63905

SOCIAL DEVELOPMENT NOTES

DEMAND FOR GOOD GOVERNANCE

GOOD-PRACTICE NOTE:

Governance and Anti-Corruption Innovations in the Malawi Social Action Fund Project

The World Bank supported three phase Malawi Social Action Fund (MASAF) Project was first approved in 1996. MASAF 3 APL II, which operates in a challenging governance environment has introduced a number of innovative Governance and Anti-Corruption (GAC) interventions in the realm of governance and political economy, fraud and corruption risks in procurement and financial management, and demand side governance (transparency, participation and third party monitoring). These challenges and innovations are the focus of this learning note.

The Governance Context in Malawi – A Background:

Malawi, with a population of 13 million, is a low-income country with one of the lowest per capita incomes in Sub-Saharan Africa. Malawi continues to face a variety of social, economic, political and administrative challenges including high inflation, low salaries/pensions of public officials, chronic resource shortages, dearth of public goods and services, unethical individual behavior, and kinship and nepotism. As a result of these factors, corruption remains a major problem in Malawi. Malawi has consistently performed poorly on Transparency International's Corruption Perception Index. It ranked 68 out of 102 surveyed countries in 2002, 90 out of 146 surveyed countries in 2004 and 115 out of 180 surveyed countries in 2008. Indeed, most Malawians view corruption as being a major constraint to development (Box 1).

In response to these challenges, Malawi has introduced a number of initiatives aimed at promoting good governance and fighting endemic corruption. In May 2004, President Bingu Wa Mutharika, immediately after taking office adopted a zero tolerance stance on corruption. This was subsequently formalized into a Declaration on Zero Tolerance on Corruption in February 2007. The strong political will to improve governance and combat corruption translated itself into the 2006 Malawi Growth and Development Strategy

---

Box 1: Corruption, a Major Impediment to Development

In 2005, the Government of Malawi conducted a Governance and Corruption Baseline Survey to identify the locus and extent of corruption in the country. The survey indicated that:

- Nine out of 10 Malawians perceived corruption to be a serious problem.
- Seventy percent of ordinary citizens believe that corruption has worsened over the years.
- Sixty percent believed that it is common to pay gratification to public officials.
- Public officials acknowledged that gratification represents nearly a quarter of their salaries. Gratification received is shared between superiors (26.9%), colleagues in the organization (21%), politicians or political parties (24.6%) and the receiver.
- Malawi society perceived public institutions as delivering inferior services and identified "troubled departments" such as the Directorate of Road Traffic, Office of the Director of Public Procurement, Administrator General, Malawi Revenue Authority, Malawi Housing Corporation and the Department of Immigration as high corruption prone departments.

Source: Governance and Corruption Baseline Survey. Government of Malawi

(MGDS), which included "Good Governance" as one of the five themes instrumental in Malawi's economic growth and development, and several laws such as the Public Procurement Act, the Public Audit Act, the Public Finance Management Act, and the Money Laundering, Serious Crimes and Financing of Terrorism Act, 2006. Malawi has a draft Freedom of Information Act, awaiting Parliament's approval. The President's anti-corruption efforts have also led to several high-level arrests and convictions.

Fighting corruption, until recently, was seen as primarily the responsibility of the Anti-Corruption Bureau (ACB) since it was the agency responsible to implement the Corrupt Practices Act. 1995. The recently launched National Anti-Corruption Strategy, 2008 however, has identified areas and activities by which the executive, legislature, judiciary, private sector, civil society, faith based organizations, traditional leaders and the media can strengthen the anti-corruption drive (Box 2).

Other anti-corruption initiatives undertaken by the government include the establishment of an Alternate Dispute Resolution mechanism (ADR) within the Judiciary; the creation of the Business Action Against Corruption (BAAC) by the private sector and the Civil Society Action Against Corruption (CSAAC) by civil society organizations. BAAC has developed a code of conduct guiding business enterprises to conduct honest and corrupt free business transactions. The Legislature is in the process of establishing the Malawi Chapter of the African Parliamentarians Network Against Corruption to fight corruption within the Legislature. A few para-statal and government organizations such as the regional water boards, the telecommunication and electricity utilities, MASAF, etc. with the guidance of the ACB have developed corruption prevention policies to fight corruption from within. Other institutions are also in the process of developing their anti-corruption policies.

