# EXECUTIVE SUMMARY

The Malawi Threshold Program was a $20.9 million program to reduce corruption and improve financial management as a means to improving Malawi's performance on the MCC's Compact eligibility indicators.[1] The program was implemented from September 2006 to September 2008. Anti-corruption and financial management were seen as mutually reinforcing and the activities were designed to achieve three broad objectives:

- Establish and strengthen systems for preventing corruption;
- Increase the effectiveness and independence of oversight institutions; and
- Put in place effective enforcement and deterrence systems.

The Threshold Country Plan (TCP) developed by the Government of Malawi called for 15 interventions working with over 12 separate Ministries/Departments/Agencies (MDAs), the National Assembly, and a wide range of civil society organizations, universities and the media. The program was managed by USAID and various components of the work were implemented by Casals & Associates (C&A), State University of New York (SUNY), the United States Treasury Office of Technical Assistance (OTA), the United States Department of Justice International Investigative Training Assistance Program (ICITAP) and the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT).

The MCC commissioned this ex post evaluation in late 2009 to provide an objective and rigorous assessment of the effectiveness of the Malawi Threshold Program. The evaluation team examined whether activities were fully executed and resulted in intended, or unintended, outcomes; whether results have proved sustainable; and identified lessons learned. Data collection methodologies included key informant interviews and document review. Data limitations precluded an assessment of the cost-effectiveness of interventions, a counterfactual-based evaluation, and analysis of the impact on MCC's eligibility indicators.

The program was implemented during a political impasse between the Executive and Legislative branches in Malawi. A number of important Threshold counterparts were relieved of their offices and Parliament would not confirm appointments proposed by the President. Parliament was ultimately prorogued for nearly a year. The circumstances slowed implementation but most planned activities were completed. A summary of the findings per activity is as follows:

1. **Deploy an Integrated Financial Management Information System (IFMIS)** to control spending (reduce arrears and off budget spending) and improve financial reporting ($2.5 million)[2]- The Threshold Program funded connection of three regional payment offices to the existing server farm and created a Disaster and Data Recover Site. Based on key informant interviews, Threshold resources are inferred to have helped improve timeliness of expenditure reporting and reduce off budget expenditures for those MDAs using the system. The inputs are being sustained with recurring budget. However, the system will require substantial additional investment to fully cover GoM's accounts, including accounts receivable, donor flows, and key government departments including the President's Office, Malawi Revenue Authority, etc. In the absence of such investment, the impact of IFMIS on improved financial management is relatively limited.

2. **Professionalize public procurement** to reduce leakage ($950,000)- Threshold funded long and short term training for staff of the Office of the Director of Public Procurement (ODPP) and supported two universities to establish procurement degrees. The impact of capacity building within ODPP has been diluted by staff

[1] MCC Threshold programs are no longer assumed to directly influence the eligibility indicators but at the time the Malawi program was conducted, they were discussed in this way.

[2] Budget figures provided in the Executive Summary reflect planned level of investment per the TCP and may not correspond to actual expenditures. In addition to direct costs given here, an estimated $2 million was budgeted for contractor administrative costs.

turnover and short trainings were considered insufficient. No data is available on the number of procurement actions cancelled or number of procurement staff disciplined and it is therefore not possible to infer any impact on corruption. The degree programs appear to be sustainable and are attracting paying students.

3. Pass **and implement Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) legislation** and **establish an effective Financial Intelligence Unit (FIU)** ($2.04 million)**-** the Threshold Program supported passage of an already drafted AML act in August 2006 and the FIU became operational in July 2007. FIU is now receiving regular reports from the country's commercial banks and is referring cases to the Anti-Corruption Bureau (ACB), Department of Public Prosecutors (DPP) and the Malawi Revenue Authority (MRA) for investigation. These cases have resulted in recovery of lost revenues by MRA, and two convictions (for illegal operation of a foreign exchange bureau and violation of the Corrupt Practices Act). However, the AML has yet to be tested in court and foreign exchange bureaus are not reporting as required under the law. This is attributed anecdotally to problems with the law and lack of familiarity by judges and prosecutors indicating that trainings conducted by the Threshold Program were too theoretical. Manuals for bank supervision and AML enforcement developed with the assistance remain in use and the Reserve Bank (RBM) is now performing annual site visits to all institutions under their supervision.

4. Draft and **pass a Declaration of Assets Law** to ensure transparency among public officials ($880,000)- the TCP called for work with the Law Commission to support a number of pieces of legislation, including declaration of assets, freedom of information and political party financing acts. A draft Declaration of Assets Law was prepared with assistance from OPDAT and submitted to Cabinet but has not been sent to Parliament. The other pieces of legislation were replaced with work on a plea bargaining act that was passed in January 2010 as part of a new criminal procedure code (unintended outcome).

5. **Strengthening the capacity of the National Audit Office** (NAO) by recruiting, training, and equipping staff ($1.2 million)- short trainings and IT equipment were provided and an internship program was funded by the Threshold Program. Respondents indicate that the assistance was of little benefit and the intended outcomes of clearing the backlog, reducing outsourcing of audits, and complying with legal requirements to audit within six months of the fiscal year are not being met. The failure of this activity is attributed to lack of a cohesive strategy, lack of independence of the NAO[3], insufficient resources, and the brevity of the trainings. The Auditor General position was vacant for much of the program and this may have affected implementation. Placement of a resident advisor rather than short trainings would also have been useful in driving reforms.

