in their ability to access and manage development funds, and the results framework provided means to determine whether this actually was taking place.

2.17 The project maintained the CDD approach introduced under previous MASAF projects, but it adjusted the scope of the interventions. The CDD approach with its focus on promoting participatory planning and capacity building supported the PDO. The financing of basic infrastructures identified through a participatory planning process involving community members and LAs; and the financing of income generating opportunities for poor households – both were designed to improve livelihoods and empower communities. While the expansion of basic services was likely to benefit the whole community, it was expected to do so in particular for poor and vulnerable households who were most likely to benefit from better access to services. Income generating opportunities, in turn, were explicitly designed to target poor and vulnerable households in order to improve their livelihoods.

2.18 Subsequent beneficiary and impact assessments would bear this out (see Section on Efficacy). However, the scope of the basic infrastructure component had been narrowed from previous MASAFs to focus exclusively on education services, rather than providing a broad “open menu” from which communities could select priority sub-projects. While this change in scope may have facilitated the mainstreaming of CDD functions in capacity-constrained local government institutions while still focusing on an important menu item, it was not unlikely to also reduce the empowerment effect and “ownership” experienced by the community – both important underlying elements of any CDD design. Neither the beneficiary assessment nor the impact assessment addresses this matter.

2.19 The other elements of project design – the mainstreaming of CDD functions into local government management systems, and related capacity building provided to LAs – supported the second objective of strengthening the capacity of LAs to manage local development. Under the project, decisions on sub-project implementation were to be taken by LAs at the district level on the basis of consultations with communities. (The consultation in turn was a key element of local governance, in that it introduced transparency and accountability into district planning.) This process had already started under MASAF 3 APL I, but limited capacity for mainstreaming at LA levels had indicated the need for rigorous *ex ante* assessments of the capacity of LAs to manage the new local development process before mainstreaming could take place. MASAF 3 APL II design therefore included measures to address that risk: systematic assessments were to be undertaken by the LDF (the ex-MASAF management unit) of current LA capacities for inclusive district planning using defined benchmarks, and capacity building to be provided as appropriate. While mainstreaming was an important step in the longer term decentralization process, it may also have diluted the “voice” of the community in local development, as district officials assumed increasing responsibilities in district planning and sub-project selection. Already, observations by the IEG team in the field seemed to point in that direction, as priority setting increasingly is influenced and ultimately decided outside the strict confines of the community. Nevertheless, these developments are appropriate as a decentralized governance system takes shape. The APL instrument was appropriate, as each phase was designed to build on the previous activities and achievements, and integrate and deepen processes.

2.20 In summary, the design made certain trade-offs. The design of both livelihood support and mainstreaming of CDD functions strengthened the role of local government authorities, in particular the district, rather than communities, in the decision making process. While this may have reduced the community emphasis in the project, as well as underlying CDD objectives of empowerment and ownership, it was in line with the government’s 2006 Decentralization Policy that focused on the district as the main level of local government. Still, the planned interventions directly supported the PDO, but with less community emphasis.

Monitoring and Evaluation Design

2.21 M&E design drew on an already-established MIS that extended to the local level. It included a core package common to most social fund-type operations, including a (MIS), process evaluations, beneficiary assessments, and impact evaluations. The PAD (p. 55) provides a description of the overall system for monitoring project processes: (a) a results framework with clearly defined goals, objectives, outputs and activities with corresponding indicators, means of verification and key assumptions; (b) a well-defined M&E strategy for project processes, information requirements, tools and methodologies for data collection, analysis and reporting; (c) a comprehensive M&E plan with clear roles and responsibilities as they relate to indicators tracking with respect to data gathering and reporting; (d) a Local Authority MIS that was a computerized information system that caters to the LA level information needs; (e) Internal and External periodic assessments and evaluations, for instance annual tracking studies, baseline studies, gendered community score cards, mid-term evaluations, ex-post evaluations and impact evaluations; and (f) participatory community monitoring and accountability approaches and systems using Citizen Report cards and Community Score cards.

3. Implementation

Implementation Arrangements

3.1 **National level.** MASAF 3 APL II resources were channeled through the national LDF, located in the Ministry of Finance, to local LDFs set up in each LA, with the actual transfers determined by agreed formulas, and in accordance with the national LDF's budget lines. The previous MASAF project management team, now redefined as an LDF Technical Support Team (TST), was responsible for the day-to-day operations of the LDF – monitoring operational procedures, implementation processes, and performance, and assisting LAs in implementation. A National Steering Committee, chaired by the Secretary of the Treasury, provided the TST with leadership and guidance. A National Technical Advisory Committee, chaired by the Ministry of Local government, reviewed and approved LA investment plans on behalf of the Steering Committee to ensure that they reflected national goals.

3.2 **LA level**. The local LDFs financed annual investment plans that had been approved by the District Assembly[2] taking into account the longer term District Development Plan (DDP). The Assembly approved the DDP and all annual investment plans. (They were subsequently approved at the national level by the National Technical Advisory Committee.) It also monitored the implementation of approved projects. In this, it was assisted by the District Executive Committee, which provided technical and advisory support to the Assemblies and communities in planning, budgeting, and project implementation.[3]

3.3 Each local LDF received investment requests emanating from Area Development Committees (ADC)[4]. These provided a forum for community participation in the development process. They were responsible for community resource mobilization, project cycle management and planning.

[2] The district assembly is composed of elected councilors (one from each ward), traditional authorities and members of parliament. It may also include *ex officio* representatives of special interest groups.
[3] Membership in Executive Committees included Government heads of department, representatives of parastatal organizations and NGOs.
[4] Area Development Committees consist of traditional authorities, members of parliament, district councilors, and other community leaders

3.4 **Village level**. Village or community development committees represented communities at the lowest level. Their role was to facilitate participation of community members in planning, sub-project identification and in supervising implementation. They were in fact the main implementers of sub-projects, and were usually composed of all village headmen, representatives of community based organizations and project management committees.

Table 3. 1. Projects Costs by Component, Appraisal and Actual

Components	Appraisal Estimate (US$, millions)				Actual/Latest Estimate (US$, millions)	Percentage of Appraisal
	Original MASAF III APL II	Additional Financing 1	Additional Financing 2	Total		
Community Livelihoods Support Fund	39.5	12.2	45 .0	96.7	95.0	98
Local Authority Capacity Enhancement Fund	4.5	0.3	0.0	4.8	3.8	79
National Institutional Strengthening Fund	4.5	2.2	5.0	11.7	12.1	103
Contingencies	2.5	0.0	0.0	2.5	0	0
Total Project Costs	51.0	14.7	50.0	115.7	110.9	96

(See PAD Appendix on Implementation Arrangements, p. 81)

