

**An Independent Review of World Bank Support
for Capacity Building in Africa:
The Case of Malawi**

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Acronyms

AAA	Analytical and Advisory Activities
CAS	Country Assistance Strategy
CBD	Community-Based Distribution
CBDA	Community-Based Distribution Agent
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
DHRMD	Department of Human Resource Management and Development
DSC	Department of Statutory Corporations
EDMU	Education Development Management Unit
EU	European Union
FIMTAP	Financial Management, Transparency and Accountability Project
FP	Family Planning
FRDP	Fiscal Restructuring and Deregulation Program
GOM	Government of Malawi
HIPC	Heavily Indebted Poor Countries
ICR	Implementation Completion Report
IDP	Institutional Development Project
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LIL	Learning and Innovation Loan
MASAF	Malawi Social Action Fund
MIM	Malawi Institute of Management
MoAI	Ministry of Agriculture and Irrigation
MoEST	Ministry of Education, Science and Technology
MoF	Ministry of Finance
MoHP	Ministry of Health and Population
MoWD	Ministry of Water Development
MRFC	Malawi Rural Finance Corporation
MTEF	Medium-term Expenditure Framework
M&E	Monitoring and Evaluation
NAO	National Audit Office
NCIC	National Construction Industry Council
NRA	National Road Authority
OED	Operations Evaluation Department
PAC	Public Accounts Committee (Parliamentary)
PEP	Primary Education Project
PER	Public Expenditure Review
PFM	Public Finance Management
PFP	Policy Framework Papers
PIU	Project Implementation Unit
ROMARP	Road Maintenance and Rehabilitation Project
PRSP	Poverty Reduction Strategy Paper
SEP	Secondary Education Project
TA	Technical Assistance

Executive Summary

1. This study of Malawi is one of six country case studies undertaken as part of an independent evaluation by the World Bank's Operations Evaluation Department (OED) of the relevance and effectiveness of World Bank support for public sector capacity building in Sub-Saharan Africa over the past ten years (1995-2004). In each case study, particular attention has been paid to the Bank's support for capacity building in four focal areas: education, health, roads and public expenditure management.
2. Malawi is one of the world's poorest countries, land-locked and with a high population density. The political transition of 1994 presented Malawi and its partners with a "window of opportunity" to restructure both the public sector and economy of the country. The government developed a poverty reduction program focusing on restructuring the roles of the public, private and civil society in favor of more open, market-friendly and democratic structures and processes. The program has been elaborated over time, culminating with the 2002 Poverty Reduction Strategy Paper (PRSP) that is considered a credible plan for addressing the country's needs.
3. But economic and public sector performance over the last ten years has been weak. Economic restructuring has been slow and uneven; macroeconomic stability has not been achieved; and the country has not been able to move onto a higher growth path. Economic and social indicators do not show much improvement and the HIV/AIDS pandemic is threatening the modest gains. Also, despite changes in the political system, public sector performance has deteriorated.
4. Building public sector capacity is a stated government priority, but limited action has been taken over the past ten years and the impact has been modest. Institutions responsible for increasing transparency and accountability in the use of public funds have been strengthened and are beginning to function better. This is creating a foundation for broader performance improvements. But a strong Presidency has centralized decision making and resource control, and abuse of public funds and corruption has increased. Four factors are key to the continuing poor public sector performance: (i) a lack of core capacity to implement reforms; (ii) doubts within government that current reform models are realistic; (iii) cynicism among some civil servants that the reform, which has been talked about for so long, will actually be implemented; and (iv) disincentives to political leadership in promoting change.

Bank Support for Capacity Building

5. Support for capacity building has evolved significantly across the three Country Assistance Strategy (CAS) periods. The 1996 CAS proposed support for a broad and ambitious poverty reduction and public sector reform agenda focused on decentralization in support of the then-new government's stated intentions of economic reform and public sector restructuring. The 1998 CAS scaled back program objectives considerably, taking into account lack of government commitment to structural reforms, in order to strengthen public sector management and policy frameworks; and the 2003 CAS focused even more narrowly on measures—especially in the area of public financial reform—expected to

produce specific improvements in public sector performance rather than on systemic change.

6. The Bank has funded a dozen projects in the four sectors reviewed, for a total of about \$580 million in investment and adjustment loans, of which an estimated \$211 million (36 percent) was for capacity building. Capacity building is recognized in all the CASs as critical to sustainable poverty reduction. But there are no clearly defined capacity development strategies, and no specific monitorable targets or outcomes.

7. Analytical and advisory activities (AAA) have generated knowledge on key governance and sector issues, but some studies have been heavily Bank-driven and neither generated ownership nor enhanced local skills. Training by the World Bank Institute (WBI) has not been linked in any strategic way to country programs and not contributed to systematic capacity development in Malawi.

8. This review assesses the relevance, effectiveness, and delivery of support of Bank's capacity building programs in Malawi from FY93 through FY04. The assessment is mainly based on lending or grant operations and analytical work undertaken in the four chosen sectors.

9. **Relevance:** Bank strategies have been well aligned with Malawi's own policies, though over time their focus has narrowed due to an inability to move on overriding concerns. On the whole, capacity building objectives have changed over CAS periods in ways that reflect a lack of clarity between long-term goals and the immediate aims to be attained within a single CAS period, despite continued attention to the issue.

10. While the underlying diagnosis is generally good, economic analysis has tended to be better than the analysis of underlying political conditions. The shift in power and conflicting interests among actors are poorly captured, and the political incentives for privatization and public sector reform have been overestimated. This has often led to simplistic conclusions about "lack of commitment" in Bank reviews of the results of what were unrealistic strategies and timelines.

11. The design of individual operations has ranged from very good in the roads sector to poor in education. Notably, the sequencing and complementarity of activities have been uneven. For example, recent projects in community development have built on previous phases, and projects in Public Financial Management (PFM) have continued support to key areas. In education, this link from one project to the next has been missing completely. There seems to have been little cross-sector learning (except from MASAF to social sectors at community level) about what works in building public sector capacity.

12. Improved relevance of Bank capacity efforts is associated with greater stakeholder participation. Also, the relevance of Bank interventions seems likely to increase in the context of emerging sector programs in the social sectors because Bank and other donor support is being adjusted to respond to shared assessments of needs and to coordinate funding.

13. Overall, the relevance of Bank support for capacity building is moderately satisfactory, but with no clear, broad-ranging improvement over time. While analytical work and efforts in some sectors are improving, the strategic direction is not well articulated.

14. *Effectiveness:* The effectiveness of Bank capacity building support for institutional change has been limited, organizational strengthening highly uneven, and support for human resource development generally poor.

- At the institutional level, a lot of diagnostic work has been undertaken, but its impact has been modest. Key issues such as incentives for civil service reform are not well understood and there has been no civil service reform over the last decade.
- At the organizational level, improvements have been uneven, with more progress made in specific entities outside the civil service than within units in the ministries.
- At the individual level, there has been little systematic human resource planning and management. Career paths are not structured to optimize gains from training. Training is not provided to those who are seen to be most likely to use it. Staff rotation is high and low staff retention and “leakage” to the private sector are major problems. Despite considerable awareness of these problems, there is surprisingly little known about how to improve recruitment, retention, and performance of civil servants. A more general labor market perspective would yield more effective and sustainable outcomes.

15. Across sectors, the Bank’s capacity building support has been most effective in roads; it has been weaker in the social sectors, where activities have been limited; and it has been least effective in PFM, the Bank's main area of support.

- The roads sector has been restructured and sector institutions—such as the Ministry of Transport and Works and National Road Authority—are functioning and providing the services expected. The improvements in the sector resulted from a clear need to deal with deteriorating road conditions, pressure for improvements from powerful stakeholders, and the adaptation of international experience to local conditions.
- In contrast, social sector projects have addressed service delivery issues but not sector-wide institutional and organizational change, and capacity building results within the ministries have not been significant.
- In PFM, capacity building objectives have been central but results have been limited. The foundation for PFM reform has been strengthened by the passage of new legislation and establishment of greater autonomy for entities responsible for financial accountability. But broad public sector restructuring and the introduction of system-wide tools, such as the Integrated Financial Management System

(IFMIS) and Medium-Term Expenditure Framework (MTEF), have not become operational as planned, so larger improvements have not taken place.

16. A key reason for the limited effectiveness of Malawi's public sector capacity building is that the government (with its development partners) has not identified and prioritized its capacity building goals. Processes are not in place to bring coherence across sectors and across individual interventions, for example, to address common problems of skills retention. Overall, the effectiveness of the Bank's support is rated moderately unsatisfactory

17. ***Delivery of Support:*** Assessment of the usefulness of different mechanisms, such as training and technical assistance (TA), is hampered by the lack of adequate information: few performance indicators have been defined and there is little tracking or monitoring of progress. As a result, the evidence available is largely anecdotal, case specific, and incomplete; and conclusions on the effectiveness of these activities are necessarily tentative.

18. TA used for mentoring appears to have been more effective in building sustainable capacity than TA used for performing management functions. Specific studies and legislative reform, especially where they have involved government participation and local skills, have had some capacity building impact. Hardware (e.g., computers and networks) has been well received, as the lack of such modern tools is a major disincentive to younger staff. However, the Bank's heavy reliance on project implementation units has done little to build sustained public sector capacity. Since other donors, such as UNDP, Nordic bilateral agencies, and DFID work more closely with the public administration, the provision of TA is not well coordinated. And more generally, donor coordination of capacity building support has been poor. Apart from Consultative Group meetings, there have been few formal mechanisms for aid coordination, though the move towards sector wide approaches in the social sectors has the potential to produce better coordination in the future.

19. The Bank has not developed a clear capacity building strategy to guide its activities in Malawi despite continuously identifying lack of capacity as central to poor performance. The Bank rotates its staff too quickly and most task managers are based in Washington. Bank staff and consultants are perceived by counterparts as (a) being too theoretical and (b) under-estimating the country's concerns about the difficulties of making structural changes as part of capacity building. The Bank is also perceived as not engaging adequately with partners on the ground, though this is now beginning to change with the emerging sector-wide approaches.

20. At the same time, there is no national capacity development strategy or "champion" within the government and the resulting lack of continuity in public sector leadership has impeded capacity building efforts. Public sector staffing is undermined by lack of continuity and adequate planning. And few sustainable improvements are evident from capacity building efforts.

1. Introduction

Objectives

1.1 This study of Malawi is one of six country case studies undertaken as part of an independent evaluation by the World Bank's Operations Evaluation Department of the relevance and effectiveness of World Bank support for public sector capacity building in Sub-Saharan Africa over the past ten years (1995-2004). In each case study, particular attention has been paid to the Bank's support for capacity building in four focal areas: education, health, roads and public expenditure management.

Methodology

1.2 The study involved document reviews, field interviews, and data analysis. The principal documents reviewed include CAS of 1996, 1998, and 2003; project documents in the four sectors for projects undertaken during 1993-2003; relevant economic and sector reports; and reports prepared by the government and other donors on capacity building. Interviews were conducted with Malawi officials in relevant ministries and other public offices, donor representatives, Bank staff, and representatives of other stakeholder groups. The list of persons interviewed and documents reviewed is attached in Annexes A and B, respectively.¹

1.3 The Malawi country report follows a framework that examines three dimensions of capacity building in the public sector: (i) institutional capacity, that includes policies, procedures, legislation and the systems of goals and incentives that constitute the "rules of the game;" (ii) organizational capacity, groups of individuals bound together for a specific purpose, with objectives and internal mechanisms, staff, and money to achieve them; and (iii) human capacity, people with the ability to define objectives, design and implement programs, raise resources and deliver services.

¹ The team for the country review and mission (from April 19-30, 2004) consisted of Ms. Riselia Bezerra, Mr. Khwima Nthara and Mr. Arne Disch.

2. Country Context

2.1 This chapter provides a summary of the economic, political and social situation in Malawi as well as the government and Bank's strategies for public sector capacity building.

Economic, Social and Political Background

2.2 Malawi is a small land-locked country with a population of just over 12 million, and is one of the most densely populated countries in Africa. It is also one of the poorest, with income per capita of around \$200 in 2001, compared to a regional average of \$460. Over 85 percent of the population lives in rural areas and 44 percent is 14 years or younger.

2.3 **Poverty** is widespread, and may have worsened considerably over the last decade. Data compiled by a household survey showed that the population below poverty line has increased from 54 percent in 1990-91 to over 65 percent in 1997-98. Rural poverty is slightly higher (66.5 percent) compared to urban poverty (55 percent).

2.4 The **health** status of the population is poor. The country is facing dramatic health problems, which are compounded by insufficient health personnel, basic infrastructure, and medicines. Life expectancy is 37.5 years; the under-five mortality rate is 183 per 1,000 births; malnutrition is widespread; and nearly 49 percent of children are stunted. The HIV/AIDS epidemic in Malawi is one of the most severe in Africa, and has touched every part of the country. About 17 percent of the population between 15 and 49 years of age is believed to be HIV-positive. As a result, life expectancy has fallen from 44 years in 1980 to 37.5 years—the third lowest among 145 countries listed in the 2003 World Development Indicators. AIDS-related deaths are rapidly depleting the ranks of key health and education employees as well as the labor force, placing tremendous pressure on an economy that has not been able to maintain positive per capita growth over the last few years.

