



<b>1. Project Data:</b>		<b>Date Posted :</b> 06/26/2002	
<b>PROJ ID:</b> P001657		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Institutional Development II	<b>Project Costs (US\$M)</b>	25.60	19.80
<b>Country:</b> Malawi	<b>Loan/Credit (US\$M)</b>	25.60	23.1
<b>Sector(s):</b> Board: PS - Central government administration (79%), Tertiary education (21%)	<b>Cofinancing (US\$M)</b>	0.0	0.0
<b>L/C Number:</b> C2624			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b> none	<b>Closing Date</b>	12/31/2000	06/30/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**  
(i) address systemic management issues that impede the efficiency and effectiveness of the *civil service*; (ii) assist the Department of Statutory Corporations (DSC) to manage the interface between the *parastatal sector* and the Government; and (iii) strengthen the Malawi Institute of Management (MIM).

**b. Components**  
There were five major components. (a) Improving civil service policy and information framework (USD 3.3 million). (b) Strengthening the capacity of the department of personnel management and training (USD 4.0 million). (c) Strengthening the institutional capacity of the Ministry of Finance (USD5.5 million). (d) supporting the Department of Statutory Corporation (USD 1.9m) and (e) strengthening the Malawi Institute of Management (USD8.1 million).

**c. Comments on Project Cost, Financing and Dates**  
In 1999 the Development Credit Agreement was amended to include capacity building through training and a fellowship fund. The objective was to support a broader set of indigenous training institutions . USD2.5 million was canceled.

**3. Achievement of Relevant Objectives:**  
The staff appraisal report failed to show convincingly how project components would improve the project's objectives of increasing the efficiency and effectiveness of the civil service : project design did not address broader civil service reform issues such as the accountability from the civil service for results and increasing the responsiveness of civil servants to their mandates. It was not in the Bank's comparative advantage to support the Malawi Management Institute. Thus the relevance of the project design was low even though most of the components achieved what they set out to do.

(i) Civil Service: The project supported job evaluation, functional reviews, personnel audits, program budget classification. Reforms under Component A included among others, support for personnel management issues . In addition, two civil service census were completed, a Personnel Audit Office was established, training was done, a Local Area Network was developed. The main outputs of component B included a consultancy to review institutional arrangements for determining remuneration and preparing a draft remuneration policy; a job evaluation and grading exercise and a procedures manual for personnel management . Under component C, officials were exposed to medium-term planning and a program classification system was introduced . A review of Government accounting policies and procedures was undertaken as a basis for the design of Integrated Financial Management and Information System and public sector accounting standards were adopted .

(ii) Parastatal Sector: Several key activities including the introduction of performance contracts and completion of technical reviews were not undertaken but this component formed a relatively insignificant portion of the project cost (less than 10 percent of the total).

(iii) The MIM and other indigenous institutions were strengthened . The component established an endowment fund

at MIM, civil works helped build an impressive campus . MIM offers a wide range of courses on a cost recovery basis . Other institutions were supported with procurement of computer equipment, books and civil works . The Fellowship Fund supported the training of 1584 officials.

#### 4. Significant Outcomes/Impacts:

By investing in job evaluation, functional reviews, personnel information systems, personnel audit system and procedures manual, the project helped diagnose factors undermining civil service performance . It enabled the government to take decisions regarding reform of civil service systems, monitor tasks related to establishment control and payroll auditing. Personnel Policy Research and Personnel Audit Units and Contracting Out and Rationalization Units are functioning. It helped develop the 1996 Action Plan for Civil Service Reform as well as the 2000 Public Sector Reform strategy. It assisted with the budgeting and forward planning towards the development of a Medium-Term-Expenditure-Framework (MTEF), helped reform accounting policies across government, and developed an Integrated Financial Management and Information Systems . The project financed training, both in-country and abroad, for civil servants in cabinet decision-making, public financial management and accounting, personnel management and human resource development and strengthened the MIM .

