

Ex Post-Evaluation Brief

Malawi: Joint Project - Development Fund for Decentralisation, Phase 1



Programme/Client	Joint Project - Development Fund for Decentralisation, Phase 1 – BMZ- No. 2003 66 302*	
Programme executing agency	Ministry of Local Government and Rural Development	
Year of sample/ex post evaluation report: 2012/2012		
	Appraisal (planned)	Ex post-evaluation (actual)
Investment costs (total)	EUR 3.67 million	EUR 2.308 million
Counterpart contribution (company)	open	EUR 0.294 million
Funding, of which budget funds (BMZ)	EUR 2.014 million EUR 2.014 million	EUR 2.014 million EUR 2.014 million

* random sample

Project description: The project was a continuation of the “Developing Secondary Centres” programme which the Federal Government has financed over six previous phases and was brought to its completion in this project. This final project included the following urban infrastructure initiatives for Dedza, the district capital: the construction of new facilities - a bus station, a city hall, an office building for the city administration, a sports stadium and a slaughterhouse; the expansion and rehabilitation of the central market and the city centre; and surveying works.

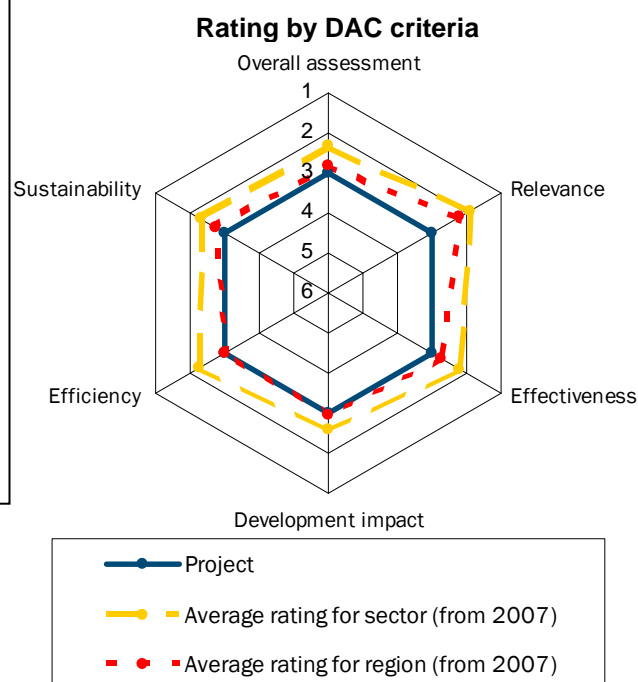
Objective: The overall objective was identified at project appraisal as “strengthening *good governance* within municipalities in relation to their citizens and voters and strengthening municipal administrations in their relationship with central government, which should contribute in turn to improving living conditions for the local population”. The programme objective was to “strengthen the capacity of the municipality of Dedza in the planning, execution and maintenance of public infrastructure works through a better provision of social and economic infrastructure”. This was to be measured according to the level of utilisation and operating cost recovery.

Target group: The residents of the city of Dedza and its immediate surroundings.

Overall rating: 3

The main components of the programme (the market, the bus station and the administration buildings) are being well utilised. There are some indications of a positive social and economic impact, but this cannot be quantified due to lack of data. The facilities are being maintained at a basic level.

Of Note: The programme is generating respectable recurring revenues for the municipal budget (EUR 35,000), of which only a minority (37%) is being used to operate and maintain the infrastructure provided.



EVALUATION SUMMARY

Overall rating: The main programme components (the market, bus station and administration buildings) are being well utilised. For the most part, the stadium is just used on weekends. It is fair to assume that a positive social and economic impact has resulted, but this cannot be verified due to lack of data. The facilities are being maintained at a basic level. The programme is generating respectable recurring revenues for the municipal budget (EUR 35,000), and this strengthens the position of the municipalities. Only a minority of this revenue (37%) is being used to operate and maintain the project infrastructure; but, in the context of the financial planning of municipal income and expenditure streams overall, this should not be viewed in a critical light, provided that the financial plans include infrastructure maintenance for the subsequent year. Net revenues are inadequate to cover all the opportunity cost of the capital invested in this infrastructure, but they will permit the facilities to function at a basic level for a period of 15 – 20 years. **Rating: 3**