2.5 **Education** remains a key challenge to the country's development. Only one in three children complete five years of education and less than one percent attain a desirable level of literacy. As of 2000, the average years of schooling for the population of age 15 and older were only 3.2 years. Adult literacy rate in 1990 was 69 percent for males and only 36 percent for women. The rise in secondary education has been particularly rapid, though tertiary education has not developed at the same pace. The government has invested heavily in education over the last decade and this has led to higher enrolment ratios.

2.6 The **economy** has shown fluctuating, but generally low, growth rates over the last decade. Agriculture generates over 90 percent of export earnings and constituted nearly 40 percent of GDP in 2002. Public finances and inflation are a major problem. The budget deficit has quadrupled, resulting in dramatic growth in domestic financing that may have long-term distortionary effects on the government's ability to ensure access to affordable financing by the private sector. The financial sector is characterized by high

bank interest rates, partly because of a lack of confidence in the health of government finances and the country's debt situation. Overall, the economy is vulnerable to external factors such as natural disasters, transport costs, and a high level of dependence on external aid.

2.7 Despite changes in the political system, public sector performance has deteriorated. The country was ruled by a one-party state for 30 years after independence. The rigidity of the political system and weak economy led to pressure for multi-party elections that were first held in May 1994 and led to the opposition United Democratic Front (UDF) becoming the dominant party. The political transition presented Malawi and its partners with a brief "window of opportunity" for economic restructuring and public sector reform. Measures taken since then have led to the strengthening of some institutional "rules of the game" and some clearer division of labor among government agencies and between government and the private sector. But power is concentrated in a strong presidency and there has been increasing abuse of public funds and corruption.

Capacity Building and Public Sector Reform Strategies

2.8 Building public sector capacity is a stated government and donor priority, but so far only limited actions have been taken, other than the continuous preparation of studies. Since independence, the civil service has grown from 10,745 staff in 1964 to about 130,000 today. In 1991, the government with Bank support prepared a public sector management review to determine common problems and successful approaches to resolving them. Subsequent capacity building studies throughout the 1990s undertaken by both the government and the Bank included assessments of pay and employment in the public sector, a framework for civil service reform, job evaluation parameters, higher education, and decentralization in relation to the country's poverty reduction program.

2.9 Towards the end of 2001, the Bank funded a new, rapid assessment of national capacity building. The report described the situation as follows: "There is a widespread perception that the capacity of the public administration in Malawi has eroded severely over the past ten to fifteen years, to the point that it is no longer capable of providing services to the public at a minimum acceptable level, and that those employed by the government do not deliver what could be expected... The weakening of administrative capacity has extended to the mismanagement of public funds, both in the sense that there has been a loss of effective budget management and there is misappropriation of funds."²

2.10 This assessment was followed by a government-led ministry-by-ministry review aimed at devising a realistic and broadly owned public sector reform strategy. Detailed capacity assessments were undertaken during May-December 2002, including a costing of proposed solutions. Following a number of consultations, the Bank commissioned a follow-up study and provided suggestions for government action.

²Van Arkadie, Brian and William Kalema, "Malawi: National Capacity Building Assessment," (Lilongwe, 2004).

2.11 Despite these many assessments, efforts to build public sector capacity have achieved only modest gains. A key reason for this limited achievement is that the incentives for public sector reform are not in place. Comments made by some Malawian informants emphasize that: (i) the necessary core capacity to implement such reforms does not exist; (ii) current reform models are unrealistic; (iii) reforms have been talked about for so long with little action that many civil servants have become cynical about implementation; and (iv) there are disincentives to political leadership in promoting change.

3. World Bank's Support to Capacity Building

World Bank Strategy

3.1 The Bank has prepared three Country Assistance Strategies (CASs) during the ten-year period under review: March 1996, August 1998 and May 2003. The three CASs reflect an evolving Bank relationship with Malawi, as shown in Table 3.1.

Table 3.1: Objectives for World Bank CASs, 1996-2003

CAS Objectives	1996	1998	2003
1. Macroeconomic stability	X	X	X
2. Human resources development	X	X	X
3a. Private sector growth	X		
3b. Broad-based labor intensive growth		X	
3c. Growth and econ restructuring			X
4a. Capacity building	X	X	
4b. Decentralization	X		
4c. Good governance			X
5. Protecting the most vulnerable	X		X
6. Environmental sustainability		X	X
7a. Improving policy dialogue, implementation		X	
7b. Improving donor coordination		X	

3.2 **Macroeconomic stability** and improved public financial management has been a key focus in all CASs, though the focus of Bank support has changed in each period. While macroeconomic stability was an explicit focus in 1996 and again in 2003, in 1998 it was subsumed as part of the focus on economic growth strategies. **Economic growth** has also been a constant though evolving theme throughout the three CASs. In 1996, private sector led growth was emphasized, reflecting the optimism that public sector restructuring, privatization, and an enabling environment would lead to a resurgent private sector. The 1998 CAS focused more on broad-based labor-intensive growth, partly in response to the lack of structural transformations, but also partly due to a realization that much of the growth would have to come from small-scale enterprises and the agricultural sector, given Malawi's difficult competitive position. The 2003 CAS returned to the unfinished agenda of economic restructuring intended to set Malawi on a higher and more sustainable growth path. **Human resources development** has also been a core objective in the three CASs, with support moving progressively to a focus in the latest CAS to “improving service delivery” in health and education, given the low efficiency and effectiveness of resources used in these sectors.

3.3 Support for **capacity building** has also evolved significantly across the three CAS periods. The **1996 CAS** was designed to support the newly elected government and its strongly worded commitment to prudent public financial management, economic restructuring and poverty reduction. The country program, which aimed to help the country transition to a multi-party, market-oriented, democratic government, proposed support for a broad and ambitious poverty reduction and public sector reform agenda

focused on the decentralization. It, therefore, focused its support on local administrative units as well as central ministries and other agencies.

3.4 On capacity building, the CAS noted that,

"The Government agrees that decentralization must be pursued cautiously in line with build-up of capacity and the identification of the required fiscal resources to make fulfillment of legitimate roles possible. At the central government level, administrative capacities are also extremely weak, due to lack of depth in qualified personnel, inadequate remuneration and incentives, overlaps in responsibilities among and within ministries, overstaffing in some areas and frequent movement of staff... Building capacity, through training and short-term technical assistance for developing sustainable systems and processes will be a central aspect of all operations... The mainstreaming of the capacity-building objective is currently being complemented by the Second Institutional Development Project, which is providing crucial support related to reforms."³

The CAS defined the capacity building goals as "civil service reform, capacity building and decentralization," and anticipated three sets of actions: (i) improving incentives and performance measurement; (ii) rationalizing size and functions of the civil service; and (iii) decentralizing on the basis of clear definitions of roles and funding. There are no targets, benchmarks or indicators specified in the CAS. The capacity building goals are addressed as areas of concern and related activities. They do not constitute an operational goal, against which progress could be measured.

3.5 This broad approach to capacity building was scaled back in the **1998 CAS** that reflected difficulties that had been encountered in implementing a vast agenda under difficult political circumstances. Taking into account the weak economic performance in the preceding two years, the 1998 CAS pursued "critical cross-cutting themes of improving public sector management and capacity, and strengthening policy frameworks."⁴ It therefore took a narrower slice of the government program. Lending for public sector reform focused on improving central government capacity and performance, mainly in the areas of economic and public financial management and accountability; and analytical work was largely oriented towards growth and PFM, in an effort to build consensus around a growth strategy that was losing momentum. On the issue of public sector management, the CAS listed four objectives along with monitorable performance benchmarks: restructuring fiscal policies, civil service reform, enhanced governance, and decentralization.⁵ And, in regard to capacity building, the CAS noted that progress was

³ 1998 CAS, pp. 11-12.

⁴ 1998 CAS, pp. 11-12.

⁵ There is some confusion in terminology. The list contains targets. They are neither benchmarks against which performance can be measured nor are they indicators (i.e., variables that can be tracked).

less than anticipated in part because the agenda had been unrealistic.⁶ New capacity building efforts were proposed that would focus on the MTEF and civil service reform and respond to the President's request for support in attacking increasing corruption. Tax reform and revenue collection were to be supported, as would improvements in procurement and disbursement.

3.6 Noting that Malawi was not delivering on its commitments, the **2003 CAS** proposed a low-case scenario for Bank lending. The Bank's 2003 Country Policy and Institutional Assessment ranked Malawi as follows:

- Overall rating: Third quintile
- Economic Management: Fourth
- Structural Policies: Third
- Policies for Social Inclusion and Equity: Second
- Public Sector Management and Institutions: Second
- Governance: Second

3.7 Accordingly, the CAS narrowed its main capacity building effort to public financial management (PFM), directing support to improving the performance of government entities responsible for increasing public financial accountability and transparency, and to demand-driven training.

3.8 The 2003 CAS takes a narrow focus on capacity building, aligned with its low case lending scenario. There had been ample analysis of the capacity problems facing the public sector and considerable work on a long-term capacity building strategy before the 2003 CAS had been developed. But the CAS focused on identifying specific activities, particularly in PFM, where progress could be expected rather than on broad systemic change. The proposed activities include the implementation of a technical assistance project in PFM – the Financial Management, Transparency and Accountability Project (FIMTAP), analytical reports, and simplification of project implementation measures.⁷

3.9 The CAS Results Framework includes a number of outcomes/indicators for capacity building interventions. Under economic management and accountability, the first CAS goal, 'improved public expenditure management' is listed as the intended outcome, and two indicators listed: 'transparent budget formulation, execution and reporting' and 'improved financial management systems' (though it is not obvious what the difference between the two is, as hopefully the latter would lead to the former). "Stronger M&E capability" is also an indicator, with benchmarks referring to organizational development in a number of different government units, such as the

⁶ The CAS notes, "We have attempted to engage on a wide range of complex tasks (civil service reform, expenditure prioritization, agricultural liberalization, land reform)." At the same time, experience "suggests the importance for the Bank of weighing the level of commitment and capacity to move in each area ... tailoring the size and complexity of projects to prevailing capacity levels...and phasing [AAA] work to enable Malawian participation." 1998 CAS p. 15.

⁷ 2003 CAS, p. 37.

Ministry of Finance (MoF) and the National Statistical Office. There are similar PFM and M&E focused capacity building indicators under the other two CAS goals.

3.10 Project Appraisal Documents contain more detailed and monitorable targets for performance tracking. But while the lack of capacity in the public sector is clearly identified as a major impediment to development in general, and to successful implementation of Bank-funded activities in particular, there are no clear goals, targets or indicators for capacity building as a crosscutting or systemic programmatic concern.

Bank Support for Capacity Building

3.11 The Bank has supported capacity building through three different channels: (i) projects lending—structural adjustment credits, sector credits, and technical assistance projects; (ii) AAA activities, largely Bank-funded studies; and (iii) training through the World Bank Institute (WBI).

Bank Projects

3.12 The Bank committed some \$272.8 million in investment lending, of which \$81.9 million (30 percent) was allocated to capacity building in the four sectors. In addition, the Bank provided about \$307 million in adjustment/budget support, of which \$129 million supported capacity building activities (Table 6.1). The following chapters describe the Bank support for capacity building in the four focus sectors.

Analytical and Advisory Activities

3.13 Most of the AAA work has been in PFM. The 1997 Country Economic Memorandum reviewed the economic development alternatives in light of the Government's stated shift towards poverty-reducing broad-based growth. The subsequent Public Expenditure Review (PER) provided details on the required budget restructuring to address poverty while also ensuring fiscal restraint.

3.14 The Bank followed up on the PER with a new Country Economic Memorandum entitled "*Policies for Accelerating Growth*," which provided a more detailed view of the poverty situation in the country, including the impact of HIV/AIDS. Two other studies were carried out more or less at the same time. The Country Financial Accountability Assessment (CFAA) was finalized during the second half of 2003, and a Country Procurement Assessment Review (CPAR) based on an earlier 1996 Malawian study was undertaken.

World Bank Institute Training

3.15 WBI training for Malawian participants has taken the form of workshops in country, in the region, in Washington, and an e-conference that lasted a month. The participation was at the individual level, and these workshops addressed generic issues that were not directly connected to Bank operations. WBI activities were thus not related

to the capacity building efforts taking place in the country, except that their topics corresponded to Malawi's policies and problems.

3.16 In sum, the 1996 CAS supported the new Government's stated intentions of reforming the economy and restructuring the public sector. Going for this perceived "window of opportunity" was a high-risk gamble with potentially high payoff, but which did not succeed. The 1998 CAS scaled back ambitions considerably, taking into account lack of government commitment to structural reforms, and the 2003 CAS focused even more narrowly on specific improvements rather than on broad systemic change.

