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Malawi: Extending Secondary Centres Phase IV/V and Phase VI

Ex-post evaluation report

OECD sector	43030 / Urban development and administration	
BMZ project ID	1 a) 1996 65 209 (Phase IV/V investment in fixed assets) 1 b) 1997 70 298 (complementary measure) 2 a) 2001 66 223 (Phase VI investment in fixed assets) 2 b) 2001 70 571 (complementary measure) 2 c) 2003 283 (training measure)	
Project Executing Agency	Ministry of Local Government and Rural Development	
Consultant	1 a and 1 b) GITEC 2 a) GITEC and BIGEN 2 b and 2 c) GITEC	
Year of ex-post evaluation report	**2007**	
	Project appraisal (planned)	**Ex-post evaluation (actual)**
Start of implementation	1 a and b) 06/1998 2 a – c) 06/2002	1 a and b) 08/1998 2 a – c) 10/2002
Period of implementation	1 a and b) 42 months 2 a – c) 30 months	1 a and b) 42 months 2 a – c) 30 months
Investment costs	1 a) EUR 5.97 million 1 b) EUR 0.43 million 2 a) EUR 4.79 million 2 b) EUR 0.60 million 2 c) -	1 a) EUR 6.41 million 1 b) EUR 0.43 million 2 a) EUR 5.73 million 2 b) EUR 0.24 million 2 c) EUR 0.28 million
Counterpart contribution	1 a) EUR 0.00 million 1 b) EUR 0.00 million 2 a) EUR 0.44 million 2 b) EUR 0.35 million 2 c) EUR 0.00 million	1 a) EUR 0.40 million 1 b) EUR 0.00 million 2 a) EUR 0.89 million 2 b) EUR 0.00 million 2 c) EUR 0.00 million
Financing, of which FC funds	1 a) EUR 5.97 million 1 b) EUR 0.43 million 2 a) EUR 4.35 million 2 b) EUR 0.25 million 2c) -	1 a) EUR 6.01 million* 1 b) EUR 0.43 million 2 a) EUR 4.84 million** 2 b) EUR 0.24 million*** 2 c) EUR 0.28 million
Other institutions/donors involved	not applicable	not applicable

* EUR 5.97 million in FC funding Phase IV/V plus EUR 0.19 million in residual funding from Phase III. EUR 0.15 million carried over to Phase VI

** EUR 4.35 million in FC funding Phase VI plus residual funding Phase IV and EUR 0.34 million in residual funding from the Kapichara hydropower station project

*** Residual funding of around EUR 18,000 carried forward to project 2003 66 203

Performance rating (all projects)	3
• Relevance	3
• Effectiveness	3
• Efficiency	3
• Overarching developmental impact	3
• Sustainability	3

Brief description, overall objective and project objectives with indicators

The programmes “Extending Secondary Centres Phase IV/V and VI” centred on strengthening municipal infrastructure in selected medium-sized towns in Malawi. The group of measures that were financed consisted of economic infrastructure projects to generate revenues (e.g. extending markets, building bus stations and industrial parks) and measures to improve social infrastructure (e.g. improving living conditions in squatter settlements). An urban management advisor provided flanking support for the municipal administrations of the towns participating in the programme.

The overall objective of the two programmes was to help achieve more balanced regional and thus economic and social development in Malawi. At the time of the appraisal, no data were collected on the economic and social situation of the secondary towns participating in the programme in comparison to the primary towns. Ex-post, the overall objective is therefore assessed in terms of the programmes’ contribution to improving the economic and social conditions in the respective towns. No specific indicator was defined to measure the achievement of the overall objective.

The programme objectives were to eliminate urban development bottlenecks through the targeted extension of municipal infrastructure, to create an enabling environment for economic activity and to improve the living conditions of the urban poor. A further aim was to strengthen the generally weak financial base of the towns participating in the programme. The target group are inhabitants of these towns and the surrounding areas, especially the poor. The following indicators were defined in order to measure the achievement of the programme objectives (in each case two years after the commencement of operation): (a) at least 80% of the financed projects are appropriately used; (b) at least 75% of the revenue-enhancing projects operate on a cost-covering basis and are appropriately maintained.