Implementation Experience

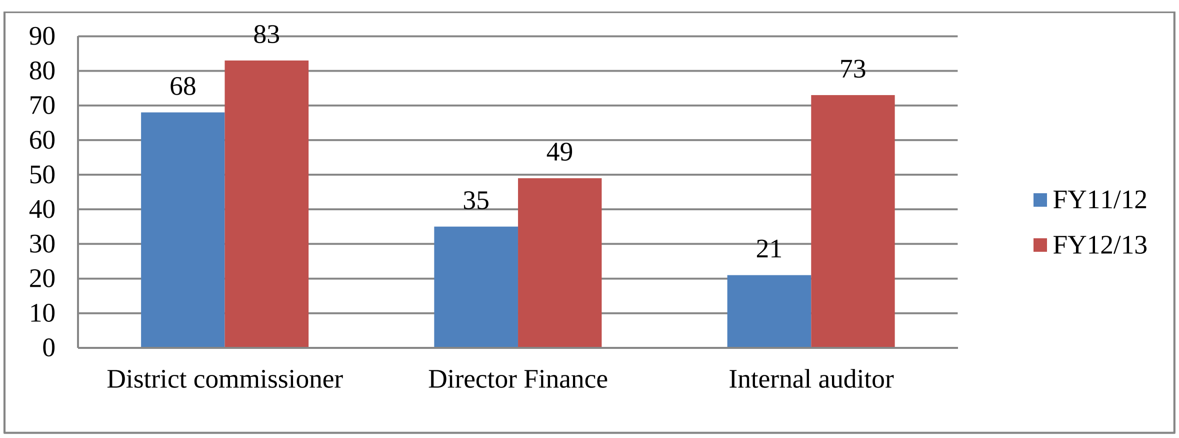
3.5 **Sub-project selection.** The MASAF program was to result in implementing sub-projects that the communities had defined as priorities. While this was true in principle, and mostly in practice, too, the IEG mission observed that this was not necessarily always the case. Communities' first priorities were not always put forward, or approved for implementation. Selection of teachers' houses and school blocks was mainly done by LAs. A number of factors seem to intervene in the priority setting process. Imbalances in the workload of LA staff, and in particular community development officers, which sometimes cut short the community mobilization and project selection process; instead, project selection was imposed by LAs. ADC and CDD planning objectives and national strategic considerations also influenced sub-project selection. Village councils and community facilitators themselves could (and anecdotally, did) influence priority setting, as did local politicians.

3.6 **Sub-project implementation delays.** Sub-project implementation experienced delays that affected sub-project costs and attitudes towards community ownership, in some instances leading to sub-projects not being completed. Factors that were likely to slow down the process were: community contributions that were not always forthcoming; delays in the flow of funds and related reporting; discontinuity in the staffing of LA development teams that affected capacity building, and through that, sub-project processing; and cautious sub-project processing through administrative layers in ADCs and DDCs to ensure sub-project consistency with LDF criteria and district development plans. These delays in turn affected sub-project costs, as inflation forced frequent increases in the price of construction materials. In some instances, extensive sub-project cycles also seemed to weaken community support for sub-project implementation. Reflecting these factors, some 85 teachers' houses across the country remained unfinished at closing (871 completed) due to delays in community contributions, and rising costs of construction materials.

3.7 **Delays in the release of funds and reporting on expenditures.** The long process involved in the disbursements of funds under the LDF mechanism slowed down operations. In some instances where funding was delayed for periods longer than two months, some sub-projects that were seasonal such as fisheries and afforestation subprojects had to be cancelled. That meant that some beneficiaries were being denied access to project benefits at times when they were needed most, notably during the lean season. Delays were also experienced in the liquidation of funds by the LAs. With a shortage of accounting staff at the district level, they were dependent on assistance from the LDF technical team to apply the World Bank's statement of expenses framework.

3.8 **Capacity building.** Efforts to build capacity at district levels was adversely affected throughout project implementation, as staff often was reallocated, making it difficult to form functional LA teams. Effective support to communities provided by community development officers in the LA was weakened due to heavy turn-over of such staff, as they prove attractive to other similar development projects. Capacity building takes time, and in some instances, LAs resorted to drawing on so-called lead communities, ones with requisite experience, to assist in training other communities. The IEG team was able to observe that capacity constraints at the LA level could have a significant impact on sub-project progress. The Chart below presents the staffing situation for key positions in fiscal years 2011/12 and 2012/13. Shortfalls in these positions have a direct impact on the rhythm of sub-project processing at LA levels and financial flows through the system from the central authorities to ultimate recipients.

Figure 3. 1. Core LA Staffing (percentage) FY11/12-FY12/13



3.9 The IEG mission repeatedly was being told that new or rebuilt roads, which constituted 60 percent of public works schemes, were being washed away during the rainy season, and then had to be rebuilt. This may at least in part have been due to the timing of public works schemes – they were intended to generate income during the lean, or dry, season. Mostly, due the lags in sub-project start-up, construction often slipped to the latter part of the dry season; this did not allow the soil to compact, and the roads were easily washed away with the first rains.

3.10 **Maintenance**. Maintenance moneys appear not to have been easily forthcoming from the community, and communities were reluctant to take on the maintenance in situations where immediate private interest was not perceived. This was particularly the case with roads and teacher's houses; while they were appreciated by the benefiting communities, they were still seen as government assets, and their maintenance a government responsibility. This contrasted with other sub-projects such as afforestation, irrigation, or fish ponds, which produce continuous tangible benefits to households and community, and where, consequently, villagers are ready to contribute to their maintenance. In a country like Malawi, the government budget is hardly in a position to take on continuously increasing recurrent expenditures. Here, even a well-functioning fiscal transfer system is unlikely to help in the absence of well-managed local planning and budgeting mechanisms that allow for a realistic estimate of annual recurrent spending needs. In the event, transfers from the center are still modest and mainly intended to meet recurrent expenditures, mainly wages and salaries, as LAs have few own resources. Efforts under the LGSP to enhance local revenue generation have experienced implementation delays, underlining limitations on institutional capacity. This dilemma points to the alternative of focusing on productive safety nets, a policy direction in which the government has moved under MASAF 4, and in some of its other development programs.

3.11 **Targeting of beneficiaries.** Councils were tasked with the selection of participants in public works, who were to work during two rounds of 24 days in a year. This arrangement, which is not unusual for public works schemes, posed a challenge in some councils, as local politicians wanted to expand the annual worker pool with their own candidates. In many instances, this took the form of shadow workers – more than one beneficiary worked intermittently on the same job.

3.12 Still, relatively few targeting errors were recorded, as some 80 percent of beneficiaries were subsequently judged to be from extremely poor households.

Monitoring and Evaluation Implementation and Utilization

3.13 The LA, and in particular through its internal audit staff, was the main implementing agency, reporting to the MoLGRD, with sector specific information being then sent to the respective sector ministries at the national level. Technical backstopping was provided by the MoEPD, and the MASAF/LDF unit in MoF. MoEPD had responsibility for the overall M&E of the project with the support of the relevant implementation agencies in collection and processing the information, supported by the MASAF/LDF unit. The MoEPD provided necessary technical assistance in the design of specific studies, surveys and evaluations.

3.14 A computerized MIS provided LAs with information to aid in decision making and reporting on project management and administration; studies and surveys provided information on project process and outcomes; and participatory M&E (through citizen report cards and community score cards) was applied to identify service gaps and promote accountability of service providers.

3.15 Overall, the mission noted that the project had generated substantial evidence to conclude that the project had had a substantial impact on the livelihoods of beneficiary communities (see also Section on Efficacy). The trend of project impact across studies - Public Works Tracking Studies; Beneficiary Assessment; Technical Audit; and Savings and Investment activities generated by Public Works Schemes (Impact Evaluation Report); and the Community Score Card - had been established through a process of consolidating study findings (meta-analysis). All studies were completed as planned.

Safeguard Compliance

3.16 The project triggered OP 4.01 Environmental Assessment; OP 4.09 Pest Management; and OP 4.12 Involuntary Resettlement. It was assigned Environmental Category B, and the Safeguard Screening Category S2, due to likely sub-project activities relating to civil works under the public works schemes. The same policies were triggered by AF1 and AF2. While sub-project activities were expected to be of modest size, they still had the potential for negative localized impacts on the environment. Consequently, the LDF Technical Support Team prepared an Environmental and Social Management Framework (ESMF), drawing on previous experience with social fund-type micro-projects implemented by LAs. It also prepared a Resettlement Policy Framework, but OP 4.12 was never triggered under the project. The ESMF was disclosed in-country and in the World Bank's InfoShop in April 2008. The same ESMF was also used for AF1 and AF2. Subsequently, Environmental and Social Management Plans (ESMP) were prepared for the construction of teacher's houses; and with unexpectedly extensive investments in reforestation, OP 4.36 Forestry was triggered, and the ESMF updated accordingly.