3.17 The Bank has funded a dozen projects in the four sectors under review, for a total of about \$580 million, of which an estimated \$211 million was for capacity building. Capacity building is discussed in all the CASs as critical to sustainable poverty reduction. But there are no clearly defined and operational capacity development strategies, and no clear specific monitorable targets or outcomes.

3.18 Analytical and advisory activities have updated knowledge on key issues, and training by the World Bank Institute (WBI) has neither been linked in any strategic way to CAS areas nor contributed to systematic capacity development in Malawi.

4. Assessment of Bank Support for Capacity Building: Relevance

4.1 **Criteria:** The criteria used to assess the relevance of Bank support include judgments of (i) the alignment of the Bank's sector and project goals with national priorities and strategic objectives, (ii) the quality of the diagnosis of commitment, needs, institutional capacity and arrangements, and (iii) the quality of the design of interventions (their clarity, feasibility and likely impact).

4.2 **Overall Assessment:** Overall, the relevance of overall Bank support to capacity building in the four sectors is moderately satisfactory.

Alignment

4.3 The Bank's 1996, 1998 and 2003 CASs, as discussed above, evolved from a broad and ambitious focus to a more targeted effort in response to limited government action on public sector reforms. While CAS objectives are aligned to the government's stated goals and policies, programs have become increasingly focused on a few key public sector performance issues, notably PFM, in response to lack of government capacity and limited movement on implementing the larger reforms and policies.

4.4 At the project level, the Bank has contributed in the roads sector to the design and implementation of key reforms aimed at producing a better road network and strengthened capacities for managing the sector. The fast track primary education project, which responded to the new government primary education policy, has entailed a capacity building component designed to provide more teachers quickly and strengthen ministry procurement. The secondary school project aimed to improve (a) quality through better teaching materials, (b) sector efficiency and effectiveness by strengthening school-based management, and (c) the Ministry's procurement and financial management. The Population and Family Health (PFH) project supported government's concern with providing relevant and cost-effective health services to the rural population. In all cases, alignment with what the government and CASs identified as development priorities has been high.

Diagnosis

4.5 Diagnostic work has been variable in quality and in its capacity building impact. The causes of the lack of macro-economic stability are seemingly well understood, so the *economic* analyses underlying country programs are seen to be solid and largely uncontroversial both by Malawian and donor informants. But diagnostic work has fallen short in its understanding of the political situation in the country, which has impeded design of capacity building measures.

4.6 The shift in power and conflicting interests among actors are poorly captured, and incentives for government authorities to shift responsibilities outside the public sector through privatization and other aspects of public sector reform have been overestimated.

This has led the Bank to draw simplistic conclusions about borrower "lack of commitment," when reviewing the results of what were unrealistic strategies and timelines. In the early 1990s, political reforms were occurring across Africa: multi-party elections were held for the first time in Malawi, Mozambique and Zambia, the peace agreement in Mozambique stabilized the region, and liberalization and change dominated the political discourse. In Malawi, during the early days of political change reformist forces were strong and visible. This "window of opportunity" did not last long and Implementation Completion Reports (ICRs) and OED Reviews have criticized the Bank for not quickly realizing the changes in country circumstances. But two issues arise from this criticism. The first is the difficulty of identifying the loss of reform momentum and its underlying causes. The ICRs also noted that in election years, government has tended to relax fiscal controls and slow related reforms. And the minority status of government has made it difficult for authorities to take tough decisions and implement difficult reforms. A second and broader issue is whether the Bank should have pulled back in response to limited movement on key reforms. Given that internal forces were still pushing for change, the Bank essentially abandoned its own strategy and those within the government who were struggling to implement new policies. The government carried out many of the agreed reforms, so the picture was mixed, and over a longer time horizon a long list of specific changes have been undertaken. Giving up too soon and going for second-order issues on the poverty reduction agenda was a form of failure.

4.7 On capacity building, much of the AAA has focused on institutional issues or "the big picture" and primarily on PFM, not sector level capacity building. In PFM, diagnostic work has generally been of high quality. This has included studies on organizational and institutional arrangements, support for key legislation, and proposals for reforms to roles and capacities of particular offices, all suggesting better instruments to address central problems. The analysis most appreciated by the Malawians was the PER, which was participatory and involved Malawians in its conception and implementation. Both the CFAA and CPAR were criticized for being Bank-driven, yet it was acknowledged that the content and recommendations were good. Both studies have been important to the development of key legislation and stronger and more independent control functions in the public sector. But not all of this work has been equally sound. The proposals for MTEF and IFMIS were based on poor diagnosis of the pre-conditions for successful use of such cross-institutional instruments. Equally serious is the lack of analyses of how to ensure sustainability in the upgraded skills, as the new instruments required new skills on a permanent basis.

4.8 In the roads sector, project preparation involved several stages of consultation before the project was defined. As a result, the diagnosis of problems, options and commitment by the various actors was quite accurate, leading to smooth implementation based on transparent arrangements and commitments. In contrast, in the education sector, the fast-track PEP provided little time for analysis. The interest of communities in providing physical infrastructure was misdiagnosed. The SEP was better planned, but in both projects the analyses of ministry capacity constraints were poor. There was also no real analysis on how to ensure sustainability of the implementation capacity that was being provided.

4.9 Overall, capacity needs assessments have been good but government commitment has generally been over estimated. The weakest aspect has been the underlying analyses of existing or core capacity. One reason for this weakness seems to be the lack of organizational specialists in task teams and the lack of incentives for Bank staff to undertake time-demanding capacity building work. For the most part, the Bank's AAA is viewed in Malawi as effective in generating new *knowledge* but not *learning*. Participants emphasized that participatory studies take longer and those that relied heavily on local skills lacked in quality somewhat, but both dimensions are seen to contribute to better follow-up and implementation and thus enhanced results.

Design

4.10 Most capacity building interventions have faced two design challenges: (i) identifying the issues with the greatest potential strategic impact and the existing capacity and commitment to ensure implementation; and (ii) simplifying structure and implementation processes to ensure smooth execution.

4.11 The roads project devised good solutions to these design challenges. The project was sufficiently delimited so as to enable the participation of all key stakeholders in the design phase, ensuring commitment as an outcome of the design process itself. Implementation was also relatively easy since the key agencies that were set up (National Roads Authority in the roads project and the Malawi Rural Finance Corporation in RFSP) in some sense were the project. There was thus no need for special management or implementation units. The capacity elements of the small-scale health project, which focused on how to deliver population and family planning services at the district level, were also well designed. Lack of human resource capacity was recognized as a key constraint during project planning, and an effective training and organizational development component was devised. In this case, capacity building was narrow in scope and notably successful.

4.12 Several of the PFM projects, in contrast, were found to have been too broad and ambitious in project completion reviews. The proposed support in the Institutional Development Project (IDP-2) was spread too thin across several agencies. Moreover, the specific capacity building activities typically address organization-specific problems, which tend to be of second-order importance compared with crosscutting concerns such as improved budget execution. This design dilemma remains, but is one where building government commitment as part of the planning process (more or less as was done in roads) may improve the probability of success.

4.13 A participatory approach seems to have contributed to the relevance of successful Bank operations. The roads and Malawi Social Action Fund (MASAF) projects have been the most participatory in planning and implementation, ensuring the perceived relevance and thus ownership by key stakeholders.

4.14 Further, the relevance of Bank support appears greater when it is part of larger sector programs. Government authorities have criticized Bank support in the social sectors for lack of appropriateness. The proposed new projects focusing on broader sector

capacity development and the multi-sector HIV/AIDS program are perceived as being more relevant because the Bank's support is adjusted to common assessments of needs and contributions of other partners.

4.15 Thus, the design of individual operations has ranged from very good in the roads sector to extremely poor in education (the Primary Education Project or PEP). Sequencing and complementarity of activities have been uneven. Projects in community development have built on previous phases (MASAF -1, 2 and 3), and in PFM have also provided continued support to key areas (IDP2, FIMTAP, Fiscal Restructuring and Development Projects - 1, 2 and 3). This has ensured general coherence and improvement in capacity building efforts over time, though individual activities have been criticized. In the education sector, this link has been missing completely, while in health new interventions are building on the lessons from the PFH. There seems to be little if any cross-sector learning except from MASAF to social sectors at the community level.

4.16 In sum, Bank strategies have been well aligned with Malawi's own stated development priorities, though over time the Bank has narrowed the focus of its country program to a few issues. While the underlying diagnostic work generally has been good, economic analysis has been better than the analysis of political conditions in the country, and some studies have been too heavily Bank-driven to have generated ownership or enhanced local skills. Shortcomings in the diagnostic work have hampered the design of capacity building activities, which on the whole has been weak. Finally, despite continued emphasis on capacity building needs in the CAS, there has been no improvement in the clarity of capacity building goals in the country program and the strategic direction of the Bank's support is not well articulated.

5. Assessment of Bank Support for Capacity Building: Effectiveness

5.1 **Criteria:** Effectiveness is assessed as achievements against objectives at both the strategy and the sector/project levels. The following section assesses the effectiveness of the Bank's capacity building support (primarily lending) from two perspectives:⁸

- The four sectors reviewed—public sector and financial management, roads, health and education
- The three dimensions of capacity—institutional transformation or improvement, organizational strengthening, and human resources development and skills upgrading

5.2 **Overall Assessment:** The Bank has not pursued a rigorous capacity building program in Malawi. There are few clear capacity building goals for the sectors, much less any coherence across sectors. The objectives or goals often change over time (from one CAS to the next) in part because there is lack of clarity between the long-term capacity development objective and the immediate objective that can be attained in the lifetime of a CAS. The link between the objectives of individual projects that would normally be translated to CAS outputs and facilitate measuring of project progress against the CAS objectives has also not been made. Overall, the effectiveness of the Bank's capacity building support is rated moderately unsatisfactory.

Assessment of Effectiveness by Sectors

5.3 Across sectors, the Bank's capacity building support has been most effective in roads; it has been weaker in the social sectors, where activities have been limited; and it has been least effective in Public Financial Management (PFM), the Bank's main area of support.

5.4 The good result in roads is a function of the serious deterioration in the road network that had to be addressed, national stakeholders mobilizing to ensure improved results, and Malawi learning from international experience and adapting through extensive consultations to the local conditions. The social sector projects have addressed service delivery issues, rather than sector-wide institutional and organizational changes, and even here, results have not been significant. In PFM, important legislation is in place, and key institutions are being strengthened. But public sector restructuring and system-wide tools like IFMIS and MTEF have not become operational as planned, so larger PFM improvements are not taking place as expected.

⁸ A third perspective assesses effectiveness for capacity building in relation to the four key functions of the public sector: (i) policymaking; (ii) resource mobilization and management; (iii) service delivery; and (iv) oversight and accountability including regulatory enforcement. This assessment is presented in Annex C.

Public Financial Management (PFM)

5.5 Bank support has been considerably larger and more consistent in PFM than in the other three sectors, but until recently it has been provided through projects with limited time horizons and modest results. Table 5.1 lists the relevant capacity building outputs and achievements of closed projects. The second and third Fiscal Restructuring and Development Projects had a number of policy-relevant conditionalities, but the more important capacity building dimensions were covered by the accompanying TA projects.

Table 5.1: PFM - Planned Capacity Building Outputs & Achievements

Project	Planned Outputs	Achievements
IDP - 2	Strengthen Department of Statutory Corporations to manage parastatals better, and reduce losses.	Training done, no real results achieved.
	Strengthen Malawi Institute of Management (MIM).	MIM financially and technically sustainable, endowment funds growing, course quality enhanced.
	Improve civil service policy and information network, and strengthen Department of Personnel Management.	A Wide Area Network was built, several relevant studies done, personnel management systems established – <i>foundations</i> for PSR done.
	Strengthen capacity of Ministry of Finance.	IFMIS procured, pilots implemented – results in fact disappointing. Training results improved with making training demand-driven, competitive.
FRDP	Restore fiscal discipline including implementation of the MTEF.	Only moderate progress on MTEF implementation.
	Initiate comprehensive public sector reforms.	Number of ministries reduced, some tasks contracted out, but size, structure, cost of civil service remains unchanged.
	Furthering tax and tariff reforms.	Good progress on tariff reforms, some on taxes.
FRDP TA - 2	Implement MTEF.	MTEF implemented further, but still far from the PFM tool for macro-management envisaged.
	Reform expenditure control procedures.	Unclear, but does not seem done.
	Civil service reform well underway.	Public Sector Reform did not move much.
FRDP TA - 3	Strengthen Revenue Authority.	Done with revenue up three percent of GDP.
	Improve public expenditure transparency and accountability.	Public expenditure data published only once. MTEF still ineffective tool. Finance, Audit, Procurement Acts drafted and approved.
	Establish independent, strengthened Auditor-General's office.	Independent Auditor General office <i>not</i> established. NAO strengthened by Audit Act.