Box 2: The Malawi National Anti-Corruption Strategy: A Holistic Approach to Curbing Corruption

"The National Anti-Corruption Strategy is designed to promote good governance in Malawi. Its purpose is to eradicate corruption in all its forms and in all sectors of the Malawi society through anti-corruption reforms and promotion of a culture intolerant to corrupt practices".

- Hon. Dr. Bingu Wa Mutharika, President of the Republic of Malawi

The 2008 National Anti-Corruption Strategy (NACS) emanates from theme five of the Malawi Growth and Development Strategy (MGDS) which recognizes that "corruption retards economic growth and development by diverting resources for socio-economic development activities into the coffers of a few". The Strategy, which is currently being rolled out, expects – i) to promote integrity, transparency and improve service delivery in all sectors; ii) to promote public involvement in the fight against corruption; and iii) to intensify prevention of corruption and promotion of integrity in all sectors. The Strategy spells out the role of the public in the fight against corruption. It encourages the public, through awareness campaigns, to report corrupt practices and to demand accountability from service providers. The major focus of the Strategy is the development of a National Integrity System (NIS) which spans all sectors of Malawi society into action.

The implementation, monitoring and evaluation of the Strategy is expected to be done by a National Integrity Committee (NIC) comprising members drawn from all sectors of Malawi while the ACB, since it has the legal mandate to prevent corrupt practices in Malawi, acts as the secretariat of the NIC. Institutional Integrity Committees (IICs) are proposed to be established in all organizations with a view to promoting transparency and accountability.

Source: Malawi National Anti-Corruption Strategy, 2008.

MASAF 3 APL II - Key GAC Features in Project Design:

The World Bank supported three phase Malawi Social Action Fund (MASAF)[1] has been

---

[1] MASAF 1 was approved in May 1996 and closed in December 2001. MASAF 2 was approved in October 1998 and closed in November 2003. MASAF 3, APL I was approved in May 2002 and closed in December 2007. MASAF 3, APL II which is the focus of this learning note was approved in June 2008.

operating in such a challenging governance environment. The creation of a culture of good governance behavior is critical to the success of a decentralized community driven project such as MASAF. Recognizing this early on, MASAF project management focused on creating, nurturing and building a culture of good governance and ethical behavior within the project and adopted an overarching zero tolerance policy to fraud and corruption. MASAF 1 and 2 built strong financial and public accountability systems at the project and community levels and MASAF 3 continues to deepen accountability in project management processes and project financed activities. The key design features of MASAF 3, APL II which is currently under implementation, assessed along three GAC dimensions[2], namely - governance and political economy; fraud and corruption risks in procurement and financial management; and demand side governance (transparency, participation and third party monitoring) are enumerated below.

Dimension 1: Governance and Political Economy

The design of MASAF 3 APL II benefited immensely from prior analysis of governance and political economy issues[3] in the 2006 MGDS and the 2007 CAS[4], and the Government's pursuit of the good governance and anti-corruption agenda. It identified the various stakeholders (beneficiaries, village councils, Village and Area Development Committees, Traditional Leaders, District Councils, community based organizations, private sector, and sectoral ministries) at both national and local levels and assigned their roles and responsibilities with appropriate checks and balances necessary to curb corruption.

To begin with, MASAF's governance structure has provided the project with independence and freedom from direct control by any branch of Government. Overall policy and fiduciary responsibility was assigned to a Board of Directors comprised of representatives of public and private sector institutions and a national umbrella NGO. This governance structure has sheltered MASAF against 'political capture', thereby minimizing opportunities for corruption. Another major project design feature was the shift in responsibility for implementation from the national government to local governments. Local Development Funds (LDF) were established to be managed by District Councils and to serve as the Districts' resource mobilization mechanism from central budgets and external assistance. Similarly, the MASAF PIU also shifted responsibilities to local governments, with the current MASAF/LDF technical support team (TST) playing a capacity building/change agent role in this transitional phase.