3.17 Responsibility for safeguards implementation was given to districts: district environmental committees were set up, and to address eventual capacity bottlenecks, environmental district officers were recruited, and committees and officers were trained. The Ministry of Environment and Climate Change Management in the implementation and monitoring of social safeguards through monthly monitoring visits. All 35 districts prepared Environmental and ESMP for their sub-projects. Safeguard activities that had been implemented have included planting of trees, alignment of drainage for roads, installation of culvert lines, and sanitation projects in urban centers. In school projects, land transfer agreements had been entered into between LAs, community members and school management committees. Community groups for income generating activities (COMSIP) have introduced ESMPs for their small enterprise initiatives.

Fiduciary Compliance

3.18 Financial management of the project was generally adequate, despite the fact that the project was implemented at the sub-national level where there is a shortage of staff for financial management and internal audit. The LDF technical support unit provided backstopping as project implementing agency; it was compliant with the World Bank's financial management requirements, and there were no overdue audit reports or interim financial reports. All audit reports were unqualified.

3.19 Significant difficulties arose in 2011, when the existing software system crashed. It took about a year to replace the system and bring staff up to speed. In the meantime, Excel spreadsheets were used to process transactions and prepare reports. With the delay in replacing the accounting package, the project used statements of expenditure (SOE) based disbursement and documentation of expenditures.

3.20 While the financial management system generally performed in a satisfactory way, there were problems of delays in the liquidation of funds, and in funding community projects, due to the funds having to go through a long chain of institutions before getting to the LAs; and delays in reporting by the councils, who appeared reluctant to use the automated financial MIS for processing project transactions. In part, this may have signaled the need for refresher courses or training in using the system.

Procurement

3.21 At the national level, the LDF technical assistance team was responsible for the procurement of institutional support activities. At the local level, district staff was responsible for public works contracting, and community-based project management committees for procurement related to social infrastructure. MASAF procurement systems--central and local, had already been operating successfully over three project cycles. Procurement functions were also conducted in a satisfactory manner in MASAF 3 APL II. The Bank had done procurement reviews twice yearly, and found that the system was solid.

3.22 That said, community procurement had raised a number of issues that should be kept in mind when designing new projects (some of which are already raised in the Section on Implementation Experience): communities faced difficulties in meeting the 25 percent community contribution towards the cost of the sub-project, including when scarcity of materials pushed up prices; involving interested parties, such as head teachers, in community procurement, created efficiencies by introducing checks and balances into the community procurement process; the respective roles of district councils and project management committees in procurement must be clearly defined, and through procurement training of committees to create better balance between the two entities; keeping to implementation schedules is essential to avoid cost overruns.

4. Achievement of the Objectives

Objective

APL program objective: to achieve capacity building for improved service delivery by communities, Local governments and Sector Ministries within the Malawi Poverty Reduction

Strategy Paper, with decentralization as a key strategy, so that Malawi can achieve its Millennium Development Goals

Original PDO: to improve the livelihoods of poor households within the framework of improved local governance at community, local authority, and national levels

Revised PDO: to improve the livelihoods of poor and vulnerable households and to strengthen the capacity of LAs to manage local development

AF 1 added four new results indicators, expanding the focus on improved livelihoods.
AF 2 added three new results indicators focusing on governance.

4.1 The two PDOs are essentially the same, as noted in Section 2 above on Objectives. As the revised PDO is a more precise formulation, efficacy will be assessed against the revised PDO. Since the results indicators introduced under AF1 and AF2 were added to the original indicators, they are included as part of the overall assessment, as are the findings of project-related beneficiary, impact and tracking studies and surveys (most of them were already included in the ICR for the project).

4.2 Achievement of objectives under the PDO will be rated separately for: (i) improved livelihoods of poor and vulnerable households; and (ii) improved capacity of LAs to manage local development.

4.3 Since MASAF 3 (APL II) also is part of an APL program, albeit a truncated one, it will also be assessed in terms of progress towards the program goal of improving service delivery to achieve the MDGs.

Objective 1: livelihoods of poor and vulnerable households were improved

Objective 1 is rated ***Substantial*.**

4.4 The first objective was to be achieved by providing food-insecure households with temporary income from public works schemes during the lean season; by the indirect effects of creating a better learning environment by investing in teacher housing and better classrooms; and by encouraging the formation of savings and investment groups for longer term asset building.

4.5 In order to access resources for public works schemes under the LA Fund, or for teacher housing and classrooms under the Community Fund, these had to be included in LA annual investment plans through the village participatory planning process. In the case of teacher housing and classrooms, these investments were to be identified by the communities. Saving and investment groups were voluntary, and they would draw on savings derived from participation in the public works schemes, or in other income generating activities. The Community Fund would also be available to finance investment proposals by savers.

Outputs

Public works

4.6 The maximum number of public works cycles that could be completed over the duration of the project was nine; and all nine cycles were completed under the project. During that time, a total of 39,700 sub-projects were completed, against an initial target of 10,000. This includes some 19,000 sub-projects under the two Additional Financings that both focused on expanding the public works component. Under the sub-projects, 105,000 kilometers of rural roads were rehabilitated; 18,500 hectares were reforested; 5,500 hectares of area were provided with irrigation and drainage services; 200 classrooms were rehabilitated against a target of 244; and 1,700 teacher houses were built, exceeding the target of 1,300; 1,700 people had access to improved sanitation.

Education investments

4.7 Community-based social infrastructure sub-projects included 871 teachers' houses, 200 classrooms, and 16 latrines.

Savings and investment schemes

4.8 By the end of the project, some 100,000 active micro savings accounts had been opened (66 percent by women). They included the formation of 4,465 groups (30–35 members), 1,106 clusters (3–5 groups), and 135 cooperatives comprising clusters that had saved sufficient amounts to become more formalized organizations. A total of 3,685 groups had received training grants for training in financial literacy, business management, and environmental and social safeguards. The aggregate volume of savings mobilized during the life of the project was estimated at MK 1.34 billion (US$ 2.7 million).

4.9 An IEG field visit to some COMSIP groups tangibly revealed benefits that the intervention was bringing towards enhancing livelihoods of rural poor households. There were testimonies from group members on benefits received after joining COMSIP, including improved incomes used to buy food, for education and health needs, and to buy durable household assets. Some members had managed to start household businesses with income from their savings. In some instances, groups were mobilizing to undertake larger agro-productive enterprises.

Outcomes

Public works schemes

4.10 The public works schemes generated some 46.9 million person-days of temporary work, including the two AFs. The indicator was introduced with AF1, at which point a target of 10.8 million was set; it was raised to 26.7 million at AF2. Altogether, 2.2 million households cumulatively over the nine cycles that saw their incomes temporarily rise, against a target of 1.5

million. An estimated 80 percent of beneficiaries were extremely poor (below the food poverty line), and 87 percent food insecure. These numbers, while high, were still below their targets of 90 percent in each case. While causes for those shortfalls are difficult to pinpoint, interviews during tracking studies (2012) and the beneficiary assessment (2011) indicated that factors such as uncompetitive wages, and a selection process that occasionally was biased in order to extend benefits to a larger population, may have influenced results. Still, participants overwhelmingly (88 percent) indicated that they were satisfied with the schemes, and that they had contributed positively to household welfare.

4.11 The beneficiary and tracking studies indicated that over 50 percent of beneficiaries used their earnings to meet immediate food needs, in line with the intentions of the schemes. In addition, some 740,000 beneficiary households also bought agricultural inputs: improvements in maize production per hectare from 13 to 27 bags were recorded. While these may not only have resulted from wages earned under the public works schemes, it is likely that they played a significant role. Some 29 percent of beneficiaries moved from temporary (grass thatch, poles, and mud structures) to more permanent structures. And increased spending on education and health services was also recorded, as well as on building household assets.