Relevance: The overall objective of the programme is firstly to promote “*good governance* in the municipalities in relation to their citizens and voters, and to strengthen municipal administrations in their relationship with central government”, and secondly to help improve social and economic conditions for the residents of the city of Dedza and its surrounding areas. In view of Malawi’s high rate of population growth, the democratic and economic development of secondary centres such as Dedza has a high developmental priority, serving to strengthen civil society, furnish the rural population with central services within the region, and prevent high levels of migration to the capital. Promoting medium-sized towns is also one of several developmental objectives promoted by Malawi, as set out in the “*Malawi Poverty Reduction Strategy*” and the “*Malawi Growth and Development Strategy*”. The project corresponds with the BMZ priority area for the sector, i.e. democratic decentralisation in Malawi. Constructing infrastructure that generates revenue at the municipal level seems a particularly appropriate approach for the purpose of strengthening municipal authorities. It should be noted that one of the project measures, namely the construction of a stadium, does not serve the basic needs of the predominantly poor population; however, this was carried out in response to the explicit wishes of the local population, whose decision-making authority was to be strengthened as part of the decentralisation process. Sub-Rating: 3

Effectiveness: The programme objective is stated as: “to strengthen municipal capacity in Dedza in the planning, execution and maintenance of public infrastructure works through a better provision of social and economic infrastructure.” The objective is to be considered met if

1. at least 80% of the projects financed are appropriately used, and
2. at least 75% of those projects which affect revenues are operating on a cost-covering basis and are appropriately maintained.

Seven of the eight individual projects are being used appropriately. These include the core projects, i.e. the expansion and renovation of the central market, the bus station and the district administration buildings. 83% of the funds disbursed were allocated to these seven projects. By way of contrast, the stadium, which was specifically named as a priority by those affected and those who would benefit, is predominantly used just on weekends. These projects are certainly operating on a cost-covering basis, but there are substantial failings in terms of their maintenance. Considering the programme objective of strengthening capacity in the maintenance of public infrastructure, this has to be seen as a minus point. Maintenance shortcomings are apparent in, for example, the heaps of rubbish which lie around, a broken wastewater pipe at the slaughterhouse which leads to the wastewater tank, blocked wastewater tanks and wastewater channels, and non-functioning toilets. These shortcomings can be traced back to the fact that the majority of the rents and fees received are used for purposes other than maintenance. However, in the broader context of decentralisation, and given the aim of strengthening administration at the municipal level, using the revenue achieved for other municipal concerns should not be seen in a purely negative light so long as the maintenance required in subsequent years receives appropriate consideration within the municipalities' financial planning processes. Although the municipal authority's financial planning in an overall sense was not the focus of this project, for the purpose of this evaluation a supplementary indicator was added to map the objective of strengthening the municipality. This was "an increase in municipal revenues". With additional revenues of EUR 35,000 - a considerable sum for the municipality of Dedza - this indicator is deemed to have been attained. Overall, effectiveness has been rated as satisfactory. Sub-Rating: 3

Efficiency: The total cost of construction work is considered appropriate. Construction work was tendered and contracted locally. Consultancy costs amounted to 20% of total costs, and the proportion for the *Project Implementation Unit* (PIU), which is located as a separate organisational entity within the *Ministry of Local Government and Rural Development*, stood at 14%. In our view the costs of construction, surveying and consultancy services were appropriate but those for the PIU were rather high, given that planning activities and preparatory works (in conjunction with user groups) had already been funded under the "Developing Secondary Centres, Phase VI" project.¹

By renting out shops, stalls, sales areas and the stadium, and through increasing its bus departure charges, the District is earning respectable revenues. In the 2011/12 fiscal year these amounted to approx. MKW 8 million (roughly EUR 35,000 at January 2012 exchange rates). Set against this, expenditure for these individual projects came to approx. MKW 2.8 million (EUR 13,000) over the same period. The considerable surplus was used for other District expenditures. The preceding years offer a similar picture. Disregarding rent saved by the administration and arithmetic depreciation, over the period from 2007/8 to

¹ These high costs can be explained in part by the fact that during this project the PIU also had to support the districts which benefited from the previous phase, assisting them both in initial infrastructure operation and in revenue generation, as well as in the appropriate use of those revenues.