Though the establishment of the LDF in the Districts created the potential for elite capture, the project has adopted several reforms and safeguards to mitigate these risks. At the local level, the establishment of the Local Authority Management and Information System (LAMIS) and the mandated financial and technical audit requirements are expected to enhance budget and expenditure transparency. In view of MASAF's reduced implementation role, the project plans to build the capacity of District Governments, Area and Village Development Committees, and community organizations to monitor project implementation and speak out against corruption.

---

[2] These three dimensions were part of "Governance and Anti-Corruption (GAC) Assessment Framework: which was designed by the Bank's Quality Assurance Group collaboratively with other departments as part of the *GAC in Lending Operations: A Benchmarking and Learning Review, 2009.*

[3] During MASAF I, the Ministry of Planning and Economic Development sponsored a "Stakeholder Analysis" to understand power relations among participating institutions.

[4] The CAS called for "…analysis of political economy and institutional dynamics in all project cycle."

The MASAF TST will also play a key role in overall supervision and ensuring that the agreed systems and procedures are applied. Indeed, in view of the varying levels of capacity among the Districts, the need for interim technical support from MASAF is enormous. During earlier stages of the project, MASAF had taken measures to consolidate its field presence by closing the three Zonal Offices responsible for groups of Districts (MASAF currently only has one central office) and assigning Justification Assistants to each office of the District Commissioner to assist in the review of sub-project expenditures and overall portfolio management at the district level.

Dimension 2: Combating Fraud and Corruption in Procurement and Financial Management

Over the years, MASAF, has developed as a credible 'brand name' in Malawi associated with community empowerment, participatory development, transparency, accountability and integrity. MASAF's procurement and financial management systems and procedures are nationally regarded as more transparent than those adopted in other public sector managed development programs.

MASAF 3, APL II includes several innovative measures to tackle fraud and corruption (Box 3). First, MASAF's anti-fraud and corruption strategy is equally focused on building local capacity—including at the community level—and instituting other prevention measures. For example, the Project has made a provision for capacity building at the District level and trained accountants are being assigned to each District to manage the newly introduced Integrated Financial Management Information System (IFMIS). While progress in this area remains slow, the TST is trying to promote the system. MASAF's strict adherence to and application of procurement and financial management rules, has resulted in prosecution of MASAF staff for fraud and corrupt practices.

Second, procurement units are being established for each council. Intensive procurement training for all appointed procurement officers and holistic procurement training to all Community

Procurement Committee members has been planned. Districts will also maintain a roster of pre-qualified contractors and a 'priced data bank' to ensure that project staff adheres to a transparent

---

Box 3: Potential Sources of Fraud and Corruption

Corruption in MASAF sub-projects can manifest in various forms –
- Conniving with suppliers to inflate prices of project materials with an aim of sharing the benefits;
- Demanding or accepting gifts or money in order to favor certain suppliers or contractors;
- Failing to disclose a conflict of interest in bidding fora contract to perform work or supply project materials in order to assist a friend or relative to win a contract;
- Using one's position to award contracts for works or supply of project materials to friends or relatives or your own company;
- Imposing projects on communities to serve vested interests or interfering with project implementation for selfish ends and theft of project materials.

Source: MASAF Forum, Vol. 2 Issue 2, June 2006.

---

competitive selection process that prevents potential corrupt practices. Critically, the institutional strengthening measures discussed above are not "ring fenced" approaches to meet the specific requirements of the Project, but are part of the GOM's commitment to the decentralization of development responsibility to District Governments.

Dimension 3: Demand Side Governance (Transparency, Participation and Third Party Monitoring)

MASAF 3 APL II exhibits several good practice design features on demand side governance. Most notably, the project incorporates a Transparency and Accountability Program for ensuring that public servants are accountable to communities. The program includes a Transparency and Accountability Framework that has 9 key elements (Figure 1). The key features of the framework are discussed below:

Figure 1 - Key Elements of MASAF 3's Transparency and Accountability Framework
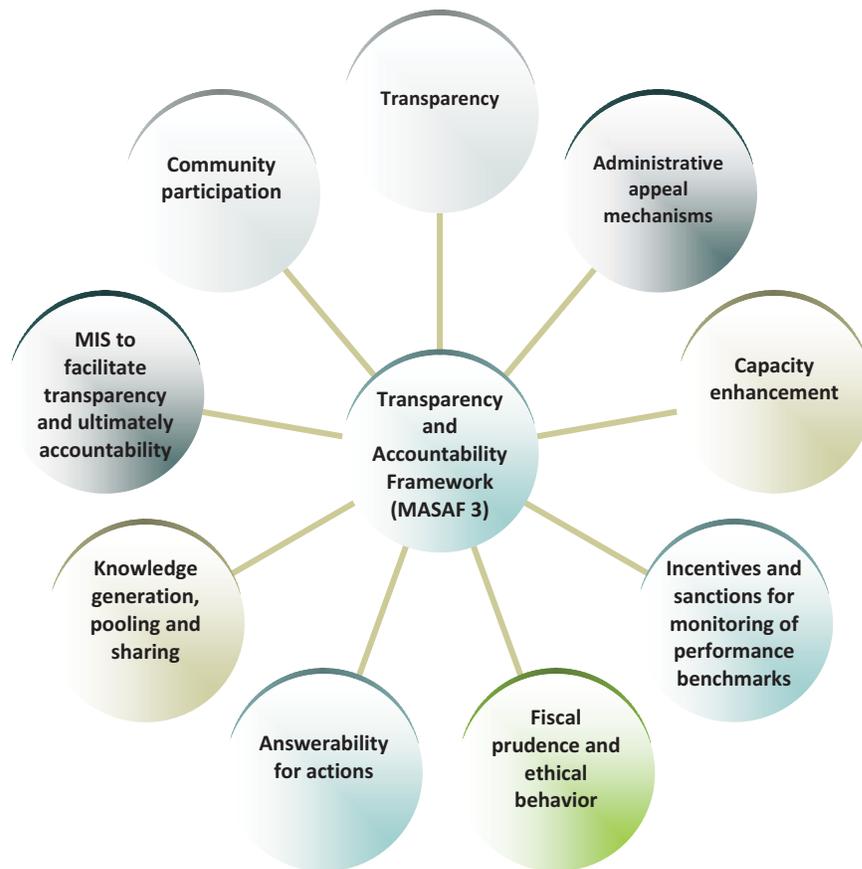
- *Transparency:* Disclosure of project related information (financial, procurement and results of monitoring and evaluation) and sharing emerging lessons from implementation experience are common practices in MASAF operations. MASAF has established a transparent value chain process from allocation of resources to implementation of district and community projects. One of the key steps taken by MASAF is to publicly announce and display the annual resources allocated to each District based on the formula established by the National Local Government Finance Committee (NLGFC), a subsidiary of the Ministry of Local Government and Rural Development. The upfront disclosure of resources earmarked to each District is based on publicly announced allocation criteria including population size and poverty incidence. A Service Charter, which will serve as an instrument for transparency and accountability has also been developed for Districts.

- *Participation:* At the District level the various stakeholders - district officials, traditional leaders, area and village development committees, elected project management committees, communities and NGOs – actively participate in the identification, formulation, implementation, supervision and operation and maintenance of approved projects. MASAF has also established several channels to deepen beneficiary and user participation and allow the general public to file complaints and grievances. MASAF's own internal Ethics Code (Box 4) encourages the public to lodge complaints anonymously either with MASAF, the ACB, the Police or using the judicial system. The ACB has also established a grievance hot-line to or submit complaints in writing. Village-Based Anti-Corruption Clubs are also being established to facilitate collective community action against corruption.

Box 4: The Role of Ethics in MASAF 3

MASAF, in collaboration with agencies such as the police department and the Anti-Corruption Bureau (ACB) have launched a number of initiatives to prevent and combat unethical practices within the project:

- MASAF's code of ethics defines "unethical conduct" to include behaviors or actions associated with fraud, corruption, misuse of resources, deliberate misinformation, circumvention of procedures, or any other similar behavior likely to bring disrepute to MASAF, its board, management or its employees.
- In September 2004, the ACB and MASAF agreed upon three broad ethics management strategies for MASAF sub-projects, namely – i) disseminating information through civic education; ii) sensitization and training of key personnel that execute MASAF 3 projects in identification and investigation of unethical practice cases; and iii) sharing information on complaints pertaining to MASAF projects. MASAF has the unique distinction of being the first institution in Malawi to be awarded a certificate of recognition by ACB for its transparency efforts.
- The MASAF ethics database is expected to act as a memory center to facilitate - analyses of unethical practices; follow-up of cases involving fraud, corruption and unethical practices; and reviews of ethics promotion policies instituted under MASAF. The number of registered complaints in the MASAF ethics database has gradually increased from 2 in 1996 to 38 in 2006 indicating management's commitment and success of the initiative. A number of MASAF personnel have been prosecuted and dismissed after investigations.