4.12 While the public work schemes appear to have achieved their objective of generating temporary incomes and reducing food insecurity, the sustainability of the investments remain less clear. The IEG mission met both officials and villagers who complained about the durability of the roads, in particular. Roads constituted over 50 percent of public works sub-projects, and it was claimed that a large number of such roads were being washed away during the rainy season. Overall, the public works have contributed to the project objectives, however, it is unclear whether improved service delivery (i.e. the higher objective of the Program) is sustainable (see Risk to Development Outcome below.)

4.13 **Quality of assets.** The quality of assets produced under the public works schemes tended to vary. LAs pointed to the high required share of wages (80 percent) in the schemes as a reason for unsatisfactory results, especially with regard to primary roads. This left insufficient resources for administration and, more importantly, the purchase of such items as culvert rings, cement for drainage alignment and fuel for graders (Lilongwe City Council). Resources for maintenance were scarce, in particular with the reluctance of communities to contribute counterpart funds, and in some instances district councils were using project funds to carry out maintenance activities on existing projects instead of funding new projects (Rumphi).

Education investments

4.14 The impact of the investments in teacher housing and classrooms has not been measured beyond observations registered in the beneficiary assessment, and quoted below (Government of Malawi 2012). However, drawing on similar initiatives in Tanzania, such investments are likely to have positive effects on the learning environment. Better access to teachers as a result of improved teacher housing, especially in rural areas where shortages can be severe, and better and better equipped classrooms, is believed to contribute to better school performance, especially teacher and student attendance, and to raising teacher morale (Evans et al., 2014). However, beyond a better physical environment and improved access to teachers, there are no clear indicators of improved quality of teaching or of learning outcomes directly attributable to the project.

4.15 The Beneficiary Assessment summarizes the impact of teacher housing as perceived by beneficiary communities as follows:
The teacher housing program was rated highly by the beneficiaries of the program in the communities. The satisfaction rate was 99 percent. The program was said to have improved teachers' motivation to teach in rural school, improved teachers' class attendance and improved their preparations for lessons since they were now able to work longer with the availability of electricity. Construction of teachers' houses (81 percent of which were occupied by head teachers) was contributing to better school management, better teacher and pupil supervision, more teachers remaining in rural areas, more reading time for pupils (as in some schools pupils use teacher houses for study in the evening) and improved public perception of the school and the education sector as a whole.

Evidence of relevance of teacher housing

A teacher in Chikhwawa, just as in all other District Councils, a teacher expressed that he is no longer interested to go to teach in an urban school since even those teaching in the rural areas have similar opportunity to have decent accommodation and sometimes better than those in the urban schools. He just urged that more of such houses should be built in most schools.

Source: Beneficiary Assessment, 2011

4.16 Sentiment from communities surrounding the beneficiary schools suggested that the teachers' houses had raised the profile of the schools and the teaching profession. The electricity component of the teachers' houses not only benefitted the occupants of the houses but the surrounding communities as well who charge their mobile phones at a small fee of about MK50 which is deposited into the school fund and used for maintenance of the houses.

Savings and investment schemes

4.17 The introduction of the COMSIP savings-investment scheme appears to have created a path to more lasting improvement in well-being than temporary incomes are likely to do. Of the almost 100,000 households that were participating in the COMSIP savings-investment groups, some 79,000 had accumulated savings of at least 50 percent of their wages from public works one year after joining a group. Some 60 percent were women. Some 40 percent reported income gains that translated into improved food security and means to address family emergencies. Moreover, all respondents to a self-assessment (COMSIP 2011) had bought at least one household item during the past year, either by borrowing from their savings-investment group, or by drawing on their business income.

4.18 Respondents also reported improved borrowing, which was to be expected as the savings-investment arrangements practically oblige participants to borrow and invest group resources: in recently formed groups, 57 percent of members were borrowers, the share rising to 85 percent for groups with several years' experience behind them; and with frequency of borrowing between two and three times higher in the latter group. Loans were used mainly to start or expand businesses or purchase agricultural inputs; 38 percent of beneficiaries stated that they had expanded their business activities because of COMSIP.

4.19 In general terms, some 67 percent of respondents who had been group members for some time claimed that they were better off than before, while this was the case for 48 of participants who at the time had been active for only a short period of time. The IEG mission, in discussions with savings-investment groups, was able to confirm the enthusiasm of such groups, and the opportunities that they saw opening up in their lives as a result of these mechanisms.

4.20 **Targeting of beneficiaries.** The Beneficiary Analysis indicated that the selection process was inconsistent. The allocation of public works moneys appears to have been driven primarily on the basis of an equitable distribution of sub-projects among districts, and less so by the extent of vulnerability, poverty, or food insecurity. The selection of individual participants into the scheme was in principle based on community targeting using participatory wealth ranking techniques at public meetings. It was also to be gender sensitive with women representing a minimum of 40 percent of participants in a public works scheme**.** That said, there appears to have been some political influence in the selection process, as traditional authorities in many cases unilaterally selected participants, while leadership structures such as Village Development Councils (VDC) were not much used in selecting participants: *[…our VDC just exists in name, but all our activities are determined by the chiefs…*from an interview with a VDC*]*. In some instances, the entire selection process was in the hands of members of Parliament, who in turn entrusted district councilors with conducting the process. No community reported that a wealth ranking exercise had been used to select beneficiaries.

Objective 2: The capacity of local authorities to manage local development has been strengthened

Objective 2 is rated ***Substantial***.

4.21 The second objective was to be achieved by addressing the capacity of LAs in the effective management of government transfers; and prepare LAs to perform anticipated responsibilities as devolution proceeds and more resources become available under the LDF and other fiscal transfer arrangements. This would be accomplished by providing training in various core functions as they are mainstreamed into the local administrative processes.

Outputs

4.22 Training and workshops were provided to over 40,000 local staff in various core functional topics, involving capacity development, district level participatory planning, including the development of district development plans, and financial and human resource management. In addition, a number of studies and evaluations were carried out, with direct reference to the project, but also aimed at building capacity through learning-by-doing, where LAs and communities took over implementation responsibilities, including monitoring and evaluation processes.

4.23 A framework for an inter-governmental fiscal transfer system to support service delivery by LAs was approved by the government in March, 2013. It is ready to be put into place, but has not yet been approved by the government.

4.24 A performance based capital grants system for financing local capital investments was piloted and is ready for implementation. It is aimed at reducing inefficiencies inherent in having a large number of financing channels for capital investments.

Outcomes

4.25 A series of measurable outcomes are indicated in the ICR:

- As a result of the training and workshops undertaken under the project, 62 percent of LAs meet the specific criteria in financial management and 80 percent in procurement required for LAs to take on mainstreamed responsibilities , against targets of 60 percent and 80 percent, respectively;
- No funds are said to have been lost due to errors, fraud or corruption as determined through audits, compared to a target of 5 percent;
- 63 percent of LAs were publicly disclosing revenues, such as grants, and expenditures, compared to a 50 percent target;
- 62 percent of community action plans were reflected in district annual investment plans, compared to a target of 100 percent;
- 68 percent of local agencies were able to set objectives and achieve their targets by end 2010, as compared to a 70 percent target that had been set for the mid-term review (September 2011);
- 53 percent of LAs have reporting mechanisms for Millennium Development Goal indicators, compared to a target of 80 percent;
- A community-level tracking system is in place that delivers information annually on baselines, targeting, and utilization of wage earnings from public works schemes; and
- 70 percent of village development committees were functional and addressing service gaps at the community level.

