



1. Project Data:		Date Posted : 03/28/2002	
PROJ ID: P001636		Appraisal	Actual
Project Name: Local Govt.	Project Costs (US\$M)	36.30	20.78
Country: Malawi	Loan/Credit (US\$M)	24.00	19.89
Sector(s): Board: UD - Sub-national government administration (95%), Central government administration (5%)	Cofinancing (US\$M)	3.50	0.00
L/C Number: C2379			
	Board Approval (FY)		92
Partners involved : UNDP, MDP, ODA/DFID, USAID	Closing Date	12/31/1999	06/30/2001

Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The objectives were to enhance the financial and administrative capacity of the local government system to: (i) provide and maintain municipal services and infrastructure at a level consistent with the affordability, size and growth of the population; and (ii) finance such activities mainly with locally generated funds, and improve the financial management of such funds.

b. Components

(a) Policy reform, including policy studies, advocacy workshops, and the implementation of associated action plans in four areas, i.e. legislation, duties and responsibilities of local government agencies v.s. central government, revenue generation and financial management, and human resources (base cost \$2.8 million); (b) institutional strengthening, including organizational modifications and operational procedures, staff training, TA, and vehicles and equipment for local government units (base cost \$9.7 million); and (c) provision of infrastructure and services, including plant, vehicles, and equipment for rehabilitation and maintenance of existing infrastructure, and investment in new infrastructure in Blantyre, Lilongwe, and Zomba (base cost \$17.1 million). Funding of the infrastructure investments, nearly 60 percent of the total project costs, was also necessary to provide the seed money for "Development Fund for Local Authorities" (DFLA) through revolving (re-lending) the repayments back to other local authorities for the same purpose.

c. Comments on Project Cost, Financing and Dates

The actual project costs are still under review by the Region, but are tentatively estimated at about US\$20.8 million (57 percent of the estimated costs at appraisal). Several revisions of project components took place during the implementation along with the cancellation of US\$0.67 million in April 2000. The credit was closed on June 30, 2001, 18 months late, and the undisbursed amount of US\$3.8 million was cancelled. The planned cofinancing did not materialize.

3. Achievement of Relevant Objectives:

Although the project objective were only partially met, the project's *policy reform component* laid the foundation for a local government system through: (i) carrying out essential studies that facilitate policy dialogue within the government and with the donor community; and (ii) providing a platform for the Bank to join other donors, at the time UNDP, UNCDF, DANIDA, and DFID (then ODA), that actively promote local government reforms. The full benefits of these studies were, however, not yet evident at

the end of the project. The project did achieve some of its *institutional development* goals such as technical advisors in the housing area administration and cost recovery, and systems maintenance engineering, as well as procurement of vehicles, plant, and equipment. The staff-training efforts were less successful. Despite this relatively positive status on output delivery, tangible results in institutional strengthening were yet to materialize at the time of credit closing. In the area of *physical investments*, a total of over 1,700 site and service scheme plots were demarcated, but only some 60 percent of these plots were allocated to beneficiaries. Related road, street lighting, drainage works, and solid waste equipment were, for all practical purposes, completed along with market improvements in all project areas. The envisaged co-financing plan failed (reasons not reported in the ICR) thus causing some important institutional strengthening goals not to be achieved, as the input by key long-term technical advisors and some training activities did not materialize.

4. Significant Outcomes/Impacts:

The achievements in several activities fell short of expectations as compared with the set project goals. This was mainly due to the highly optimistic project design in terms of time required for such fundamental reforms and major decentralization of local government duties. As a result, the impacts are negligible. The political issues raised within the government about the extent of the goals further delayed the implementation of planned changes.

5. Significant Shortcomings (including non-compliance with safeguard policies):

Shortfalls were mainly in the areas of policy reforms and institutional strengthening with only about 80 percent and 65 percent of activities completed, respectively. The project also fell short on providing site and service schemes as only about 40 percent of the number of plots estimated at appraisal were actually implemented. The financing mechanism through DFLA failed as the cost recovery from the site and service schemes was poor. Eventually, DFLA was deemed defunct for all practical purposes at project closing. The project was expected to produce an ERR of 16 percent estimated for the main physical investments, some 52 percent of the total project costs. No ex-post re-estimation of the actual ERR was carried out due to the lack of data on the benefits of the substantially reduced investments.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Moderately Unsatisfactory	Despite its deficiencies, the project laid the foundation for a long-term development of the local government system and decentralization .
Institutional Dev .:	Modest	Modest	
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

The project is a good example of an overly ambitious project design, and scheduling of activities. The ICR comprehensively reviews and discusses several important findings from this project experience of which many have wider implications as follows: (i) process of policy formulation and respective reforms need to be effectively guided during project implementation; (ii) design of objectives, respective components and their implementation schedule need to be based on realistic goals; (iii) issues related to the analysis of political risks need to be reviewed during implementation and reported openly; and (iv) the project calls for the application of progress based gradual programs through more flexible instruments (such as APL) .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is detailed and gives a specific account of factors that caused the project to fail. However, it is

extremely long and somewhat repetitive. Overall, the ICR is satisfactory.