Project design / major deviations from the original project planning and their main causes

In Phases IV and V, support was provided to five secondary towns: Mzuzu, Kasungu, Salima, Mangochi and Liwonde. In Phase VI, the measures planned in the previous phases were completed in Liwonde and Salima, and Balaka was incorporated into the programme for the first time. Prior to selection, bottleneck analyses were conducted and the results reviewed with the Department of Local Government. A multisector approach was adopted in the selection of the individual measures. Based on a list of priorities, the measures to be financed were set out in a participatory process involving the responsible persons in the respective towns and the Project Implementation Unit (PIU). The corresponding bottleneck analyses were on hand when the projects were appraised and included initial proposals on the particular economic and social infrastructure facilities to be established or extended. Complementary training and support measures were also provided to enable the municipal administrations to discharge various tasks more effectively.

The following measures were implemented:

- Improvements to eight central markets with a total surface area of 77,200 m^2 (surfacing work, renovation and in some cases the construction of new public toilets) with around 3000 platforms for market stalls and ca. 250 self-contained shops and restaurants; new construction and part extensions to nine satellite markets with a total surface area of 43,650m^2 (storage facilities, toilets and surfacing work) with 1,610 platforms for market stalls and 80 small shops;
- Extension of business centres with a total surface area of 256,000m^2 (in part new construction of existing infrastructure and new development of other commercial plots);
- Construction of three bus stations and renovation of three bus stations with a total surface area of 29,940m^2 (covered waiting areas, public toilets and an administration building) including the construction of nine small shops;
- Improvement of Urban Traditional Housing Areas (UTHAs) with a total surface area of 3,058,800 m^2 including the development of roads, paths, surface drainage, drinking water points and the introduction of a cadastral system (parcellation of 4,600 existing and new residential plots in Phase IV/V and around 1,500 plots in Phase VI);
- Construction of 58 km of bitumen, gravel and earth roads, 70 km of open or walled drainage ditches as part of the extension of the business centres and traditional housing areas;
- New construction or extension of municipal administration buildings and a town hall;
- Construction of an abattoir and a sports stadium;
- Consultancy services for construction planning, public tendering procedures and the supervision of building work;
- Consulting services to the municipal administrations of the towns participating in the programme within the framework of the complementary support and training measures.

Key results of the impact analysis and performance rating

In the ex post evaluation, 28 individual (ca. 60%) projects were randomly selected and evaluated. Restrictions in the level of use were identified in six cases. In the past, some delays in the occupation and construction of dwellings were observed at the UTHAs. This seems to be the case in the four UTHAs, whose current usage rates stand at only 50-66%. On the other hand, the problems relating to the use of the market in Salima and the sports stadium in Balaka are probably of a long-term nature.

According to information provided by the participating towns, the income generated by the revenue-enhancing subprojects exceeds the directly attributable costs and is thus strengthening the financial position of the municipalities. The revenues generated through the projects vary considerably between the individual towns, amounting to between 10% and 27% of total municipal revenues. The financial data do not however tell the whole story, as the personnel costs for the operation and maintenance of the individual projects are not listed separately. If we assume annual maintenance expenditure to be 2% of investment costs, which appears plausible, the income-generating projects part-financed out of FC funds are generating surpluses in three of the four towns examined. The surpluses posted by the municipalities are channelled into the general budget of the town administrations and chiefly used to finance operating costs, especially municipal payroll expenses. No provisions are made for regular preventive maintenance and repair work or for unplanned repairs. In the subcomponents that account for almost 30% of the FC funding, the lack of regular maintenance and extended repair times are causing maintenance deficits. The deficits in regular maintenance and repair work are a risk for the future operation and sustainable use of the financed systems and faciliites. This risk is in part offset by the simple, low-maintenance technical concept adopted for the infrastructure components. Despite maintenance gaps or delays, it will still be possible to operate and use most of the financed systems and facilities for some time. This was also the case in individual projects implemented in earlier phases of the FC programme.