4.26 The above outcomes indicate that the institutions are coming into place that allow local management of their development process – adequate planning and budgeting processes, and implementation mechanisms, are in place in a majority of districts, albeit that targets have not been met in every case. It does appear that the project has significantly advanced the establishment and institutionalization of the LDF as an intergovernmental transfer mechanism for development financing in Malawi. The project succeeded in establishing and testing the functionality of systems and procedures for decentralized approaches to programming, financing, capacity development, procurement, implementation of social and environmental safeguards, project monitoring and supervision, and reporting capabilities and results reporting. These experiences are likely to be key to any future consolidation of decentralization approaches in Malawi.

4.27 **Gender.** While gender issues were recognized in MASAF design, they were never actively pursued in the MASAF series beyond the requirements on women's participation in sub-project implementation and public works schemes. In both cases, the focus was on minimum requirements for female participation: 50 percent in sub-project management committees; and 40 percent in public works schemes. While these requirements appear relatively modest, they were able to generate significant gender-positive results. Field interviews during the beneficiary assessment showed that women were quite active in community development committees, taking up leadership positions as chairs, secretaries, and treasurers, mobilizing other women, supervising sub-project activities, facilitating meetings, and following up issues at council levels; in fact having a disproportionate influence even at area and district levels, where there were no gender requirements.

4.28 Still, gender-positive impacts that were generated by the project did arise from the requirements on female participation, and those impacts may have been substantial – a stronger political profile through participation, and increased household earnings that translated into increased savings and asset building, in addition to increased consumption smoothing in the household. In fact, it was reported that more women attended project management committee meetings than men "*who often would go fishing*" [comment from an interviewee in Salima].

4.29 Beyond women's participation in formal political structures, they came to benefit from public works schemes and savings-investment groups. Their participation in both was relatively high, and in that way they were able to benefit from the immediate benefits of increased earnings from public works, as well as the longer term more sustainable asset building through participation in COMSIP. Studies indicate that the existence of value adding services such as savings-investment programs tend to improve the sustainability of the cash transfer (Chirwa et al. 2004).

4.30 A minimum of 40 percent of participants in public works schemes were supposed to be women; the actual number over the project period was 48.5 percent, or some 500,000 women. The higher than expected participation by women occurred mainly in urban areas, where most men were not willing to work on the public works schemes, leaving the responsibility of earning income for the family to the women. While wages were temporary, more than 50 percent of earnings were used to smooth consumption, while the remainder was spent for a variety of purposes, including education and health, and savings and investment, and asset building, for instance building the livestock base.

4.31 While COMSIP participation was voluntary, the majority of members were women (62 percent). This is partly explained by the limited options women, especially the poor, had, including inherent biases in developing programs. Here, it appears that savings-investment groups offered a rare opportunity to directly empower women. The beneficiary assessment found that women also were more active member in COMSIP, savings and small business development in savings groups was primarily driven by women. Surveyed villages saw a 55 percent increase in women engaged in business as a result of COMSIP.

Progress towards the APL program goal

4.32 Under the program, MASAF 3 (APL II) was to expand the participatory local development model in order to continue improving service delivery and ultimately contribute to progress on the MDGs. While the capacity of LAs to manage local development has increased, and transparency and accountability has been strengthened, as indicated by the outcomes in paragraph 4.22, the emphasis in the participatory process and in priority setting in local investment planning appears to have shifted in favor of the district authorities. With the resumption of elections in Malawi, communities may again be acquiring a stronger voice – politicians can be voted out of office.

4.33 A shift towards district-led investment planning informed by community needs through the participatory process may involve a more balanced approach to service delivery. However, there is currently no evidence of that. The scope of service delivery under MASAF 3 (APL II) was narrowly focused on providing teacher housing and classrooms. It is too early, however, to witness any changes in learning outcomes. Beneficiaries rate the teacher housing program very highly (see paragraphs 4.15 and 4.16) in terms of improved teachers' motivation to teach in rural areas, teachers' class attendance and better lesson planning, and more reading time for pupils. The COMSIP has enabled improved borrowing and other activities (see paragraphs 4.17-4.19). While these are only intermediate program outcomes that might indicate overall progress towards achieving the MDGs, measuring it over short time spans is not very useful; moreover, the impact of the project on the MDGs runs into difficulties of attribution, as it cannot be separated from numerous other public, private and donor initiatives also addressing the MDGs.

5. Efficiency

Efficiency is rated ***Modest.***

5.1 The PAD (pages 114-121) carried out a thorough economic analysis, applying benefit-cost analysis to compute economic and financial returns to public works sub-projects, and agricultural and small-scale business activities; and cost effectiveness analysis to evaluate community capacity building and asset formation. It also discussed the fiscal implications of the project. It estimated economic rates of return of between 25 and 36 percent, depending on whether in-kind use of benefits emphasizes subsistence farming or cash crops. The cost-effectiveness analysis estimated that project community infrastructure was 15 to 40 percent less costly than other similar projects. While in most instances the original targets on which the analysis was based were achieved, and even exceeded, one should nevertheless be cautious in drawing the conclusion that actual returns could be higher than these estimates. Additional financing was introduced that expanded both benefits and costs; and a number of inefficiencies arose during implementation, which are likely to have raised the project's economic and financial project costs.

5.2 The following analysis draws on the analysis in the ICR (pages 32-33), additional information provided by the Region during the ICRR review, IEG's findings in the field, and in reviewing project studies and assessments. The analysis focuses on public works, classroom blocks and teacher housing, and the COMSIP program. It does not look at fiscal impact.

5.3 **Public works**. Some 86 percent of project costs were spent on public works, teacher housing and classrooms. In discussing public works, the ICR argued that the cost effectiveness of the transfers under public works was a function of targeting accuracy, labor intensity, the wage rate, and administrative costs; these determine the share of resources that reach the poor, and in that sense can serve as a measure of how efficiently IDA/grant resources were being used. Using those criteria, that component was cost effective: an estimated 80 percent of beneficiaries were extremely poor, indicating only modest leakage; labor intensity was maintained high, as the share of wages in total costs remained at 80 percent; transfers increased during implementation as the program adopted multiple cycles of works per year; and overhead costs, including institutional strengthening and administrative costs, were at 10 percent of total sub-project costs. Moreover, extreme poverty as estimated by the Region may have declined by some 8.6 percentage points on average as a result of participation in public works.

5.4 This should be weighed against a recent study by the World Bank's Poverty and Inequality team (Beegle et al., 2014); it finds that the program was not effective in improving food security during the lean period, as treated households did not show better food security than control villages: nor did the program increase use of fertilizer or ownership of durable goods. Still, those elements – improving lean season food security and increasing the use of fertilizer and other inputs for the next planting season – were the main aim of the public works scheme. That said, the study is not able to isolate the factors that contribute to the findings. It also does not appear to take into account the effects of combining public works with COMSAT savings-investment opportunities, although it does incorporate the effects of the government's fertilizer input subsidy program.

5.5 That said, the benefits of the public works schemes also may have been partly compromised by implementation delays that sometimes led to cost escalations affecting the quality of works, as well as sustainability of some projects, notably roads, as they tended to deteriorate during the rainy season (paragraph 3.11).

5.6 In considering the labor intensive public works scheme, it should be noted that, while such schemes are widely used due to their relative flexibility to deal with shocks, they tend to be costly social protection tools, especially in low income settings (Grosh et al. 2008).

5.7 **Teacher housing and classroom blocks**. The ICR determined the cost effectiveness of teacher housing and classroom blocks by comparing with construction costs for other similar projects by donors or the government. It could also have added the intangible benefits deriving from stronger school administration, availability of teachers and a more attractive learning environment, to which attention was drawn both during visits by the IEG team, and during the project beneficiary assessment.