5.6 The achievements in capacity building in PFM have been limited to-date. New legislation—the Finance, Audit, and Procurement Acts, were written and are slowly being implemented. The Malawi Institute of Management (MIM) was established successfully. The strengthening of accountability systems, particularly the National Audit Office (NAO) and the parliamentary Public Accounts Committee (PAC), is now underway as part of the new Financial Management, Transparency and Accountability Project (FIMTAP). But building organizational capacity within the public sector has been successful only in the Malawi Revenue Authority, a semi-autonomous body. Also, system-wide tools such as the MTEF and the IFMIS have taken several years more to put in place than expected, and are still not fully operational.

5.7 FIMTAP, which is now the major lending operation, was approved in February 2003. This project focuses on three objectives: (i) strengthening accountability institutions (PAC, NAO, internal audit, performance contracting for civil servants, and expenditure tracking mechanisms), (ii) improving financial management systems (IFMIS and government Wide Area Network or WAN), and (iii) enhancing human capital development (discussed below). While significant progress has been made in continued strengthening of auditing and accounting functions and local training, the project has stalled and is being restructured due to lack of adequate progress on its development objectives.

Education

5.8 While the Bank's support to the education sector dates back to the 1960s, the two Bank projects undertaken since the early 1990s do not connect well with previous support and are not linked to each other. The first Primary Education Project (PEP) did not follow-up on the components or link to the Secondary Education Project (SEP). The proposed support to education under the 2003 CAS is more visionary and policy focused, assisting the government to focus on overall structure and educational policies rather than on addressing specific problems. Table 5.2 shows the key capacity building goals, planned outputs and actual achievements.

5.9 In PEP, physical infrastructure was expected to receive nearly 60 percent of resources, leaving inadequate funding for teacher training and school supplies. Other donors contributed to the PEP, allowing the teacher training component to train half of the 20,000 new teachers foreseen. The implementation of the project was to be handled by an internal Education Management Unit (EDMU) and the project also aimed to strengthen planning, financial management, procurement knowledge and other project management skills of the EDMU through training. Implementation though EDMU turned out to be unsuccessful—it was under-resourced, staffed by public officials who in addition to PEP had to attend to other Ministry tasks, housed outside the Ministry and perceived as a Bank Project Implementation Unit (PIU) by the Ministry, and not well supervised or supported. Some officials believed that the EDMU training to be of more help to those hired by the Bank than Ministry staff who worked on the project. PEP was conceived as a fast track operation, so the rush to prepare led to poor design and unsatisfactory results.

Table 5.2: Education - Capacity Building Goals, Outputs and Achievements

Project	Objectives	Planned Outputs	Achievements
PEP	Maintain quantitative gains in enrolments by retaining children in school system.	Construct and provide furniture for 1,600 classrooms.	Tendered 966 classrooms and completed 858.
	Train new teachers on required pedagogical standards.	Train 20,000 new teachers to certified level.	Trained 10,737 new teachers.
	Strengthen Supply Unit (SU) in MoEST.	Computerize book distribution operations, with trained SU staff.	Computerized operations and trained all staff members in Blantyre. Completed two study tours on computerization of procurement and distribution services abroad for four SU staff members. Trained staff left.
	Evaluate textbooks and training in use, develop management of textbooks.	Evaluate 63 textbooks. Develop Materials Management Textbook.	Activities not completed.
SEP	Improve quality of secondary education through better equipment and supplies.	Supply science equipment, textbooks, consumables, library books, and classroom supplies to 93 conventional secondary schools.	Completed.
	Improve efficiency and effectiveness of secondary education by enhanced mgmt.	Train 115 deputies, 350 heads of department in modern school management.	Developed, tested, improved, and used 8 modules of training materials. Trained 655 heads/deputies.
	Improve project implementation capacity and support private secondary education.	Improve (a) procurement packages developed using short-term TA, (b) FM for project management, (c) M&E of activities, and (d) capacity for support & monitoring of private secondary institutions.	Procurement packages developed using foreseen TA. Better FM staff recruited and trained, some have subsequently left. M&E considerably improved, meetings organized to monitor, though baseline for project is unclear. Uncertain results on capacity for private secondary institutions.

5.10 The SEP was more successful in improving the quality of secondary education through staff training (over 650 school managers were trained) and by providing equipment and supplies. Further support to EDMU was more structured and this helped

to improve its performance somewhat. The Ministry's Supply Unit received training, but key technical staff left thereafter. Long-term organizational development was thus poor.

5.11 Neither project contributed much to building institutional and organizational capacity, in part because the Ministry itself lacked a coherent capacity building vision and strategy. Overall, the projects focused on addressing the concrete service delivery problems more than sector-wide systemic challenges.

Roads

5.12 The Roads Maintenance and Rehabilitation Project (ROMARP) is the most recent sector engagement by the Bank, and the most coherent, comprehensive and successful. It has addressed systemic, institutional issues by restructuring road funding and management. It has aided the organizational development of new entities that have been established and ministries whose functions have changed. The sector was restructured and institutions (Ministry of Transport and Works and National Road Authority) are functioning and providing the services expected. It has also provided skills for upgrading staff in these entities as well as of private sector contractors. Table 5.3 shows the key capacity building goals, outputs planned and actual achievements.

5.13 There are probably three main reasons for the relative success. First, road network conditions had deteriorated seriously and the public sector was not able to solve the problems. The government therefore had to find new ways to ensure sustainable funding and technical capacity to upgrade and maintain the roads. Second, there was strong involvement of stakeholders with direct economic interests in improving the road network: transporters, exporters and importers in both rural and urban areas, private sector contractors and consultants. These groups pushed for restructuring and supported implementation of the new approaches. Third, Malawi benefited from lessons learned by region-wide programs in the sector, which were then adapted to the Malawian context.

Table 5.3: Roads - Capacity Building Objectives, Outputs and Achievements

Objectives	Planned Outputs	Achievements
Strengthen Road Sector Institutional Framework	Review institutional reform strategy by December 1999.	Completed at the end of 2002.
	Restructure Ministries of Works and Supplies, and Transport.	Ministries merged into Ministry of Transport and Public Works.
	Establish NRA with organized new management in place.	Four departments set up: Central Roads, Urban & District Roads, planning, procurement. Senior management recruited in place.
	Update National transport policy.	Done.
	Train MTPW staff to regulate sector and formulate enabling policies.	Done, though more is required.

Objectives	Planned Outputs	Achievements
Strengthen Road Sector Institutional Framework	Road Fund to cover routine maintenance of core network by 2000-01 and full network by 2003-04.	Road Fund covered 28 percent of network during 2003-04.
	Separate management and financing functions of NRA.	In process.
Develop consulting & construction industries	Establish NCIC with trained staff and equipment. Establish training center with equipped and trained staff.	Done.
	Output targets: (i) train 20 local maintenance contractors by 2004, (ii) upgrade 30 small-scale contractors for periodic maintenance to higher category, (iii) upgrade 10 contractors in unlimited category, (iv) 10 local firms used for upgrading, maintaining and rehabilitating works by 2003, (v) 10 local consultants trained per year.	Twenty-two local maintenance contractors trained. 55 small scale contractors upgraded and only one in "unlimited" category. Ten firms used by 2003. Five local consultants trained per year.

Health

5.14 The only health sector project during this period was a small-scale Population and Family Health (PFH) project, which was conceived as a Learning and Innovation Loan (LIL). Its objectives were largely achieved (see Table 5.4). The project was well designed and incorporated lessons from both Malawi and the region on structuring community-based health delivery programs. The monitoring of achievements was good, with a good M&E system that tracked each component. With the baseline survey in place, it was possible to monitor performance over time. Comparisons with other similar activities implemented by NGOs showed that this pilot was successful. It is being used by the Ministry as the basis for scaling up the activities to a broader audience. The PFH project supported training in M&E that appears to have been sustained and provided lessons for organizational strengthening in support of community-based service delivery.

Table 5.4: Health: Capacity Building Goals, Outputs and Achievements

Goals	Planned CD Outputs	Achievements
Community-based distribution (CBD) of contraceptives	Contraceptive distribution by 100 recruited CBD Associations - CBDA.	Recruited and trained 172 CBDAs.
	Effectively supervise CBDAs and quality of service provision	Trained 270 Health Surveillance Assistants in family planning (as supervisors of CBDAs and providers).
	Provide incentive package to CBDAs	Low rate of attrition, only 6 CBDAs lost.
	Provide wide contraceptive method mix.	Contraceptive prevalence rate increased by 12% in pilot districts (6% in controls)

Goals	Planned CD Outputs	Achievements
Information, Education and Communication (IEC)	Develop, pre-test, produce, and disseminate IEC materials.	Participatory workshops produced 34 target specific reproductive health messages.
	Distribute materials in local language.	Distributed 172 radio-cassettes in local languages. Popular 20-min program aired on national radio twice weekly, reaching over 50 percent of population. Door-to-door visits by CBDAs. District IEC fairs, campaigns organized.
Strengthen back-up support	Modify attitudes by youth to reproductive needs and IEC training.	Trained 15 youth drama groups with 150 members, 65 youth peer educators and 30 youth CBDAs.
	Improve capacity of health staff to support CBDA's FP services. Provide clinical supervision to CBDAs.	Trained 15 district trainers, 180 Health Surveillance Assistants, 78 clinicians.
	Support FP coordinator, and manage contraceptive logistics management information system (CDLMIS).	Enhanced capacity of 29 of 30 health facilities: trained 99 health workers, supplied adequate quantities of STI drugs, post-abortion care training for 3 teams from each study districts, established youth friendly health services with outreach to Youth Clubs.
Training	Develop training protocols for service skills, counseling, supervision, and performance assessments.	All training targets achieved or exceeded. Training courses covered both technical and management issues. In addition to the clinical courses for back-up clinics, the training programs included: (i) training of 172 CBDAs; (ii) 270 HSAs trained in FP/RH, supervision of CBDAs; (iii) 78 health workers trained in CDLMIS, (iv) 320 traditional, religious leaders trained in leadership for RH, shielding project from adverse publicity and controversies; and (v) 65 peer educators trained to strengthen youth component.
	Train in counseling, distribution and re-supply, dissemination of educational messages on STD prevention and protection.	
	Provide in-service training for FP providers, train FP providers at HCs, and district hospitals to provide FP services and STD case management.	
Monitoring and evaluation	Monitoring and evaluation built into each of the above components.	(i) Baseline survey report done; (ii) supported supervision; (iii) field visit reports done; (iv) Mid-Term Review report; (v) computerized data collection system established; and (vi) end-of-project survey reported.

Assessment of Effectiveness by Dimensions of Capacity

5.15 The effectiveness of Bank capacity building support for institutional change has been limited, organizational strengthening highly uneven, and support for human resource development generally poor. At the institutional level, a lot of diagnostic work has been undertaken, but its impact has been limited. Key issues such as incentives for civil service reform are not well understood and there has been no reform over the last decade. At the organizational level, improvements have been uneven, with more progress made within specific entities outside the civil service than within units in the central ministries. At the individual level, there has been little systematic human resource planning and management.

Institutional Transformation and Improvement

5.16 The Bank provided support for capacity building at the institutional level, mainly in PFM and the roads sector (see Table 5.5) and its effectiveness has been limited. There has been a lot of diagnostic work—on the public sector overall, parastatal reform and public financial management—yet results after ten years are poor. The roads sector is the only one to experience fundamental restructuring due to the pressure for change from private sector stakeholders and donors led by the Bank.

Table 5.5: Institutional Transformation Achievements by Sector

<i>Sector</i>	<i>CAS, Project Objectives</i>	<i>Achievements</i>
PFM	1) Tax reform 2) deregulate markets 3) reform expenditure management	1) Established MRA and revenue up three percent of GDP, reformed tax structure. 2) Introduced MTEF and IFMIS, years behind schedule, passed new legislation finally, accountability being strengthened, and overall PFM management seemingly improving.
Education	1) Revise education objectives 2) cost recovery at higher levels	1) Strengthening quality failed in PEP, moving ahead in SEP, no real institutional changes, and 2) fees up but so were scholarships, with no net effect. New Education Sector Support much more strategic – <i>trend</i> is up.
Roads	Establish Road Fund	Much more achieved: entire sector restructured, new legislation passed, Road Fund and Roads Administration established, role of private contractors enhanced.
Health	Strengthen MoHP, implement drug revolving fund	Little achieved at level of MoHP, but PFP project strengthened community-based health delivery system and policy.
General	Rationalize & decentralize public admin., and improve performance incentives	Very little.