Source: Ethics in the Implementation of MASAF Project, Reports to the World Bank by MASAF MU, 2002 and 2006.

- ***Third Party Monitoring:*** At the District level, the project design has instituted several layers of monitoring including District technical staff, traditional leaders in collaboration with area development committees and community representatives. In order to promote third party monitoring, the project plans to contract with NGOs to help communities report on a sample of projects under implementation. With respect to independent verification of access to and quality of services, the project plans to extend "Participatory Community Monitoring and Accountability" approaches and systems using Citizen Report Cards and Community Score Cards. MASAF has successfully piloted the use of Community Scorecard under MASAF 3 (Box 5). The MASAF TST is currently working with local authorities to institutionalize the Comprehensive Community Scorecard at the local authority and community levels.

Implementing GAC Measures in MASAF 3 APL II – Challenges Ahead:

MASAF 3 APL II has benefited enormously from prior studies, stakeholder and situation analyses, adopted Acts, systems and procedures. Moreover, the evolving democratic environment and the country's pronounced commitment to promote good governance and combat fraud and corruption practices has facilitated the integration of GAC measures in project design with minimum additional analysis. Notwithstanding the above,

the project faces several challenges while rolling out the above discussed governance interventions. Both the Government of Malawi and the MASAF/LDF TST are cognizant of these

Box 5: Demand Side Governance through Community Scorecards in MASAF 3

The Comprehensive Community Scorecard (CCSC) was the most widely applied mechanism under the social accountability framework adopted under MASAF 3. The first round of the CCSC was implemented in over 500 communities countrywide. The assessment focused on 5 key issues – i) accountability; ii) satisfaction with project management processes; iii) performance of project outputs such as water points, classroom blocks, etc.; iv) local authority and MASAF management performance; and v) perceptions on sustainability of MASAF funded projects.

Some of the key areas identified for improvement were – increase frequency of supervision by local authorities; improve transparency in beneficiary recruitment for programs executed by local authorities; need to improve reporting of financial progress to communities; and improvement in behavior of local authority staff towards community members. Overall there was widespread appreciation of the CCSC process and communities wanted CCSCs to be conducted regularly to strengthen citizen oversight and improve public scrutiny. Anecdotal evidence indicated that communities have become more critically aware of their role in sub-project management and the responsiveness of local authority officials has improved considerably as a result of the CCSC exercise.

challenges, which are discussed below, and are attempting to address them.

- *Decline in political will:* The government has an overwhelming majority in the newly elected parliament. Thus, there is a concern that the government may back-track in the realm of good governance and anti-corruption. If that were to happen, the existing enabling environment for GAC would be threatened.

- *Delays in the LDF:* As of February 2010, the LDF's institutional set up had still not been finalized, and it is uncertain when the Cabinet will approve the LDF mechanism. In accordance with the LDF's decentralized approach to local development, MASAF no longer has regional offices and, instead, fiduciary and procurement responsibilities have been transferred to local governments. However, there is a continuing lack of staff at the local level for fiduciary and procurement issues. Furthermore, despite the fact that the financial management system used for the LDF is supposed to be extended to all local governments, it has so far only been piloted in five districts. This also continues to adversely affect MASAF's implementation.

- *Structural factors continue to thrive*: Several factors such as low salaries/pensions of public officials, lack of incentives and sanctions, cumbersome and time consuming procedures, poor supervision and performance benchmarking, etc. continue to persist in Malawi. These factors will work against the GAC risk mitigation measures in MASAF 3.

- *Increase in political interference:* With the channeling of MASAF 3 resources through Local Authorities and the impending arrival of elected Local Authority members, political interference in community decision making and implementation processes to influence project selection and procurement may increase. The quick and effective operationalization of MASAF 3's Transparency and Accountability Program will help limit excessive political interference.