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

Overall, poor relevance ( see para 3 above), complex design, inadequate provisions for poor implementation capacity, absence of performance monitoring indicators were important shortcomings . At the time of effectiveness, the five components consisted of 28 distinct sub components. The responsibility for individual components was dispersed across several implementing agencies . Several of the activities were contract-intensive, which placed significant demands on borrower's contracting and supervising capacities . Performance measures consisted largely of input or process indicators rather than output or outcome indicators . Little guidance was provided on how to assess the project's impact on beneficiary organizations . Government commitment to comprehensive budgetary and administrative reform was weak. The Office of the President and Cabinet issued guidelines to clarify the role of DSC vis-a-vis parastatals, however, the new arrangements were not enforced due to lack of awareness .

The project did not improve the effectiveness or efficiency of civil servants . At least no indicators suggest system wide improvements. Political involvement in the bureaucracy affected the environment for public administration reform adversely. The MTEF has not received support from sectoral ministries . The parastatal sector continues to undermine the fiscal performance. Studies were not undertaken in a participatory manner and management tools were developed in some cases with little involvement of Government teams .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Moderately Unsatisfactory	Poor relevance. The impact on efficiency and effectiveness of the civil service and on fiscal performance is not yet evident. <b>Comments from the Region :</b> Overall, the Region agrees that, <i>at entry</i> , the project suffered from overly complex design, poorly defined objectives and performance indicators at entry, as well as inadequate provision for weak implementation capacity. However, in the view of AFR, three issues raised in the ICR review and OED's ratings do not adequately reflect the ground realities of project design, implementation, and impact in Malawi. First, in its rating of outcomes, the Region is concerned that the ICR review (i) does not judge outcomes against the <i>stated objectives</i> of the project; (ii) does not evaluate relevance against the explicit strategic choices made by the Bank against the backdrop of political and economic transition in Malawi during the early 1990s; and (iii) is not sufficiently nuanced in considering impact of capacity building on fiscal and civil service performance.
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Likely	Likely	The modest achievements are likely to be sustained
<b>Bank Performance :</b>	Satisfactory	Unsatisfactory	Moderately unsatisfactory . Relevance was low and according to ICRs own

			<p>assessment, at appraisal, the Bank had not clearly defined the objectives or established an adequate monitoring and evaluation system. It was overly optimistic about implementation capacity. Supervision was satisfactory but for a project that was generally poorly designed.</p> <p><b>Comments from the Region :</b> OED's rating of Bank performance as moderately unsatisfactory due to poor design fails to take into account (or even make reference to) the substantial 'learning by doing' that took place over implementation, the restructuring of the project during the Mid-Term Review, and the Bank's flexibility in allowing reallocations from nonperforming to quick disbursing components during supervision.</p>
<b>Borrower Perf .:</b>	Satisfactory	Unsatisfactory	<p>Moderately unsatisfactory. The ICR rates the borrower performance marginally satisfactory. However, political commitment to structural reforms was weak, and there was interference in the working of the bureaucracy. The Government failed to follow-through on a number of fronts. Staff turnover and redeployment adversely affected project implementation. The various permanent secretaries repeatedly compelled the project manager in the PIU to reallocate funds between components without IDA approval. Multiple reporting responsibilities between the project managers and senior bureaucrats exacerbated problems. However, the Government did work closely with the Bank on diagnosing problems and public expenditure reforms are being coordinated by the Secretary to the Treasury.</p> <p><b>Comments from the Region :</b> The Region concurs with OED that the lack of follow-through, political involvement in the bureaucracy, and high staff turnover complicated Borrower Performance. However, little consideration has been given in the ICR review of Borrower efforts after the Mid-Term Review to champion innovative capacity building mechanisms such as the Fellowship Fund.</p>
<b>Quality of ICR :</b>		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:

(i) In poor capacity settings, selecting activities which might have the greatest impact (rather than doing a bit of everything in order to be comprehensive) is important (ii) Training and supply of equipment take structures as given. These are not the best use of Bank resources. The Bank's comparative advantage is in addressing systemic/structural issues. (iii) Initiatives should be sequenced properly. The MTEF, for instance, was not as useful because of poor fiscal data and unpredictable resource flows. (iv) Clear link should be established between project objectives and components.

**8. Assessment Recommended?** ☐ Yes ☒ No

#### 9. Comments on Quality of ICR:

The ICR is of good quality.