5.17 Although PFM was the central focus of Bank support, achievement of institutional change objectives has been limited. Key legislation—the Finance, Audit, and Procurement Acts—considered to be of high quality has been passed albeit with considerable delays. The new legislation provides greater independence, and a stronger role for accountability institutions, and a strengthened framework for enhancing accountability and transparency. The impact of the legislation in terms of stronger accountability institutions is yet to be fully realized (see 5.18 below). The MTEF was expected to restructure the way resource allocations were handled and provide a medium-term envelope for the annual budget. It began shortly after the new government came into power, but is being implemented only ten years later. IFMIS has been through a similar process, and has been implemented in five key ministries and is being rolled out to others, a development that was continuing under the new but recently stalled FIMTAP.

5.18 In the roads sector though the only stated objective of Bank strategy was the establishment of the road fund, in fact ROMARP contributed a lot more. New legislation has established a modern road sector funding and management structure. The institutional restructuring flowing from the legislation has been implemented. New actors have been mobilized, in particular road works contractors. An association of road contractors and a training center for contractors that is largely self-financing and technically sustainable has been established. Road financing is on a sustainable footing. Further separation of the National Roads Authority from Road Fund management is taking place. The overall road policy and planning including for road construction, upgrading and maintenance are in place, and the relationship between urban, rural and national road networks is more coherent. Thus in the roads sector, there is a strong and positive outcome on institutional capacity.

5.19 Neither education nor health provided any goals for institutional change. Institutional development of the public administration in these sectors has been poor and it is not clear that any systematic change is underway. One exception is community-based organizations, where the MASAF projects have over time strengthened the institutional set-up for local management.

Organizational Strengthening

5.20 The results of Bank support for organizational strengthening have been highly uneven. There are few organizational strengthening objectives in the CASs and projects reviewed (see Table 5.6). In the roads sector, all new organizations set up are working quite well, as are some other entities outside the civil service – such as the Revenue Authority and MASAF. What is notable is that these are units that are given more autonomy and hence not as tightly integrated within the civil service structure.

5.21 In PFM, the tax and customs administration was strengthened. The Malawi Revenue Authority, a semi-autonomous agency has been strengthened and revenue collection increased by three percent of GDP. The MIM has improved its management structure, endowment funds, the size and quality of its staff, and its physical infrastructure considerably. Accountability entities—the Budget and the Public Accounts

Committees in Parliament, and the National Audit Office—are receiving support under FIMTAP, although this remains at an early stage with no visible results as yet.

5.22 No organizational strengthening objectives were set in education, but both PEP and SEP have relied on the EDMU in the Ministry of Education for implementation. EDMU was intended to grow over time as a general management unit for donor-supported activities, but its performance has been poor. In health, the PFH provided positive lessons on community-based health delivery. In the roads sector, the National Roads Authority has been successfully established and the National Construction Industry Council and its related training center are now in place and fully functional. The good performance is expected to continue and the funding seems to be adequate.

Table 5.6: Achievements in Organizational Strengthening by Sector

<i>Sector</i>	<i>CAS, Project Objectives</i>	<i>Achievements</i>
PFM	1) Strengthen customs & tax administration, 2) establish MRFC, 3) stronger accountability institutions, 4) stronger M&E capacity in government	1) MRA successfully strengthened, operating as planned, 2) MRFC well established, good capacity, 3) PAC, BC, NAO, Auditor General beginning to take on stronger roles, and 4) organizational set-up for M&E unclear, results unknown.
Education	No explicit objectives	EDMU established but poor performance.
Roads	Establish National Roads Administration	NRA, NCIC, NCIC training center successfully established.
Health	Improve procurement and financial management.	No performance against stated objective, but positive developments of local health organs due to PFH.
General	No specific organizational development goal	DSC, DHRMD poor results, PERMU moving ahead but in a limited field. MASAF strengthened.

5.23 Overall on public sector reform, the Bank helped establish and strengthen several offices that were expected to transform and improve public administration, but with mixed results. The support to the Department of Statutory Corporations (DSC) to improve its performance, particularly on restructuring and privatization of parastatals, had meager results. The more recently established Public Enterprise Reform and Management Unit (PERMU) in MoF has received Bank support and is performing considerably better than the DSC. Part of the privatization and parastatal restructuring program now seems to be moving forward. But its organizational future at the time of this mission was unclear, as MoF was undertaking a functional review and the relationship of the PERMU as a policy-making and regulatory body in the Ministry was not settled. The Department of Human Resource Management and Development (DHRMD) in the Office of the President and Cabinet (OPC) also received early support for transforming public administration, with little to show for it.

Human Resources Development

5.24 Although considerable resources have been allocated for human resources development, the objectives have not been well articulated in CASs or individual operations. In projects, the objectives for the most part are stated in terms of outputs and targets, and even there it is not on numbers trained as it is on the fields in which training is to take place (see Table 5.7).

Table 5.7: Human Resource Development Achievements by Sector

<i>Sector</i>	<i>CAS, Project Objectives</i>	<i>Achievements</i>
PFM	No clear objectives, though training assumed at project level.	Large numbers of staff trained in wide range of PFM fields, but longer-term impact not known.
Education	Provide residential/distance learning for 9,000 untrained teachers.	Large number of teachers, managers, and EDMU staff trained, but results unknown.
Roads	No formal objectives.	Management training for NRA staff, NCIC training center established with training capacity, and tested courses.
Health	Increase posts filled by enrolled nurses from 50% to 70% by 2001.	PFP training in service delivery, management, M&E seen as good and largely sustainable as staff remain in post.
General	Number of trained accountants	Large number of staff trained, but results are uncertain.

5.25 All PFM projects have included support for training. Under the IDP-2, 1,584 public officials were trained in areas like accounting, audit, and budgeting. FRDP-2 funded formal degree-training abroad. FRDP-3 stopped overseas training and instead supported task-focused training developed under IDP-2, which is continued by FIMTAP. The FIMTAP human capacity building component attempts to take a demand driven approach to build local skills and capacity for training in strategic areas (see box 5.1 below). Training of MIM staff was also successful but the training gains in the public sector seem to be quickly lost due to high staff rotation and inadequate training policies.

Box 5.1: FIMTAP's Human Capacity Development Facility

FIMTAP's human capacity building component supports the funding of a training facility that aims to build capacity in key skill areas across ministries in a cost efficient way. The facility is managed by the Department of Human Resource Management and Development (DHRMD) in close coordination with the FIMTAP Secretariat, line ministries and other donor programs supporting training and capacity building.

The Department draws upon human resource development plans in each ministry, ongoing capacity building assessments, other donor-funded needs assessments, and an inter-ministerial needs assessment funded by FIMTAP to determine specific training needs. Initially, the focus is on primary public sector management skills that support accountability such as financial management, procurement, records management, information technology, strategic management, data analysis, project management, leadership skills, and human resource management.

Training institutions compete for contracts to provide standard training and specialized courses. In some cases, resources are used to pay for long-term regional or international courses, but the payment is made to training institutions. Only in limited cases can resources be utilized for internal training, and in such cases it will fund instructors/facilitators, not recurrent expenses. The Government is expected to undertake student evaluations, which will provide inputs to revision of the training plan annually. An evaluation of all training providers will also be conducted annually.

Source: Project Appraisal Document, February 2004.

5.26 Informants noted that training was central to building PFM capacity and served as an important incentive to staff for remaining in the public sector. Yet there are no clear criteria defined for success, no studies tracing retention rates in particular for the expensive degree training abroad, and no longer-term human resource development policy or strategy under which Bank-funded training fit.

5.27 In the roads sector, most NRA staff had solid technical background so only management training was given. With staff remaining in posts, management believes this has been successful. The NCIC has established its training center for contractors. External TA has trained trainers, developed training materials, tested it and improved contents of the courses based on student feed-back (which is further validated through contractors' willingness to pay for the training). Results are therefore very positive and are expected to remain so.

5.28 In education, as noted above in 5.9, training envisaged under PEP and SEP was less effective than anticipated. The Bank has for a long time advised the Ministry of Education to develop a human resource management policy. This is to be part of the SWAp, but at the time of this review, had not been produced.

5.29 In health, the only stated objective is again unrelated to projects. The PFH provided training, including in M&E, which led to better overall management, and seems sustainable as most staff remain in place. As in education, the Bank has asked for a sector strategy including human resource development, which will underpin the upcoming health sector SWAp.

5.30 In interviews, some senior civil servants defended long-term training at expensive universities in the United Kingdom and the United States. Others stated that these were wasted resources. But a coherent and evidence-based approach to acquiring advanced technical and managerial skills for the public sector, which is what the long-term training was meant to address, has not yet been developed.

5.31 Short-term training, especially based on demand-driven training funds are thought to be cost-efficient in providing the skills desired but has limited impact over the medium-term due to high staff rotation, serious leakage out of the public sector, and attrition due to increasing HIV/AIDS. A more coherent strategy, including redundancy training necessary due to HIV/AIDS is needed to improve capacity building using this instrument.

5.32 Thus overall, support for human resources development has generally been poor with variations within as well as across sectors. This is due in part, to the lack of strategic human resource planning or management. Career paths are not structured so as to optimize the benefits to the civil service from training. Training is provided in advance of the institutional and organizational changes needed to ensure utilization and retention of the acquired skills. Staff retention is a major problem, where those with the best training and experience (such as in PFM) often find better jobs in the private sector.

5.33 Despite recognition of these problems, there is surprisingly little known about (i) retention rates, across skills areas and as a function of dimensions like training received, and (ii) factors that would help public sector *retain* or even attract back civil servants.⁹ While there is a lot of complaining about the civil service and its lack of discipline, this review found dedicated staff in different places in the system: skilled people wanting to do a better job, but badly frustrated by a number of factors. The Bank and the government could and should have done much more to understand incentives and behavior. Too much is simply assumed to be linked to salary levels.

5.34 A labor market perspective to human resource development might contribute to increased effectiveness. Some senior officials assume that they cannot find the technical skills they want in the market at a reasonable price and favor fellowships for degree training, a very costly approach. Private sector informants note that the labor market has changed considerably, and that a lot more skills can now be found on the market. Professional training institutions have evolved, partly in response to the Bank's innovative demand-driven training funds. But the bottom line seems to be that the public sector is funding a lot of training that then "leaks" into the general labor market, which is a hardly sustainable or effective approach.

5.35 Finally, the lack of traceable outputs and outcomes makes it impossible for either the government or the Bank to know which training has or has not worked. For an

⁹ This latter is particularly critical in the social sectors, where many of the skills that have left are desperately needed and can probably be attracted back at much less cost than some of the donor-promoted schemes such as hiring Malawians as UN Volunteers or for Bank PIUs.

activity that has received long-term and massive donor assistance in virtually all sectors, this situation is unsatisfactory.

5.36 Overall, the effectiveness of Bank support is rated moderately unsatisfactory. A key reason for the limited outcome in public sector capacity building is that the government (with its development partners) has not defined capacity building goals. There are no instruments to ensure coherence across sectors, for example, to address common problems of skills retention and training linked to performance in human resource development.

6. Assessment of Bank Support for Capacity Building: Delivery of Support

6.1 Three additional issues related to the delivery of the Bank's capacity building support are addressed in this section: 1) the usefulness of supplying TA and equipment, 2) the role of PIUs, 3) donor coordination, and 4) commitments for capacity building components.

The Usefulness of Technical Assistance and Equipment

6.2 Interviews indicated that government personnel appreciate the Bank's support for TA. By and large, government counterparts handle task description, advertisement, selection, performance monitoring and financing. The key conflict in views between the Bank and borrower relates to the role technical advisors play: whether TA personnel come in as managers with direct responsibilities for results (as with MRFC) or have a mentoring role (as in MASAF). Government authorities expressed the view that believes that the "manager model," marginalizes Malawians and does not give them appropriate responsibilities early enough. Those organizations that have received mentoring services expressed satisfaction with this kind of support. The relationships between the parties were productive, roles were seen to be appropriate, and TA staff was seen as helpful in suggesting, analyzing and discussing options rather than making decisions.

6.3 It was important for the government that TA personnel remained in the organization for some time. Much of the learning that took place through TA assignments did not relate to technical skills, but learning about organizational development. Such learning was about developing a "corporate culture," and potentially more sustainable than individual skill building, because it affected the organizational processes, rather than just individuals' work.

6.4 The use of international rather than national experts remains controversial. Several informants said that the Bank is too quick to assume that international expertise is the best. In their view, for short-term TA assignments, international consultants are not suitable. They often came with inappropriate models and are not able to adjust to the country and issue context. One model that is seen as useful is to "twin" an international expert with a national consultant, for example while working on a piece of legislation. The national consultant knows the context and can help the international expert understand framework conditions. In the process, the national consultant receives training, improves his/her own skills, and is available for the inevitable follow-up work for which s/he would not have been qualified in the absence of the training. The problem with external TA is that once the contract is completed, it is difficult to arrange for further informal consultations that would be helpful for follow-up.