The living conditions of the poor in the UTHAs (est. 32,000) were improved considerably. With the newly constructed drainage ditches, the UTHAs are now better protected against flooding in the rainy season than at the time of the project appraisal. Owing to the road construction measures, the UTHAs, which are generally located on the urban peripheries, are now better linked to the town centres. Detailed information is not available, but it seems plausible that the improved connections to the urban business centres are enhancing employment opportunities for the UTHA inhabitants. The demarcation and registration of plots in the UTHAs and the granting of ownership rights has improved the legal security of the inhabitants and led to a noticeable increase in investment on their part in building and improving their houses.

The programmes contributed to boosting economic activity in the towns. Clear evidence of this is the presence of tradespersons and service providers in the newly developed business areas and the generally acceptable level of use of the markets and bus stations. Due to the volume of people passing through, the latter locations are much in demand as investment locations and have attracted restaurants, telecommunications shops, copy shops and offices for various service providers. In addition, the inhabitants of the upgraded UTHAs have invested in house improvements. A clear sign of the improved economic situation is that banks have opened branches in some of the towns in the programme (e.g. Salima). Although precise information is not available, we can assume that the FC-financed measures have triggered a significant level of private investment.

As a result of the complementary support and training measures, the municipal administrations and user groups were placed in a position to take an active part in programme planning and implementation. High levels of fluctuation in the municipal administrations (the result among other things of the high HIV infection rate) and the dissolution of the elected town parliaments have meant that the knowledge disseminated is to some extent no longer available in the towns.

The programmes have contributed to improving living conditions, especially among poor population groups, which account for more than 30% of the inhabitants of the towns. Through the activities aimed at strengthening the economic base of the secondary towns, an implicit programme objective was to promote decentralisation. An essential element of the programmes was to secure the participation of the beneficiaries in planning the individual projects. In some components, the programmes indicate potential for improving gender equality, for example if women gain greater economic independence as traders. This potential was not purposefully exploited through support measures. The individual projects had no significant negative environmental impacts. The programmes did not target improvements in environmental protection or resource conservation.

We evaluate the developmental efficacy as follows:

<u>Relevance:</u> The modified overall objective was to help improve the economic and social conditions of the population living in the towns receiving support. In view of the rapid urbanisation in Malawi, primarily attributable to migration, the programme is of high developmental priority. The results chain was fundamentally plausible: financing improvements in economic and social infrastructure in order to enable towns to increasingly generate their own revenues and to improve the living conditions of the inhabitants in the UTHAs (squatter settlements). There are deficits in terms of alignment, as the FC programmes were implemented within the framework of a project unit (Project Implementation Unit) specifically set up for this purpose. The effectiveness of the development measures is impaired as the level of coherence is lower than desirable. Firstly, the national financial transfer allocated in the context of the urban decentralisation policy has to date clearly failed to reach the target values and, secondly, the political decentralisation process has faltered with the postponement of the local elections. To date, the various donors have not made much headway in terms of harmonising and coordinating the various decentralisation support measures. We evaluate the relevance of the programmes as satisfactory (Sub-rating: 3).

<u>Effectiveness:</u> The programme objective was to improve the services offered to citizens through the targeted expansion of municipal infrastructure. A further objective was to strengthen municipal finances by generating revenues from business infrastructure services. The achievement of

objectives was to be measured in terms of the appropriate levels of use (at least 80%) at the individual projects; 75% of the individual revenue-enhancing projects were required to operate on a cost-covering basis. At the time of the project appraisal, no baseline survey was carried out to ascertain the living conditions of the poor living in the towns, and there are no accurate data on the use of the markets and bus stations. Collecting the corresponding quantitative data would entail considerable additional cost. Usage restrictions are evident in around 21% of the projects. Applying realistic maintenance costs, three of the four towns for which corresponding data are available are running surpluses and thus operating on a cost-covering basis. We evaluate the effectiveness of the programmes as satisfactory (Sub-rating: 3).