5.8 Some caution should be exercised when assessing cost effectiveness on the basis of broad categories, such as "housing" or "school construction", as these may well hide significant variation that makes them less certain as comparator projects. It is preferable that each type of sub-project be defined specifically, for instance, school construction (new) versus rehabilitation of existing school infrastructure. The ICR determines that classroom blocks constructed under

MASAF were some 20 percent cheaper than corresponding blocks built by the Ministry of Education, but provides no further specification.

5.9 **COMSIP**. Albeit of modest size in this project, COMSIP bears all the signs of a cost effective intervention, with a relatively low input of technical assistance having the potential of providing significant returns. Its availability of a savings-investment mechanism could have strengthened the longer term impact of the public works schemes, as it offered the opportunity to set aside some of the wages and invest them in small business activities and household assets. Of the somewhat over 20 percent of participants in public works (i.e. extremely poor households) also participating in COMSIP savings-investment groups, the large majority – some 80 percent of such households – saw the value of the share of earnings put into the savings-investment process increase by an average of about 50 percent over their earnings from public works over the project period. The ICR undertook a cost effectiveness analysis, where the main findings were that there had been a steady growth in membership and savings; some 70 percent of members borrowed from their group, and most repaid the loan and took out further credit.

5.10 In summary:

- The public works scheme aimed at improving lean season food security and increasing the use of fertilizer and other inputs. According to a Bank study, the public works scheme was not effective in improving food security during the lean season. It is also considered a costly social protection tool in low income settings. Still, the Region estimates that extreme poverty may have declined by 8.6 percentage points, presumably as a result of wages earned. However, if the World Bank study is correct, earnings did not show up in increased food security. The benefits of public works scheme may have also been compromised by implementation delays that led to cost escalations affecting quality of works and sustainability of sub-projects.

- Technical execution of public works was cost effective in terms of design, and construction costs when compared to public construction. However, the comparison is based on broad categories that may hide significant variations that puts into question the robustness of the analysis.

- While the COMSIP program was modest, it appears to have generated savings and asset building in participating households.

- Uncertain outcomes at the household level for public works schemes (86 percent of project costs).

Taking all these factors into consideration, the project's efficiency is rated Modest, on balance.

Ratings

Outcome

5.11 The PDO was rated **high**. It was relevant to the country situation at appraisal and at closing, addressing the nexus of growth and poverty alleviation. It was relevant to the government strategy, as set out in its Growth and Development Strategy of 2003, and in the subsequent version introduced in 2011. While the government strategy shifted, placing increased emphasis on productive safety nets and protection, the poverty reduction goal remained, as did the relevance of the PDO to achieving that objective. The PDO was relevant to the World Bank's CAS at appraisal and closing, which reflected the orientations in the Growth and Development Strategy. The two AFs – reducing poverty by strengthening livelihoods through support for the government's flagship safety net program, the public works scheme - were also directly relevant to the country situation, and government and Bank strategies.

5.12 The relevance of project design was rated **substantial**. The CDD approach offered a mechanism that supported both improvements in livelihoods and a means of strengthening the ability of local governments to manage the local development process. In doing so, it took a more constrained approach to community participation in interactions between communities and LAs, placing the emphasis on the latter in line with the decentralization process as it was envisaged in relevant legislation. The results framework provided a consistent logical chain, albeit over the early years with an awkwardly formulated PDO. The design of the two AFs complemented the public works scheme.

5.13 The assessment of efficacy was based on an analysis of the two sub-objectives of the project separately, and the achievement of both sub-objectives is rated **substantial**. The first one was able to moderate temporary income shocks, and record significant asset formation among households, albeit in some instances falling short of targets (although it is questionable as to how meaningful targets are in a design where many of the activities are demand-driven). The second sub-objective did show improvements in local planning and management of the development process at district levels, albeit in some instances falling short of targets, in particular in implementing elements of the planning process (coordinating community action plans with annual investment planning at local level; and putting in place effective reporting mechanisms).

5.14 Efficiency is rated **modest**. The analysis focused on the potential cost effectiveness of various interventions, albeit with some concerns: the validity of comparators for public works schemes; and implementation issues that may have escalated economic and financial costs. A more rigorous benefit cost analysis of the COMSIP activities also should have been considered. There was no analysis of the fiscal implications of the project.

5.15 Based on the above, the overall outcome is rated **moderately satisfactory**.

Risk to Development Outcome

The risk to development outcome is rated ***Significant***

5.16 The risk to the development outcome depends on to what extent the public sector will manage to continue to create livelihood opportunities for poor and vulnerable households; and if LAs have the opportunity to use the capacity to manage the local development process that has been built up under the project. Key factors influencing both are the government's fiscal stance and the direction that decentralization policy will take in the future. The former will depend on the challenges that the government will face which determine the fiscal space for transferring resources to LAs – essentially through the LDF mechanism that was established under the project. The challenges may come from a number of sources – through external shocks to the terms of trade; fluctuations in the level of donor support, primarily driven by donor perceptions of political and macro-economic stability, and potential weaknesses in governance.[5] These in turn will determine the scope of public works schemes, how effective they will be in providing income smoothing over the lean season, or protection against temporary shocks, to poor and vulnerable households. And they will determine the pace with which the savings and investment promotion program expands. The shape that decentralization policy takes in the future will determine the direction sub-national development management will take, irrespective of variability in the availability of transfer resources. In the absence of regulations to strengthen the decentralization framework law, there has been some drift, as different LAs appear to interpret the balance between LAs and communities in influencing participatory planning, but mainly in the direction of LAs. The recent elections breaking the political deadlock over the past few years may over time provide more clarity. In the meantime, MASAF 4 seems to indicate that the emphasis now is on livelihood support rather than devolution of more authority to LAs.

5.17 In this overall context, community ownership of sub-projects, which in some instances would turn out to be weak, may be less consequential in the context of MASAF 3 (APL II). The project included education-related sub-projects, where operational and maintenance responsibility fell mainly on sector ministries. Consequently, the risk to the sustainability of such facilities and their operations lay mainly with the central public sector institution.

5.18 The quality of assets (discussed under efficacy above) also pose a risk, as these tend to vary. The high share of wages (80 percent) leaves insufficient resources for administration, and, more importantly, the purchase of inputs and for maintenance.

Bank Performance

Quality at Entry

Quality at Entry is rated ***Moderately Satisfactory***.

5.19 The project was developed by a joint Bank-government team, building on the design and lessons from previous MASAF project, in particular the immediate experience of MASAF 3 (APL I). The approach of using a community development framework to engage poor communities and households in the local development process was appropriate and directly addressed the project objectives. Objectives, and project design, were strategically relevant for a government that was trying to reach the poorest and most vulnerable groups. While recognizing that the decentralization process was proceeding only slowly, design still included measures that would set the basis for longer term fiscal decentralization. It helped define community-local government and local government-central government interfaces, cross-sectoral collaboration (as

[5] In September 2013, a massive theft of public resources by a group of government and non-government individuals was exposed. Malawi's fiscal situation deteriorated rapidly as aid flows stopped and private sector confidence was shaken. The budget deficit grew, accompanied by expensive domestic borrowing and resurgent inflation. The loss of donor budget support was estimated to have cost the equivalent of 10 percent of GDP.

recognized in sector-defined standards for sub-projects), and guidelines for assessing LA capacities; and mainstreaming community empowerment and participatory planning into LA planning systems. Attendant risks were to be addressed by means of a strong capacity building component, including backstopping in financial management, and training of community development officers for community outreach. In fact, the project would come to succeed in establishing and testing the functionality of systems and procedures for decentralized approaches in programming, financing, capacity development, procurement, and so forth, which all were contained in the project. At the same time, the design would turn out to have weaknesses in establishing community ownership of sub-projects, reflected in occasional maintenance problems after sub-project completion.