6.5 Several informants also noted the support for legislative reform is an area where international expertise has been particularly helpful: the provision of international "best practice" is an important value-added dimension of Bank involvement. Hardware, in

particular computers, is also much appreciated.¹⁰ Particularly for younger staff, access to computers, email, and the internet is important, and the lack of access is a major disincentive. Some informants noted the wiring of Capitol Hill through a Wide Area Network (WAN) as providing a "qualitative leap" in the work environment. Again the evidence is anecdotal, its importance uncertain, and the share of resources that should be allocated unclear. But this is potentially an important area for building capacity throughout the public sector. The challenge is to find the strategic instrument to make the investments meaningful. The MTEF, IFMIS, and a number of personnel management tools are clearly all benefiting from the WAN. The enhanced accountability is predicated on it, so a more careful strategy for hardware support is warranted.

Role of Project Implementing Units

6.6 Project Implementation Units that include Bank-funded staff are not effective for capacity building though they may be efficient for project implementation. PIUs are invariably seen as "not ours," differentiate staff remuneration, create barriers, and result in negligible sustainable capacity impact. There is furthermore no clear exit strategy for PIUs so it is not clear to the local partner when "ownership" begins.

6.7 Within the public sector, the Bank has used several modalities to ensure smooth project implementation with mixed results. In projects in the roads sector like the RFSP and ROMARP, the entities established (MRFC, NRA and NCIC) largely are the projects, and thus internalize implementation into the project. Project/management units created at the sector level in education and project-specific units were created in PFM. The units normally included both civil servants and external consultants, where civil servants in part were supposed to receive skills upgrading on project implementation. The costs of these units can be considerable—for instance FIMTAP's implementing unit costs nine percent of the budget.

6.8 Some bilateral donors expressed disagreement with the Bank on implementation modalities for two reasons. The first reason is that Bank staff is seen to focus on project deliverables or outputs or short-term "efficiency". The second reason is that there is usually a trade-off between efficiency ("doing the things right") and effectiveness ("doing the right things"), and that by always emphasizing the former, the Bank is addressing a second-order issue to the detriment of appropriate attention to the first-order concern of building capacity.

6.9 Some Bank staff concurs noting that internal incentives in the Bank do emphasize efficiency concerns. They note issues such as high staff rotation which puts a premium on getting projects to the Board rather than being rewarded for longer-term systemic outcomes. Other issues noted include pressure for visible results (outputs) within time schedules, and a mission approach to monitoring that again puts a premium on concrete and immediate change.

¹⁰ Vehicles were seen as less important by general staff because they tended to be used by the boss.

Donor Coordination

6.10 Donor coordination in general is poor in Malawi. There is little proactive aid coordination and management by the government. Until recently, the Bank was seen by other donors as not taking aid coordination seriously. The donor community is relatively small, and so informal arrangements fill most information needs. Joint planning, reviews and evaluations—tools for rationalizing and prioritizing action and funding—are generally lacking.

6.11 In the social sectors, SWAps are just beginning to bring about better coordination as in the case of the multisector HIV/AIDS project. In roads, the limited number of donors makes the picture reasonably clear, but the TA provided by the EU is not tightly integrated with ROMARP. In PFM, the Bank is the dominant actor and other donors, such as DFID and the Scandinavians, are generally aware of what is happening, but actual coordination is uneven. The PER and Heavily Indebted Poor Countries (HIPC) exercises were seen as effective in partnering with other development partners and the government while the CFAA was viewed to be totally Bank-driven. Coordination on the development of FIMTAP is considered uneven.

6.12 There is a perception among donors that the Bank often negotiates with the government and then turns to the other donors for buy-in on a "done deal." The strengthening of the local Bank office is seen as having improved the commitment to partnerships with other donors on the ground, and the discussion group established by the Bank on capacity building about a year ago is viewed as a promising development.

Commitments for Capacity Building Components

6.13 Finally, an estimate of the cost of capacity building components (equipment, training, TA and activities that strengthen public sector capacity) in individual investment and adjustment loans is shown in Table 6.1.¹¹

¹¹ For investment loans, capacity building support was estimated by summing the costs of activities—such as TA, training, consultancies, studies, and equipment and materials—designed to strengthen government functions (not including costs for direct frontline service delivery, such as the construction of schools and clinics). For adjustment operations, the estimate was based on calculating the number of conditions or actions directed to achieving specified capacity building objectives as a percent of the total number of actions.

Table 6.1: Cost of Capacity Building Components, 1990-2004 (in \$millions)¹²

Year	Project	Investment Loans		Adjustment Loans	
		Total	Capacity Building (% total)	Total	Capacity Building (% total)
Roads					
1999	Roads Maintenance and Rehab.	30	2 (7%)		
Health					
1991	Population, Health and Nutrition	55.5	3.2 (6%)		
Education					
1990	Education II	36.9	6.8 (18%)		
1996	Primary Education Project	22.5	5.2 (23%)		
1998	Secondary Education Project	48.2	3 (6%)		
2004	GDLN – LIL	4	4 (100%)		
PSM/PEM					
1992	Local Government Development	24	6 (25%)		
1994	Institutional Development II	22.6	22.6 (100%)		
1999	Fiscal Restructuring & Deregulation - TA 2	2.4	2.4 (100%)		
2001	Fiscal Restructuring and Deregulation TA-3	3	3 (100%)		
2004	Financial Management, Transparency and Accountability	23.7	23.7 (100%)		
Macroeconomic Support					
1992	Fiscal Restruc. & Deregulation			109	47 (43%)
1994	Fiscal Restruc. & Deregulation II			92	42 (44%)
1997	Fiscal Restru. & Deregulation III			56	21 (37%)
1999	FIMAG SAL			50	23 (46%)
	TOTAL	272.8	81.9 (30%)	307	129 (42%)

6.14 In summary, apart from the Consultative Group meetings, there are few formal mechanisms for aid coordination. Project implementation has suffered from differences in approaches. While the Bank has relied heavily on direct implementation arrangements, others like the UN, the Scandinavians and DFID work much closer with the public administration. Assessing the usefulness and modalities of different mechanisms like TA and equipment suffers from lack of adequate information: few performance indicators have been defined, there is little tracking or monitoring of progress and so evidence available is largely anecdotal, case specific, and thus biased.

¹² Four other projects—two education, one PFM, and one macroeconomic support—are included in the capacity building cost calculation, but they were not the focus of this review.

7. Bank and Borrower Performance

7.1 As shown in Table 7.1 below, OED's project ratings on Bank and Borrower performance in the public financial and sector management area have been mixed. Rating Bank and borrower performance based on sector results may provide limited insights. Bank and borrower performance would be rated as satisfactory or highly satisfactory in the roads sector, for example, where the structural features of the sector may be the dominant reason for success. This chapter, therefore, presents observations on Bank and borrower performance based on interviews with Malawian authorities, Bank staff and other donors.

Table 7.1: OED Evaluation of Bank and Borrower Performance

Project	Bank Performance	Borrower Performance
Primary Education Project	Highly Unsatisfactory	Unsatisfactory
Population and Family Planning Project	Satisfactory	Satisfactory
Fiscal Restructuring & Deregulation	Satisfactory	Satisfactory
Fiscal Restructuring & Deregulation II	Satisfactory	Satisfactory
Fiscal Restructuring & Deregulation II TA	Satisfactory	Satisfactory
Fiscal Restructuring & Deregulation III	Unsatisfactory	Unsatisfactory
Institutional Development II	Unsatisfactory	Unsatisfactory

7.2 **Bank performance:** There has been a high turnover of Washington-based task managers in many projects. On a number of projects, task managers have changed virtually every year. This has undermined relationships and trust with local partners, led to changes in project components, and created high "re-learning" costs for both the Bank and the borrower. Constant rotation means the institutional memory of what has been done and what is to be achieved keeps getting lost. This also led Malawians to feel they had to "train" new task managers all the time, since the new ones who came in seldom had prior experience in the country. This has led to a lack of consistency on particularly hard to quantify and less specified dimensions of projects such as capacity building.¹³

7.3 The frequent rotation has also had "ripple-effects" *across* projects. FRDP-2 had a strong training component and FRDP-3 set aside much less for this activity. Now FIMTAP includes nearly \$2 million for training. The lack of coordination with other donors further exacerbates the problem, though informants see improvements in this area as primarily a government responsibility. One institution estimates that about 95 percent of the civil servants are trained using donor funds. But since donor funding is tied to projects and its terms defined by the donor, the government is not in a position to develop a coherent and longer-term human resources development strategy.

7.4 **Bank staff remains mainly headquarter based.** Capacity building is a dialogue-intensive area and benefits from a local Bank presence. But most task managers remain in Washington while Malawi and donor partners experience the dialogue to be much more

¹³ This is not only a problem on the Bank side, however. The Water Project, which ran for seven years, had to work fewer than nine different Ministers and eleven Principal Secretaries, according to Bank staff.

open and participatory when local staff is empowered to interact on behalf of the Bank. Task managers based in Washington do not have the same opportunities to learn from the field, leading to the complaint that the Bank, more than others, brings in non-relevant experience from elsewhere rather than focusing on local lessons. Furthermore, while visiting task managers generally appreciated for interacting with other donors, their agenda (and timing) is Bank-driven rather than field-driven.

7.5 Bank staff and consultants are seen to be too theoretical. On a number of projects, local partners found that Bank staff and their consultants do not have practical, field-tested experience. The costs of transformations tend to be under-estimated and the benefits exaggerated, resulting in unrealistic timelines.

7.6 The Bank is still seen to "go it alone" too often. The Bank has a privileged position in terms of access to the government. In the 2001 capacity assessment process for instance, the Bank took the laudable initiative of launching a series of studies to underpin a more coherent government capacity development strategy. The Bank has managed this process directly with government, with no other donors involved or receiving feed-back, despite donor funding being part of the financing package. This has led to other donor initiatives to address capacity constraints in various sectors being held back, since the government is using the Bank for the overall assessments.

7.7 Bank staff knowledge about and interest in capacity building is highly variable. While all Bank staff appreciates the importance of building sustainable local capacity, the understanding of how to program and monitor capacity building activities and their strategic role varies considerably. Capacity building is not a priority for many, nor is it systematically discussed within the country team. There is little training and joint learning in this area that is country focused. There seems to be more within the various technical teams.

7.8 Bank staff underestimates partner concerns over structural changes. Some government authorities expressed the view that the Bank uses its weight to push through new solutions especially in areas like organizational and institutional change with which Malawians are not comfortable. There is a feeling that Bank staff does not appreciate the risks that government authorities have to take into account in undertaking changes.

7.9 Bank staff has not recognized the real progress being made. Malawian officials recognize that many promises have not been kept but note that significant change has taken place. They point in particular to the considerable legislation that has been passed in PFM and public sector reform, which in many areas is up to international best standards and supported by Bank-funded consultants. Much of this has involved more time than anticipated, but they think that Bank staff has little experience with how long legislative processes can take. The officials point to several issues. First, the consequences of a number of the changes are difficult to predict and legislators do not

want to be rushed.¹⁴ It also takes time to mobilize understanding and support.¹⁵ They contend that the overall record in Malawi is as strong as in several neighboring states and that the Bank is unfairly critical of the country's achievements.

7.10 Malawian officials did not dispute the claim that there was often insufficient commitment to change. But the debates and contradictions at both political and civil service levels were said to be more complex than just lack of commitment. It was important that key actors like the Bank not retreat from the continuing debate, but lend its voice and weight to those who were fighting for change.¹⁶

7.11 While simple legislative improvements might not seem like important victories in the short run, they provide political signals and instruments critical for real gains over the medium-term. The inability of the MOF to tackle over-expenditures is in part a function of a lack of legislation that gives the Ministry the authority to clamp down excess spending. The new Finance Act provides the muscle that the Ministry needs. It is thus changing "the rules of the game" in important respects, which among other things might finally create the conditions for an MTEF. While nobody in the Bank or Malawi predicts that the Act itself will change things overnight, they consider it a strategic step forward and think that it ought to be recognized as such.

7.12 Another related argument made by authorities is that while individual pieces of legislation or progress on particular issues like a strengthened NAO may not be critical on their own, over time a sufficient number of such changes provide the "critical mass" that provides systemic impact. Bank staff is perceived as not having this broader and long-term perspective when assessing their individual tasks. Thus officials argue that the Bank under-estimates the importance of these individual steps.¹⁷

¹⁴ Two examples were given in this regard. The first was the liberalization of trade, where Malawi had moved faster than some of its neighbors and thereby hurt its own industry. The other was decentralization without enough capacity and instruments in place to be able to monitor and support performance at lower levels. Several informants essentially accused donors, and in particular the Bank, of pushing for reforms based more on theory rather than on careful study of the situation on the ground. "They are selling us ideology rather than proven solutions." Some Bank staff discounted this as being defensive justifications for not moving on necessary reforms, but the situation is more complex. Rapid trade liberalization, for example, remains a hot topic among many economists.

¹⁵ Malawians pointed to the low educational level of many of members of the legislature. This posed particular challenges for reform packages, which in addition to entailing complex consequences might also be quite complicated on formal legislation.