Efficiency: Consultancy service costs are in the upper range and account for between 25% and 28% of investment costs. This is due to the fact that more capacity development inputs were required at institutional level than originally planned and, in the absence of sufficient local expertise, these services were provided by international consultants. The construction contracts were awarded following a national competitive bidding procedure among prequalified building companies; the costs are evaluated as appropriate (production efficiency). Applying realistic maintenance costs, three of the four towns for which corresponding data are available generated surpluses on the delivery of business infrastructure services (allocation efficiency). In terms of the impacts achieved, especially for the poor, the cost of expanding the UTHAs was acceptable. We evaluate the efficiency of the programmes as satisfactory (Sub-rating: 3).

Overarching developmental impact: The modified overall objective was to help improve the economic and social conditions of the local population. There are no precise data available on the extent to which the individual projects improved living conditions, especially of poorer population groups. However, it seems plausible that especially the measures that addressed the Urban Traditional Housing Areas brought about improvements in the living conditions of the local population (around 32,000 people). Thanks to the newly constructed roads, these settlements are now connected to the urban centres, and the poor living there have improved access to the urban markets and other economic and social infrastructure services. The drainage facilities now prevent flooding in the settlements during the rainy season. In some cases, the beneficiaries have made significant follow-up investments in the economic infrastructure (e.g. construction of market stalls). The Malawian Government has provided less funding to the towns through fiscal transfers than originally planned, and this is hampering the further extension of the social infrastructure by the municipal administrations. We evaluate the overarching developmental impact as satisfactory (Sub-rating: 3).

Sustainability: There are a number of risks to sustainability: the know-how disseminated to the municipal administrations through the complementary measure (above all on the drafting and application of urban development and financing plans) is being gradually lost through staff fluctuation and HIV-related absences. The towns themselves are not able to provide the necessary training for new employees. The lack of maintenance plans and insufficient financial provisions for extensive repairs are impacting negatively on the upkeep of the infrastructure projects. These risks are partly offset by the fact that most of the facilities require little maintenance. Overall, we assume that the key infrastructure components that were financed will be maintained and kept operational to a sufficient degree. We evaluate sustainability as satisfactory (Sub-rating: 3).

Overall, we evaluate the developmental efficacy of the programmes as satisfactory (Sub-rating: 3).

General conclusions and recommendations

In order to improve donor harmonisation and boost implementation efficiency, a joint financing and implementation mechanism should be further pursued as proposed in the Local Development Fund concept. Further support in the area of decentralisation should be tied to the implementation of the relevant reform steps by the Malawian Government (local elections, progress towards fiscal decentralisation by raising the level of fiscal transfers from the state to the towns).

The participatory selection of individual measures in itself is no guarantee that developmental bottlenecks at municipal level will be reduced. The selection criteria should therefore be defined such that only measures that promise a clear reduction in local developmental bottlenecks are financed out of FC funds, that these measures are linked to services/goods typically provided by municipalities, and that the communities can clearly demonstrate they have the capacities necessary to ensure sustainable operation.

In urban development programmes, the economic and social living conditions at the project locations should be precisely compiled in baseline surveys in order to be able to measure their impacts more precisely.

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

Projects are evaluated on a six-point scale, the criteria being relevance, effectiveness (outcome), "overarching developmental impact" and efficiency. 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 rating that clearly exceeds expectations
2	Good rating fully in line with expectations and without any significant shortcomings
3	Satisfactory rating – project falls short of expectations but the positive results dominate
4	Unsatisfactory rating – significantly below expectations, with negative results dominating despite discernible positive results
5	Clearly inadequate rating – despite some positive partial results the negative results clearly dominate
6	The project has no positive results or the situation has actually deteriorated

A rating of 1 to 3 is a positive assessment and indicates a successful project while a rating of 4 to 6 is a negative assessment and indicates a project which has no sufficiently positive results.

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 an improvement is very unlikely. 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. A rating of 1 to 3 indicates a “successful” project while a rating of 4 to 6 indicates an “unsuccessful” project. In using (with a project-specific weighting) the five key factors to form a overall rating, it should be noted that a project can generally only be considered developmentally “successful” if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are considered at least “satisfactory” (rating 3).