2011/12 the interest on capital employed averaged approx. 1% per annum (see data provided under point 4.06). Allowing a normal level of expenditure of around 2% p.a. for maintaining the building fabric, the result is a negative rate of interest. From a macro-economic perspective, the opportunity cost of capital was certainly not covered by local revenues (cf. Annex 5, S. 2). Taking into account the positive social and economic benefits of the improved infrastructure for both the population and the municipal authority, efficiency can be assessed overall as satisfactory. Sub-Rating: 3

Overarching developmental impact: The programme aimed to promote “*good governance* in the municipalities in relation to their citizens and voters, and to strengthen the municipal administrations in their relationship with central government” (the first part of the overall objective), and to help improve social and economic conditions for the residents of the city of Dedza and the area around Dedza (the second part of the overall objective). As no direct data is available, assessments of both of these objectives can only be based on probability. Since there was active participation in project preparation activities as well as participation in training courses, it is reasonable to assume that some strengthening of “*good governance*” was achieved. Furthermore, subsequent to the programme reviewed here, the city administration - of its own accord - built another coach park and expanded the market area. This indicates that the impact of the infrastructure created under this project provided the impetus for other similar projects to be undertaken by the municipality. The individual projects are operating and being maintained at a basic level. Strengthening municipal authorities in their relationship with central government through municipal elections has not come to pass; this is because the elections were postponed, a matter over which the programme has no influence. If one disregards this aspect, it may be fair to assume that the programme has led to some strengthening of “*good governance*”. This strengthening can be seen (1) in the increase in revenues generated by the city administration, and hence in its greater scope for functioning as a city administration (given the background of limited fiscal transfers from central government) and (2) in the provision of infrastructure by the city administration. The infrastructure which has been funded strengthens popular confidence in the city administration and thereby contributes to establishing its legitimacy (especially as the population were involved in the planning process). This is particularly important in Malawi, where participation did not take place in the form of voting and where, despite this, it is important to create a counterbalance to central government in the form of district administrations and district governments.

Data for overall objective (2) is not available. However, the following picture has been derived from observations made and assessments on the basis of probability: according to city employees, since the bus station was built most of the buses travelling on the main M1 route go to the city of Dedza. At present there are 60 minibuses and 24 coaches per day. It is likely that, in buying drinks, food and other goods in the vicinity of the bus station, these passengers are making a contribution to the city’s economic revival. Sales on the market may also have increased as a result of better accessibility. Dedza market (including the slaughterhouse) has been substantially expanded and improved by this programme. The

sales area has since been enlarged once more. The market is open every day, with food-stuffs and other agricultural products being the main goods on offer. The next nearest markets are at a considerable distance (Lilongwe: approx. 80 km and Balaka: approx. 100 km). There is evidence here too of an increase in economic activity linked to the programme. Added to this are the effects achieved by the district administration buildings, the library and the sports facility. Hence it seems probable that the programme has made a limited contribution to improving living conditions for the target population. Sub-Rating: 3

Sustainability: For five years now the project agency has been managing the land and buildings covered by the programme, earning substantial income from rents and miscellaneous sources in the process. This amount to roughly 30% of the city administration's total revenue. After deducting operating and maintenance costs, the district is left with a surplus of roughly 70% of annual programme revenues, which it uses for other purposes. In addition, the project agency has also extended the programme (expanding the market area and fencing the sports facility). It is likely that the project agency will continue to manage these amenities for the mid-term future (15 – 20 years) and maintain them at a basic level, carrying out minor repairs to their roofs, walls, windows and plumbing and electrical installations. It will probably not undertake larger repair or replacement projects which exceed its annual budget, since the appropriate contingencies are not in place. This maintenance requirement is not relevant at present. The programme has also contributed to strengthening the municipal administration over the long term. However, whether this is accompanied by systematic municipal financial planning remains to be seen, especially since this particular aspect did not fall within the scope of the project. Taken together, we have assessed project sustainability as satisfactory. Sub-Rating: 3

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being relevance, effectiveness, efficiency and overarching developmental impact. The ratings are also used to arrive at a final assessment of a project's overall developmental efficacy. The scale is as follows:

1	Very good result that clearly exceeds expectations
2	Good result, fully in line with expectations and without any significant shortcomings
3	Satisfactory result – project falls short of expectations but the positive results dominate
4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
6	The project has no impact or the situation has actually deteriorated

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful assessment

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability) The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).