¹⁶ One official noted that the Bank had at one period tried to work directly with politicians exactly to ensure political understanding and commitment. Senior civil servants, who felt the dialogue with national decision-makers was their responsibility, criticized this. They had therefore withheld their support, which undermined implementation. The understanding now is therefore that the Bank largely talks with the Minister of Finance, who in turn dialogues with his Cabinet colleagues and senior civil servants across ministries.

¹⁷ Bank staff again often considered this argument as self-serving. But there is clearly a difference in perspective between many Bank staff, on the one hand, and senior Malawi officials, on the other. This is worthy of some reflection since it impacts on ownership discussions.

7.13 The Bank does not pay enough attention to building ownership through participation. The importance of ensuring that all Bank activities and products were based on genuinely participatory processes was emphasized. The PER was highlighted as the "best practice" case, where both skills and ownership were important results of the process. The CFAA, on the other hand, was run as a Bank-process and then afterwards Malawians were urged to take on board the results for elaborating parts of FIMTAP. While over time the Malawians have come to see the value of the CFAA in a number of areas, it took time to build commitment, so the process is seen as "capacity detracting" rather than capacity building. Using the PER lessons to establish "win-win" approaches is seen as fundamental to addressing the "lack of capacity for building capacity."

7.14 The Bank needs to understand the differences in stakeholder and structural conditions of the different sectors. The roads sector was noted by some Malawian officials as "the easy one to address" because there were external stakeholders who had strong and direct interests in change. In most sectors, like health and education, the key stakeholders are *within* the public sector—teachers, health staff, senior staff in ministries, and the politicians. On public sector reform, there are *no* "engaged" external stakeholders with the exception of the donors.¹⁸ This is potentially troubling because public sector reform designed to deliver improved services to the population is largely being decided by the public service itself.

7.15 Officials note that performance contracts now provided to about 500 top civil servants have led to a large increase in the remuneration package but not any improvement in performance because contracts were introduced when no performance criteria had been agreed to, no monitoring was in place, and there was not even an overall vision of what a reformed civil service would contribute. They stated that performance contracts, allowed for greater rent seeking among senior officials. The contracts created a gap between those who were and those who were not covered by such contracts, splitting the civil service and undermining the pressure for overall civil service reform. More importantly, the contracts also opened up new opportunities for cronyism: who was going to monitor performance of senior civil servants if not their peers?

7.16 Malawian officials used this example as evidence that Bank staff who pushed for these reforms did not understand well how a civil service functions. They stated that the Bank tended to overestimate the benefits from change, and badly underestimate the costs.¹⁹ Several officials noted that the civil service derived whatever efficiency and effectiveness there was from rule-based behavior: individuals knew largely what their tasks were from peer learning and the overall "corporate culture" surrounding them. The kind of large-scale public sector reform being envisaged would change much of this, suddenly removing institutional memory and learning on how tasks were to be carried

¹⁸ When it came to changes to public administration at local level, projects like MASAF was able to mobilize local stakeholders in constructive ways, but nothing similar existed at national level.

¹⁹ The arguments were as follows: Change was largely seen as costless, all that was required was the "commitment" and some training for carrying out new tasks. The benefits, on the other hand, would be major and immediate: once "the new planning toys" (referring to IFMIS and MTEF) were in place, PFM would be so much easier to manage.

out, with concomitant consequences for actual service delivery. Because it was not clear what the new structure and tasks would be, there was a lot of anxiety about what this would mean for individuals.

7.17 The introduction of the MTEF raised specific misgivings in the sector ministries. The MTEF was seen as a tool for the MoF and the Bank that would transfer power from within the sector ministries to the MoF. While in principle sector ministry staff accepted that MOF needed to get a better handle on PFM, they expressed resistance to giving up power without a clear understanding of the gains for the functioning of their respective ministries.

7.18 Overall, Bank performance is rated **moderately unsatisfactory** because of the limited knowledge about capacity issues and country context, choice of implementation modalities (PIUs), borrower perceptions of staff weaknesses, and the lack of adequate incentives in the Bank for longer-term issues like performance on capacity building.

7.19 ***Borrower Performance: There is no national capacity development strategy or champion for capacity building.*** Although a key objective of the government agenda for the last ten years, there is not yet an explicit strategy, an institutional anchor, or a strong leader for capacity building.

7.20 **Lack of continuity in public sector leadership impedes progress on capacity building.** Malawi rotates both political and civil service management frequently, creating instability and uncertainty among ministry and Bank staff on project implementation. For instance, one project worked under nine ministers and eleven principal secretaries. This particularly hampers long-term activities like capacity building, and undermines efficiency and effectiveness. Bank staff spend a lot of time working with, explaining to, and convincing new management of the project's objectives, structure and implementation modalities. This is one (though not the only) reason why government commitment to reforms was often variable during the later stages of a project.

7.21 **There is a lack of continuity and planning of public sector staff.** Civil servants are also quickly rotated between ministries, and staff critical to project performance may be moved around with little prior warning. This rotation of staff trained with project funds is particularly damaging to longer-term capacity building, since their replacements usually require similar training.

7.22 In summary, given that capacity building is a primary national concern, the lack of performance in developing sustainable improvements in capacity in all fields leads to a rating of borrower performance on capacity building as moderately unsatisfactory.

8. Summary of Findings

8.1 Two general observations on factors of success in capacity building efforts are confirmed by this review of Bank support in Malawi:

- **Understanding the macro-framework for sustainable capacity building in the public sector is demanding yet critical for success.** Any changes to the public sector structure, focus, and functioning affect powerful interests. Change hinges on understanding the interests at play (especially those of political leaders) and the ability to mobilize interests in favor of change. The incentives and forces for change are different at the levels of institutional, organizational and individual capacity building. *Institutional transformations* affect powerful interests the most, yet are the most transparent. Changes in *organizational strengthening* that addresses internal relations, power and status within a particular entity typically generates winners and losers, which have to be taken into account to make progress. Ensuring compatibility between organizational interests and *individual* incentives is central to sustainable human resource development. In this regard, the main challenges in Malawi are low staff retention and high staff rotation, and rapid post-training skills loss.
- **The sustainability of capacity varies systematically by level.** *Institutional transformations* are costly, but once implemented tend to remain in place as the process required for further change takes a lot of political capital. *Organizational change* is decided by fewer actors, is much less transparent, and affects external actors in less direct/severe ways. The presence of internal champions of change is therefore critical. Also, seemingly modest shifts in internal power relations can be sufficient to provoke further changes. *Individual skills upgrading* is the least sustainable as it is vulnerable to market leakage, HIV/AIDS loss, and other individual preferences. A labor-market approach is required to ensure an adequate, continuous supply of skilled personnel.

8.2 More specific findings on the results of the Bank's efforts for capacity building in Malawi are as follows.

Capacity Building Goals

8.3 A key reason for the limited effectiveness of capacity building support is that the government (with its development partners) has not defined clear capacity building goals. There is no national capacity building strategy or clear champion within government.

8.4 Nor has the Bank developed a clear and coherent capacity building strategy to guide its activities in Malawi, despite its repeated identification of the lack of capacity as a constraint to development, in general, and to successful implementation of Bank projects, specifically, There has been no improvement in the clarity of capacity building goals in the CAS over the past decade. Objectives have changed over CAS periods in ways that reflect a lack of clarity between long-term goals and the immediate aims to be attained within a single CAS period. There have been few clear capacity building goals

for sectors, much a coherence of objectives across sectors. Specifically, there are no clear goals, targets or indicators for capacity building as a crosscutting program concern (except in PFM and M&E) and no instruments to ensure coherence across sectors, for example, to address common problems of skills retention. Also, links between objectives of individual operations and CAS objectives have not been made in a way that allows for tracking progress on capacity building goals against CAS objectives.

8.5 The PRSP may for the first time provide a coherent framework for identifying capacity building priorities in support of poverty reduction. But the Malawi PRSP document is not yet focused and strategic enough to provide a useful framework for building capacity for poverty reduction. As objectives, outcomes, indicators and activities are better defined, the PRSP could be better used to help the government to prioritize capacity building activities and guide donor support.

Analytical Work

8.6 Economic analysis has tended to be better than the analyses of underlying political conditions. Diagnosis falls short in understanding of the political situation in the country. The shifts in power and conflicting interests among actors is poorly captured, and the incentives for shifting responsibilities outside the public sector have been overestimated. This has led to simplistic Bank conclusions about lack of government commitment, rather than adjustment to more realistic strategies and timelines.

8.7 Malawians view Bank ESW as effective in generating new knowledge but not in contributing to learning. Participants note that participatory studies take longer and those that rely on local skills lack somewhat in quality, but see both dimensions as contributors to better implementation and results. For example, the participatory PER was considered good practice where skills and ownership were important results. In contrast, the CFAA was a Bank process and Malawi authorities were urged to take its results on board in the design of FIMTAP. While overtime they have come to see the value of the CFAA in a number of areas, the process has been described as capacity detracting rather than capacity enhancing.

8.8 Analytical work has focused largely on “the big picture” and largely on PFM, not sector level capacity building. The weakest aspect has tended to be the analysis of core, or existing, capacity. For instance, in education, the analysis of ministry capacity constraints was poor. In PFM, the proposals for MTEF and IFMIS were based on poor diagnosis of pre-conditions for successful use of instruments that cut across institutions. And in both areas, there has been little analysis on ways to ensure the sustainability of the implementation capacity provided and skills upgraded.

Design and Implementation of Bank Support

8.9 When the time horizons between providing direct services and building capacity differ, capacity building should be a separate operation. In PFM, integrating TA into fast-disbursing adjustment credits was not successful, so the Bank moved to a separate

capacity building project (FIMTAP). A similar strategy in education would probably have led to better results.

8.10 The Bank needs to better understand the differences in structural conditions and stakeholders in different sectors. Performance contracts provided for about 500 top civil servants have led to increases in remuneration. But they have resulted in little performance improvement within sector ministries, leading instead to rent seeking because contracts were introduced before (a) performance criteria had been agreed upon, (b) monitoring was put in place, and (c) a vision of what a reformed civil service would contribute had been developed.

8.11 Greater participation is associated with improved relevance of capacity building interventions (as evidenced in roads and MASAF).

8.12 The use of PIUs has been problematic. In education, the EDMU was unsuccessful: it was under-resourced and staff by officials who had both project and regular ministerial tasks; housed outside the ministry and not well supervised. Under the SEP, while support to EDMU improved, key technical staff who were trained left and longer-term organizational development was poor. The Bank should therefore use PIUs more selectively and design upfront an exit strategy that provides for mainstreaming operations in the relevant ministry.

8.13 SWAPs can facilitate a move away from PIUs, more country leadership, and more systemic attention to capacity development. Once key actors in a sector coordinate their analytical and funding resources, the ability and interest in taking a longer-term and holistic approach increases, including capacity building (health SWAP, National AIDS program, and education sector strategy development).

8.14 Capacity building is complex and often difficult and costly to monitor. Few projects and sectors have a clear results framework for capacity building activities. There are few projects with specified outcome and impact indicators that the investments in capacity development were expected to achieve. A promising way forward is the joint effort currently being undertaken by the Public Expenditure Working Group (involving DAC, EU, World Bank, IMF, and several bilateral donors) to:

- Define key dimensions of "good PFM"
- Identify indicators for performance monitoring
- Develop a methodology for standardized assessments that (a) is cost-effective, (b) includes explicit criteria for rating performance along each indicator, and (c) provides a forum for discussing and developing the methodology further
- Provide a resource center that can support efforts in the field and also be the institutional memory for recording lessons learned.

Technical Assistance

8.15 The purpose of TA needs to be better specified for improved effectiveness. TA is more effective when consultants serve as mentors rather than as managers. Technical

advisers that are expected to fulfill both mentoring and implementation tasks tend to be better at one than the other, so job descriptions need to be clear on what is expected. The Government has indicated that it is important that technical assistance is long term and advisers remain within an organization for an extended period of time, since a main part of the potential learning relates not to technical skills but to organizational development and the building of a corporate culture.

8.16 Use of international rather than national consultants has been controversial. Malawian authorities do not view international TA as being suitable for short-term assignments as they bring inappropriate models and are not available for informal consultations after the TA is complete.

Training

8.17 Support for Human Resource Development (planning or management) has generally been poor. Career paths are not structured so as to optimize benefits to the civil service from training. Training is provided in advance of the institutional and organizational changes needed to ensure utilization and retention of skills provided. Staff rotation is very high. The Bank and the government should take a labor market perspective to HRD. Some officials believe that they cannot find technical skills they need in the market at a reasonable price, and so favor fellowships for degree training, which is a costly approach.

8.18 Despite wide recognition of the problem of staff retention, there is surprisingly little known about retention rates across skill areas and as a function of training, and which factors would help retain civil servants. The public sector is funding a lot of training that then “leaks” into the labor market, which is not a sustainable or efficient approach. The Bank and the government should have, and could have, done more to understand civil servants’ incentives and behavior in addition to salary levels.