5.20 While the PDO initially was awkwardly formulated, the results framework provided clear links between outcome indicators and the PDO, and the indicators directly addressed issues identified in the PDO. The indicators were well specified, and data sources were credible.

Quality of Supervision

Quality of Supervision is rated ***Moderately Satisfactory***.

5.21 With the team leader and most of the relevant staff based in-country, the World Bank was able to provide regular supervision and implementation support to project implementation. The staffing of the supervision team was cross-sectoral and in addition included staff with experience in decentralization. Dialogue with the government and LDF, as well as LAs, appears to have been frank, constructive, and issues oriented, judging from field reports. Use of independent subject-matter experts strengthened the team's assessments. During field discussions, the team was able to promptly draw attention to implementation challenges; make recommendations on how to address them, often spelling out the necessary steps, and seeking agreement on timetables for their resolution. This was especially the case in some important instances relating to project processes and technical designs, notably in public works schemes and in clarifying for communities the distinctions between MASAF and LDF interventions, where differences in the scope of the two approaches were not always easily appreciated by communities. Still, many of the implementation challenges seem to have remained not fully resolved, albeit not having decisive impact on project performance. In instances where changes may have had broader policy implications beyond that of the specific project, challenges of capacity building and financial flows requiring changes in central government procedures, appear to have persisted. To bring about a better alignment between objectives and indicators, the team at mid-term reformulated the PDO to more accurately bring out the main directions of the project. At the same time, indicators were adjusted, including developing baseline indicators wherever possible.

5.22 Coordination with donors played an important role, as LDF not only channeled so-called MASAF funds, but also those of some other donors, as well as the government, for similar purposes as MASAF. Here, the World Bank team was able to engage relevant donors – the African Development Bank, the European Union, German Technical Aid (KfW) – in the supervision effort.

5.23 Overall Bank Performance is rated **Moderately Satisfactory**.

Borrower Performance

Government performance

Government Performance is rated ***Moderately Satisfactory***

5.24 With social protection a priority in the government's development strategy, it has remained firmly committed to the full cycle of MASAF projects. Changes in scope and focus within the MASAF framework have evolved as priorities have been refined, from expanding basic services to emphasizing livelihoods and, under MASAF 4, promoting a productive safety net. MASAF 3 APL II was launched and implemented during a difficult period that saw economic and climatic shocks and uncertain governance in public financial management, including the loss of donor budget support and loss of macro-economic stability. Nevertheless, the government not only pushed ahead with the APL series, directly working with the World Bank to develop the project, but also continued to finance basic services infrastructure through the LDF, but outside the MASAF project, when infrastructure was dropped as a component of the project.

5.25 Government performance was weaker on a number of process issues – delays in the timely release of funds, slow appointment of key staff to the LDF management team, and frequent reallocations of staff between LAs; in part, this allowed knowledge to percolate to other LAs, but at the same time it created an atmosphere of instability that plausibly may have been detrimental to the LA-community relationship.

Implementing Agency Performance

Implementing Agency Performance is rated ***Satisfactory***

5.26 The Implementing Agency was the LDF management unit, essentially the same team that had implemented the preceding MASAF projects. It was a committed and experienced team that was able to adapt to new circumstances – working through a decentralized structure, and with many implementing partners. It provided technical assistance and was able to flexibly respond to situations as they arose; it worked intimately with the World Bank's supervision teams, providing support to the 70-odd team members, including through effective use of the MIS. It was able to quickly respond to the need to set up two AFs.

5.27 LDF did face challenges. In addition to the ones signaled in the Section on Implementation Experience, appointment of key personnel was slow, to some extent reflecting shortages in the availability of technical skills. Public works schemes might have benefited from more systematic review, as their timing sometimes slipped beyond the critical dry season.

Monitoring and Evaluation

The Quality of Monitoring and Evaluation is rated ***Substantial***

5.28 **Design.** M&E design drew on an already-established MIS that extended to the local level. It included a core package common to most social fund-type operations, including a (MIS), process evaluations, beneficiary assessments, and impact evaluations. This allowed relevant project indicators to be captured. **Implementation.** Key indicators were maintained throughout the life of the project, and additional indicators were introduced with AF1 and AF2. All indicators were monitored through the reporting system, and through quarterly Bank missions. Studies and surveys provided information on project process and outcomes; and participatory M&E (through citizen report cards and community score cards) was applied to identify service gaps. **Utilization.** The monitoring system was used to measure and adjust processes, while a series of evaluations contributed to assessing outcomes and measuring impact.

6. Lessons

6.1 The main lessons to draw from the project are as follows:

- **CDD can facilitate decentralization, but the right balance must be struck between community priority setting and local development planning.** MASAF's participatory planning process – providing facilitation and financing that allowed communities to define their priorities, develop investment proposals, have them financed, and implement them – was mainstreamed into the local planning process, giving LAs the role MASAF had played. In principle, this addresses the main objective of decentralization, i.e. to improve service delivery, and ensure participation. However, in undertaking mainstreaming, care must be exercised that proper balance is found in the participatory process: while community participation was formally incorporated into the local development process in MASAF 3 APL II, community priority setting seemed to have become secondary to district level planning. While this may be justified in terms of broader and longer term district level planning objectives, it also points to the need for transparency in the setting of district level planning objectives.

- **CDDs that emphasize longer term improvements may not always be the best instruments for addressing shocks**. CDDs with their support for expanding access to basic services form part of the social safety net. However, they may not always be well suited to address short-term shocks. In MASAF, this was partly the case – while some of its livelihood components built longer term capacity, only the public works mechanism was one that could easily be expanded and compressed in reaction to economic or climatic shocks - hence the introduction of two AFs, providing resources to expand public works; and subsequently the emphasis placed on unconditional cash transfers and public works under MASAF 4. An adaptable safety net should contain both longer-term productive mechanisms, as well as mechanisms that can be adapted to respond to crises.

- **Monitoring and Evaluation can be a critical factor to successful project implementation.** The M&E drew on an already-established MIS that was enhanced over time with a well-defined M&E strategy for project processes, information requirements, tools and methodologies for data collection, analysis and reporting. The existence of a comprehensive M&E plan with clear roles and accountabilities as they relate to indicators tracking with respect to data gathering and reporting was also important.

- **Assessing institutional capacity at the design stage, and systematically during implementation, is critical, especially when the project includes a component on capacity**

building at the local level. The design of the project should take into consideration the institutional capacities available under the project to get a better sense of the limitations on absorptive capacity, the institutional risks and needed capacity to effectively administer and monitor proposed activities. During implementation, the systematic assessment of institutional arrangements and capacity should be integral to project supervision. One of the successes of the project was that the APL II design included systematic assessment of current capacities of LAs and the establishment and use of capacity benchmarks to support LAs in their new tasks.

- **Beneficiary feedback throughout the assessment, provides important evidence of the impact of the operation from the perspective of the beneficiaries.** MASAF did well in designing surveys and evaluations that provided information on project process and outcomes. Participatory M&E (through citizen report cards and community score cards) helped to identify service gaps and promote accountability of service providers. This is critical, particularly given the nature of a CDD operation, which supported community-driven infrastructure and extended basic services to the vulnerable poor. Documenting how feedback was used to improve activities, processes and arrangements under the operation is also very important.

- **Sub-project economic and financial costs should take into account affordability of sub-projects in poor communities**. In some instances, communities faced difficulties in meeting a 25 percent community contribution towards the cost of educational sub-projects, including in particular when material shortages pushed up unit costs. In other instances, application processes proved too complicated. Increased attention needs to be paid to direct as well as indirect costs in designing sub-projects to ensure their affordability.