- *Over-stretched and under-funded GAC monitoring institutions:* Nurturing and promoting ethical practices requires capacity, time and finances. Both MASAF and ACB staff are over-stretched (in terms of both personnel and funding) and gathering evidence for prosecution is time-consuming. Despite these bottlenecks, both MASAF management and the ACB are committed to promoting a corruption-free culture of good governance.

- *Low institutional capacity of Local Authorities:* The challenge associated with building financial management, procurement, supervision and safeguards capacities is enormous. The capacity of councils to undertake procurement is weak to average and the overall risk is high. For example, the severe shortage of technical staff at times brings MASAF sub-projects to a halt due to the absence of timely technical support. While the project has made a provision for capacity building at the District level, these efforts appear to be inadequate relative to the need of Local Authorities.

- *Poor post-construction asset utilization and maintenance follow-up:* There appears to be no record of the follow-up on asset utilization and maintenance after the assets have been constructed. Some assets appear to have been abandoned and there appears to be no plan to rejuvenate abandoned assets or prevent such recurrences from happening in the future.

- *Numerous bells and whistles difficult to translate into action:* MASAF manuals appear to articulate lofty intentions to improve governance, transparency and accountability which are difficult and expensive to implement in the field in a sustainable manner. To illustrate, the Transparency and Accountability Framework in MASAF 3 has 9 key elements (Figure 1), most of which do not appear to have been translated into effective steps on the ground during the early stages of MASAF 3. Similarly while third party monitoring has been envisaged in MASAF 3, it does not appear to have been conducted widely. MASAF 3 needs to strengthen demand-side governance measures such as third party process monitoring, citizen feedback gathering and complaints handling to ensure their integration into project processes sustainably.

Conclusion:

Malawi's growing conducive and open political climate, empowers development stakeholders including external development partners to flag

governance and corruption issues with ease. The awareness that weak governance and corruption hamper effective delivery of services by public and private sectors has resulted in the formulation and implementation of several legal frameworks, codes of conduct, institutional safeguards, systems and procedures to improve governance and combat corruption.

In MASAF, more than a decade of experience has helped establish and apply transparent financial management and procurement systems and procedures. MASAF is also combating fraud and corruption with active prevention measures and successfully prosecuting corrupt staff. Its commitment to a fraud and corruption-free community based development program is widely recognized. However, the onset of decentralization, and the primary implementation responsibility shifting from the center to the districts, with weak institutional capacity, poses a serious challenge to MASAF's operations and reputation. Adequate safeguards have been integrated in the design of the project including technical audits, supervision by MASAF and output based disbursement.

MASAF 1 and 2 have laid a strong foundation for public accountability systems at the community level. MASAF 3 continues this trend of deepening accountability and integrating a social accountability framework into project management processes. The implementation of the social accountability framework comprising of numerous mechanisms, which place communities at the center of assessing performance of public sector service delivery and facilitate citizen feedback to service providers, require money, time and technical expertise to implement and are often cumbersome and unsustainable. Consequently the most relevant social accountability mechanisms need to be chosen wisely and sequenced appropriately.

In conclusion, MASAF 3 APL II has continued the previous MASAF projects' commendable work in identifying governance and accountability risks and integrating mitigation measures into proposed project activities. What remains to be seen is how effectively MASAF will be able to translate these proposed mitigation measures into reality and take advantage of the supportive good governance environment that exists in Malawi today.

References:

- Mustafa, Hussein (2005). *Combating Corruption* **in Malawi: An Assessment of the Enforcing Mechanisms,** University of Malawi, Chancellor College.
- Kajumi, Murphy (2006). **Citizen Oversight through Social Accountability: The Malawi Social Action Fund and the Comprehensive Community Scorecard Process.** Findings 265, World Bank.
- Casals and Associates Inc., 2007. **Public Opinion on Corruption in Selected Regions of Malawi -** A Survey Implemented under the Strengthening Government Integrity Project, Lilongwe, Malawi.
- **National Anti-Corruption Strategy** (2008). Republic of Malawi.
- **Transparency and Accountability Program Handbook** (2004). Malawi Social Action Fund Project.