8.19 In the absence of a clear human resource development strategy/plan, the training programs have been largely ineffective in creating sustained capacity improvements in the sector. For example, in education, the Bank along with other donors planned to train 20,000 teachers for primary schools and also aimed to strengthen planning, financial management, procurement knowledge and other project management skills of the EDMU. Only half of the teachers were eventually trained and EDMU was of more help to those hired by the Bank than to the Ministry staff who worked on the project. Effective long-term training requires a coherent and evidence-based approach to acquiring advanced technical and managerial skills for the public sector. HRD plans in health and education are yet to be developed.

8.20 Short-term training, especially demand-driven training that allows institutions to compete in offering courses has been more efficient and effective in providing needed skills (such as training of MIM staff), but has had limited impact over the medium-term due to high staff rotation, serious leakage out of the public sector, and attrition due to HIV/AIDS.

8.21 The lack of traceable outputs and outcomes for most training activities makes it impossible for the government or the Bank to know what has worked and what has not. For instance in PFM, there were no clear criteria defined for success or studies tracing retention rates for the expensive degree training abroad.

Internal Bank Issues

8.22 Management, coordination, and monitoring of capacity building activities should be further decentralized to the field. Because capacity development as a crosscutting concern is consultation-intensive and location-sensitive, the responsibilities and resources to manage and monitor should be field-based. As programmatic approaches increase in importance (SWAps and PRSP), the need to anchor capacity building efforts in the field will increase. This will also strengthen the Bank's ability to learn from the field.

8.23 Skills required for successful capacity building are different from sector technical skills. One reason for the poor showing on capacity improvements appears to be the lack of organizational specialists among Bank staff.

8.24 While careful planning ensured successful capacity building in the roads sector, lack of attention to, knowledge about, interest in capacity building was a recurring theme in Bank staff interviews, where staff noted that the Bank's incentive scheme does not award successful capacity building. Achievements in capacity development should become part of Bank staff performance contracts. With the development of better indicators and more standardized assessments of capacity development, the Bank may wish to test out capacity development achievements as a performance criterion in staff contracts and performance reviews, and in particular management contracts.

Annex A: List of Informants

Government and Public Sector Officials

Office of the President and Cabinet

Principal Secretary Finance (former FIMTAP manager)
FIMTAP Manager
Sr. Financial Management Specialist (former IDP2)

Mr. Steven Mwenye
Ms. Alice Makhambera
Mr. Saidi Kalua

Ministry of Finance

Director, Debt and Aid Management Department
Economist, Debt and Aid Management Department
Accountant General
Deputy Accountant General
Assistant Accountant General
Director, Public Enterprise Reform and Management Unit

Mr. Z. T. Soko
Mr. Chancy Mwabutwa
Mr. R. A. Kampanje
Mr. Patrick Matanda
Mr. J. M. Njanji
Mr. Phiri

Ministry of Education, Science & Technology

Planning Director
Principal Education Officer
HIV/AIDS and Education Technical Adviser
Principal Education Methodology Adviser
Principal Education Methodology Adviser
Deputy PS
Chief Planning Officer
Regional Director (Lilongwe), College of Distant Education
Senior Management Specialist, EDMU
Project Director, EDMU

Mr. Kuthemba Mwale
Ms. Selina Sakanda
M. Robert Ngawye
Ms. Dorothy Malili
Ms. Chrissie Soko
Mr. B. Mpando
Mr. Dominic Senganinalunje
Ms. Virginia Nkunika,
Mr. Saidi Kaluwa
Mr. James T. Kambalometore

National Roads Authority

Operations Director
Technical Director, Urban and District Roads Division
Technical Director, Procurement
Economist
Technical Assistant (EU-funded TA team)

Mr. M. Kachiwala
Mr. Benjamin Kapoteza
Mr. Caleb Zambezi,
Mr. Steve Siwande
Mr. Jeremy Martin

Malawi Rural Finance Corporation

General Manager
Financial Controller & Company Secretary
Head, Agricultural Credit Division

Mr. Silas M. Murotho
Mr. T. Chamukuwa Chimaliro
Mr. Falyson W. Kaimila

Ministry of Sports

Former Project Director of the Primary Education Project

Mr. Bestor Kalombo

Privatization Commission

Former Chief Executive

Mr. Dye Mawindo

Mchinji District Assembly

Technical Office, Public Works
Chief Executive Officer

Mr. H. M. Banda
Mr. Bester Mandele

Sr. Clerical Officer & Asst. Resources Management Officer	Mr. David Mwanza
<i>Ministry of Transport and Public Works</i>	
Former Principal Secretary	Mr. Moffat Chitimbe
Director of Planning	Mr. Tomics Kaunda
Principal Transport Planning Officer	Mr. Patrick Rapkeni
<i>Malawi Social Action Fund</i>	
Director of Public Works Program	Mrs. Ida Manjolo
Assistant Director, Community Subprojects Management Unit	Mr. Murphy Kajumi
<u>Donor Officials</u>	
<i>World Bank – Malawi Office</i>	
Country Manager	Mr. Dunstan Wai
Senior Financial Management Specialist	Mr. Donald Mphande
Senior Agricultural Economist	Mr. Stanley Hiwa
<i>World Bank – Washington Office</i>	
Africa Transport	Ms. Tawia Addo-Ashong
Highway Engineer, Africa Transport	Mr. Subhash Seth
Africa Transport/Zambia	Mr. Davies Bwalya Makasa
Consultant, Water Sector	Mr. John Shepherd
<i>United Nations Development Program</i>	
Deputy Resident Representative, Program	Ms. Daphne Casey
Assistant Resident Representative, Poverty Reduction Unit	Mr. Peter Kulemeka
Assistance Resident Representative, Country Economist	Mr. Augustine Bobe
<i>DFID (Department for International Development, United Kingdom)</i>	
Governance Adviser	Ms. Jackie Peace
Economist	Ms. Lindsay Mangham
Education Adviser	Mr. Christine Wallace
<i>Norwegian Embassy</i>	
Counselor	Ms. Kristin Sverdrup
Country Economist	Ms. Tori Hoven
First Secretary	Mr. Michael Tawand
<i>USAID</i>	
Education Unit	Mr. Bill Mvalo
<i>UNICEF</i>	
Project Officer, HIV/AIDS	Ms. Jane Muita
Project Officer, Basic Education	Ms. Calister Mtalo
Head of Basic Education	Mr. Bernard Gatawa
<u>Other Informants</u>	
<i>Management Institute of Malawi</i>	

Executive Director

Dr. Benson Kandoole

National Construction Industry Council

Executive Secretary

Mr. Johnny J. Somba

Director of Finance

Mr. Reuben S. Banda

Malawi Rural Travel and Transport Program

Project Coordinator

Mr. Jephthah Chagunda

NGOs

Program Officer, Health HIV/AIDS, Norwegian Church Aid

Ms. Esther Maseko-Masida

Commonwealth Edu. Fund Coordinator, ActionAid Malawi

Ms. Julita Nsanjama

Program Learning & Development Officer, ActionAid Malawi

Mr. William Bwanaope

World Bank Institute Participants

MASAF

Ms. Christine Kamwendo

The Chronicle Newspaper

Mr. Robert Jamieson

Ministry of Agriculture, Planning Department²⁰

Mr. Anderson Kamanga

Ministry of Finance

Mr. Chance Mwabutwa

Ministry of Education (formerly National Economic Council)

Mr. Dominic Senganimalunje

Save the Children USA²¹

Mr. Express Moyo

Ministry of Finance

Mr. George Kamba

Malawi Congress of Trade Unions²²

Mr. Jimmy Kasuzumira

National AIDS Commission (formerly with MASAF)

Ms. Bridget Chibwana

²⁰ Formerly with Ministry of Commerce and Industry.

²¹ Formerly with Business Consult Africa.

²² Formerly Malawi Economic Justice Network.

Annex B: Documents and Projects Reviewed

A. Projects (FY)

Sectors			
<i>Roads</i>	<i>Education</i>	<i>Health</i>	<i>PFM/PSM</i>
Roads Maintenance and Rehabilitation (1999)	Primary Education Project (1996) Secondary Education Project (1998)	Population & Family Planning Project (1999)	Fiscal Restructuring and Deregulation (1996) Fiscal Restructuring and Deregulation II (1999) Fiscal Restructuring and Deregulation II TA (1998) Fiscal Restructuring and Deregulation III (2001) Fiscal Restructuring and Deregulation III TA (2001) Institutional Development II (1994) Financial Management, Transparency, and Acct (2003)

B. Bank Country Assistance Strategy, Poverty Reduction Strategy Papers, Analytical, and Other Reports (FY)

Country Assistance Strategy (CAS)	Poverty Reduction Strategy Papers (PRSP)	Analytical & Other Reports
1996 CAS	Interim PRSP & Joint Assessment Vol. 1 (2001)	Cost, Financing and School Effectiveness of Education in Malawi (2004)
1999 CAS	Joint IDA-IMF PRSP (2003)	The Changing Distribution of Public Education Expenditure in Malawi (2002)
2003 CAS	PRSP & Joint Staff Assessment Vol. 1 (2003)	Malawi Health Expenditure Review (1999) Public Sector Management Review vol 1 & 2 (1993) Civil Service Pay and Employment Study (1994) Public Expenditures (2001) Country Financial Accountability Assessment (2003) Country Economic Memorandum (2003) Country Procurement Assessment Report (Draft), (2004) Human Resources and Poverty (1996) Accelerating Malawi's Growth (1997) Malawi: Preliminary Document on the Initiative for Heavily Indebted Poor Countries (HIPC), (Draft 2001) Strategic Country Gender Assessment (UNDP and WB, 2003) Malawi: Country Assessment and Action Plan for HIPCs, (Draft 2004)

C. Institutional Development Funds

FY	Fund Name
2000	IDF Grant for the Reinforcement of the Anti Corruption Bureau
1997	IDF - Malawi Nutrition & Health Of School Age Children
1996	IDF - Malawi Land Policy
1996	IDF - Malawi National Capacity Assessment
1996	IDF - Malawi Privatization Process Support
1995	IDF - Malawi Capacity Building Of Twg
1993	IDF - Malawi Pre-shipment Inspection Study
1993	IDF - Malawi Private Sec. Diversification
1993	IDF - Malawi Strengthening Of Org. & Mgt.
1994	IDF - Malawi: Capacity Bldg In Acct/Procurement
1992	IDF - Malawi: Support To The Accountancy Profession

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Annex C: Effectiveness of Bank Support: Functional Assessment

1. The purpose of capacity building is to enable the public sector to better carry out its functions as it relates to policymaking, resource mobilization and management, service delivery, and oversight and accountability (regulatory supervision). This annex reviews the effectiveness of Bank support along these four functions.
2. The capacity for **policymaking** has not changed substantially with the exception of the roads sector. In PFM, the overlap and competition between different offices in the public sector that contributes to policymaking—Ministries of Finance, economic planning and development, the National Economic Council, and the Vice-President's Office—has not been addressed. There is no discernible increase in policymaking skills. In education and health, there has been little by way of policy development. In roads alone, the restructuring of agency roles has separated policy-making more clearly from implementation and oversight functions.
3. The Bank's effectiveness on **resource mobilization and management** has been mixed: it was more effective in resource mobilization than resource management. The result on resource mobilization is positive, including in the social sectors because Malawi has increased its pro-poor expenditures. In PFM, the MRA has improved resource mobilization considerably, but public expenditure management is very uneven. MTEF and IFMIS, two key tools, are only now beginning to play their foreseen roles. New legislation has recently been passed, but results on actual PFM improvements are yet to materialize. Similarly in education and health, while total resources to the sectors have increased considerably, Bank support has not improved sector management capacity. In roads, resources mobilization and management have improved dramatically with the Roads Fund and the new management structure.
4. There has been a serious effort to enhance **service delivery**. Upgrading and maintenance of roads has improved dramatically as has the coverage (quantity) of educational and health services. But the quality of service delivery has not reached desired levels in health and education. In education for example, the necessary rapid increase in number of teachers with sufficient training has not materialized. In PFM, service delivery involves enhancing the budget, planning and expenditure management, and disbursement information to the rest of the government, Parliament and the public. MTEF and IFMIS are improving capabilities and progress is being made in this area.
5. Performance on **oversight and accountability** in PFM has been poor, with abuse of funds and corruption perceived to have increased. New legislation along with targeted capacity building for internal and external accountability entities are laying the foundations for enhanced performance, but these efforts while trending towards improvement are yet to produce measurable results. Bank performance on oversight and accountability in the social sectors is unknown. In roads, although the functions are better structured, it is not clear that this has led to improved oversight and accountability.
6. The net result of capacity building activities on **policymaking** is poor, on **resource mobilization and service delivery** show improvements due to the pro-poor restructuring of the budget, and on **oversight and accountability** is poor.