- **Linking income generation interventions with asset building opportunities can help build economic resilience.** MASAF linked savings-investment opportunities (COMSIP) to the public works schemes. This resulted in group savings and revolving funds that allowed participants over time to build a savings and assets base. It is important to consider such opportunities of linking savings-investment schemes to cash transfers as a means of more permanently improving the situation for poor households.

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Appendix A. Basic Data Sheet

MALAWI THIRD SOCIAL ACTION FUND (LOAN

Key Project Data (amounts in US$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	51.00	110.9	217.4
Loan amount	50.0	115.7	231.4
Cofinancing	0.00	0.0	0.00
Cancellation	0.00	0.00	0.00

Cumulative Estimated and Actual Disbursements

	FY10	***FY11***	***FY12***	***FY13***	***FY14***	***FY15***
Appraisal estimate (US$M)	10.7	17.1	23.3	29.4	30.7	30.7
Actual (US$M)	18.4	27.5	34.6	53.9	70.3	70.3
Actual as % of appraisal	171.9	160.8	148.4	183.3	228.9	228.9
Date of final disbursement: March 2015						

Project Dates

	Original	Actual
Appraisal	04/28/2008	05/05/2008
Negotiations	04/28/2008	05/21/2008
Board approval	06/20/2008	06/20/2008
Signing	11/25/2008	11/25/2008
Effectiveness	03/24/2009	03/24/2009
Closing date	09/30/2013	06/30/2014

Staff Inputs (staff weeks)

	Staff Time and Cost (Bank Budget Only)	
Stage of Project Cycle	**No. of Staff Weeks**	**US$, thousands (including travel and consultant costs)**
Lending		0.00
FY08		282.38
Total		282.38
Supervision/ICR		
Total		0.00

Task Team Members

Names	Title	Unit
Lending		
Janet Chido Bvumbe	Program Assistant	AFMZW
Simon B. Chenjerani Chirwa	Senior Procurement Specialist	GGODR
Ben Chirwa		AFTH1 - HIS
Alfred Sambirani Chirwa	Population & Health Spec.	AFTH1 - HIS
Fenwick M. Chitalu	Financial Management Specialist	AFTME - HIS
Lori A. Geurts	Operations Analyst	GHNDR
Chrissie Kamwendo	Senior Operations Officer	AFMZW
Nginya Mungai Lenneiye	Country Manager	AFMZW
Michael N. Mambo	Senior Education Specialist	AFTEE - HIS
Masud Mozammel	Senior Communications Officer	ECROC
Donald Herrings Mphande	Lead Financial Management Spec	GCFDR
Suleiman Namara	Senior Social Protection Economist	GSPDR
Eva K. Ngegba	Program Assistant	GHNDR
Naa Dei Nikoi	Operations Adviser	LCRDE
Krishna Pidatala	Senior Operations Officer	GTIDR
Vivek Srivastava	Lead Public Sector Development	GGODR
Hardwick Tchale	Senior Agriculture Economist	GAGDR
Supervision/ICR		
Zeria Ntambuzeni Banda	Communications Officer	AFREC
Anush Bezhanyan	Practice Manager	GSPDR
Janet Chido Bvumbe	Program Assistant	AFMZW
Simon B. Chenjerani Chirwa	Senior Procurement Specialist	GGODR
Alfred Sambirani Chirwa	Population & Health Spec.	AFTH1 - HIS
Fenwick M. Chitalu	Financial Management Specialist	AFTME - HIS
Lori A. Geurts	Operations Analyst	GHNDR
Kjetil Hansen	Senior Public Sector Specialist	GGODR
Chrissie Kamwendo	Senior Operations Officer	AFMZW
Nginya Mungai Lenneiye	Country Manager	AFMZW
Muna Salih Meky	Senior Education Specialist	GEDDR
Francis Kanyerere Mkandawire	Financial Management Specialist	AFTME - HIS
Masud Mozammel	Senior Communications Officer	ECROC
Donald Herrings Mphande	Lead Financial Management Spec	GCFDR

Maggie Mwaisufanana Mshanga	Receptionist	AFMMW
Suleiman Namara	Senior Social Protection Economist	GSPDR
Harriet Nattabi	Water & Sanitation Specialist	TWIAF
Eva K. Ngegba	Program Assistant	GHNDR
Nadege K. Nouviale	Program Assistant	GSPDR
Berk Ozler	Senior Economist	DECPI
Krishna Pidatala	Senior Operations Officer	GTIDR
Vivek Srivastava	Lead Public Sector Development	GGODR
Hardwick Tchale	Senior Agriculture Economist	GAGDR
Nko Etesin Umoren	Resource Management Officer	BPSGR

Appendix B. List of Persons Met

Mr. Radson Mwadiwa	Chief Director in the Office of the President and Cabinet
Mr. Charles Mandala	Executive Director of the Local Development Fund – MASAF III Project
Mr. Booker Matemvu	Head, Development Communication
Mr. Steven Mchenga	Director, Financial Management Services
Mrs. Miriam Saiwa	Enterprise Development Specialist
Mr. Mayeso Undi	Infrastructure Specialist at Local Development Fund
Mr. Alifeyo Banda	Director: Local Authority Capacity Enhancement at Local Development Fund
Ms. Nyembezi Mbewe	Administration and Human Resource Officer
Mr. Peter Simbani	Director of Debt and Aid Management in the Ministry of Finance
Mr. E.K. Bambe	Director of Rural Development in the Ministry of Local Government and Rural Development
Mr. Harry Mwamlima	Director of Social Protection
Mrs. Suzgo Luhanga	Chief Economist in the Social Protection Department in the Ministry of Finance, Economic Planning and Development
Mr. Witney Kabango	Finance and Administration Manager
Mr. Chimwemwe Kadewere	Finance and Administration Manager
Mrs. Ida Manjolo	Task Team Leader of MASAF III Project
Ms. Lynne D. Sherburne-Benz	Senior Regional Adviser
Ms. Maniza B. Naqvi	Senior Social Protection Specialist
Mr. Chrambo	Director of Forestry
Dr. D. V. Kampani	National Coordinator (Malawi Food Emergency Recovery Project)
Ms. C. Gunda	M&E expert
Mrs. Wanda	Community Development expert
Mr. Eliam Banda	Director, National Local Government Finance Committee
Mr. Stanly Chuti	National Local Government Finance Committee (NLGFC)
Dr. Mary Shawa	Principal Secretary in the Ministry of Gender, Children and Social Welfare
Mr. Ronald Mtonga	Executive Director of Council of Non-Government Organization of Malawi (CONGOMA)
Ms. Sophie Shawa	Program Manager, UNICEF

APPENDIX B

Mr. Jephter Mwanza	Project Manager of Kalondolondo
Mr. Charles Makanga	District Commissioner and the Director of Planning and Development
Ms. Lucia Chiolalengwa	Deputy Education Manager
Mr. Biswick Mlaviwa	Environmental District Manager
Mr. Mathews Liungu	Chief Public Works Officer
Mr. R.C.Z. Hara	Chief Executive Officer
Mr. Harold Kanthenga,	District Forestry Officer
Mr. C.J. Chamasowa	District Irrigation Officer
Mr. Ephrum Gausi	Environmental District Officer
Mr. Uthmun Nkhoma	Building Supervisor
Mr. David Gondwe	Land Resources Conservation Officer
Mr. Peter Chambewu	District M&E Officer
Mr A. Kanyatula	Assistant Community Development Officer
Mr. Rueben Nyirenda	CSO Chair, NICE
Mr. Beatwel Zadutsa	CSO vice Chair, Citizen Health
Mrs. Mabel Makondetsa	Board Officer, YONECO
Mrs. Linily J. Banda	Chairperson of Village Development Committee (VDC)
Mr. Whites Banda	Member, Village Development Committee (VDC)
Mrs. Patirisha Vetison	Member, Village Development Committee (VDC)