6. Improving the Ministry of Economic Planning and Development (MEPD) **monitoring and evaluation of GOM implemented donor projects** ($500,000)- the TCP called for technical assistance for the M&E division of MEPD to mitigate against financial mismanagement and fraud in the use of donor funds and make project implementation more efficient. Regional M&E officers were trained in their roles and a database to track projects was created which remains in use. The database does not capture financial information and it was not possible to determine the impact of this activity on corruption.

7. Capacity building for **improved financial management** by strengthening capabilities in the Ministry of Finance (MoF), Ministry of Economic Planning and Development (MEPD), and the Malawi Revenue Authority (MRA) ($2.87 million)- OTA Resident Advisors were placed in the MoF Budget Office and at MRA. An intermittent advisor was attached to the MoF Debt & Aid Office.

   - **Budget Office-** accomplishments included the drafting of a budget manual which remains in use; the revision of the budget calendar which has reportedly improved reporting times by line Ministries; and the development of a bulletin summarizing the budget for a lay audience which continues to be published annually. A computer lab was installed which allows the budget office to prepare the annual budget on site and advice was given to customize an IFMIS compatible budget module which was deployed for the

[3] Subsequent to the Threshold Program, a strategy was developed to address this issue but at the time of the program the NAO was not a functionally independent agency.

first time in FY09/10. These activities are inferred to have made incremental improvements to the budget preparation process.

- **Debt & Aid**- Scoping visits by the intermittent advisor to set up a Domestic Debt unit did not gain traction and it was agreed by USAID and GoM to redirect these resources to other OTA activities. The failure of this activity is attributed anecdotally to having an intermittent rather than resident advisor; insufficient resources to staff and equip the new unit; and lack of a point person within Debt & Aid to drive the activities.
- **MRA-** Threshold supported a reorganization to improve functionality. Large increases in tax revenues in FY06/07 following the reorganization could be interpreted as evidence of program impacts but other factors may have contributed. The Investigations unit was supported to conduct trial cases for tax evasion but no figures were available on the number of cases tried. The OTA advisor also helped revise and disseminate the employee code of conduct; a sharp increase in dismissals occurred immediately following this but numbers have since dropped. Intended work at Customs did not progress and MRA respondents indicate this was because of insufficient resources.

8. **Strengthening National Assembly oversight** of the Executive by empowering the committee system ($2.9 million)- Threshold support allowed all 13 committees to meet on a regular basis for the first time; 7 clerks and a pool of interns were hired and trained to provide secretariat services to the committees. The program also paid for recurring costs such as office space. These activities have largely been sustained with Parliament's own resources. A decision to provide assistance to all committees rather than focusing training and resources on finance and appropriations committees means that intended outcomes of increased financial analysis skills among Committee members and clerks were not achieved. Respondents to the evaluation indicate that the willingness of legislators to question the executive on financial management was a product of MPs being in opposition rather than incentives or skill sets to root out financial irregularities.

9. **Preparing journalists** to report on corruption ($500,000)- over 100 journalists were trained in investigative techniques. No data was available to gauge whether these activities had any impact on the number and quality of stories on corruption. Journalists interviewed for the evaluation state that the skills they gained increased their capacity and desire to substantiate and investigate claims of corruption but cited self-censorship by media outlets as a major impediment to their ability to put these skills to use in actual reporting. The Polytechnic Faculty designed an investigative journalism module based on a Threshold-funded study tour, which will be a required part of their undergraduate degree once approved by the University's Board. Pending formal approval, some of the course work has been integrated into an "advanced reporting" class which has been given to over 150 students.

10. **Revive a Media Council** to improve press freedom, promote journalistic standards, address complaints on press conduct, and accredit journalists ($350,000)- the Media Council, which had been defunct for over 5 years, was successfully re-opened in February 2007. Threshold provided organizational development support and funded operating costs. The Media Council, which is being sustained with a grant from the British High Commission, began accrediting journalists in November 2009 but is not conducting advocacy activities.

11. **Integrating civil society** in an anti-corruption campaign ($1.08 million)- The Threshold Program provided eight sub-grants to local civil society organizations (CSO) to conduct anti-corruption awareness campaigns. Evaluators were not able to identify any increase in reporting corruption as a result. Some of the pilot initiatives have been continued but respondents indicate that grant amounts were too small to have much impact. Work to support an umbrella organization for NGOs that would regulate the sector was not completed.

12. **Building prosecutorial abilities** in the Department of Public Prosecutions (DPP), the Anti-Corruption Bureau (ACB), and the Malawi Police Service (MPS) ($1.6 million)- The objective of this activity was to improve the conviction rate for corruption, fraud and economic crime cases. Prosecutors reported that the training on trial advocacy skills and introduction of documentary and computer-based evidence had helped them in trying

cases and anecdotally report this has improved their conviction rates. However, DPP was not able to provide data and MPS data shows mixed results with improvements in some regions that cannot confidently be attributed to the program. A case management database created for DPP was abandoned only a few months after Threshold ended when the IT person in charge of the system left the Ministry and wasn't replaced.

13. Increasing the **effectiveness of the Malawi Police Service** to address corruption related crimes ($800,000)- In addition to OPDAT's work with MPS prosecutors, ICITAP worked with MPS to increase capacity at the Fiscal Fraud Unit (FFU), helped create relevant forensics capacity (including donating equipment), supported the establishment of an Internal Affairs Unit, and modernized the basic training curriculum.

    - **FFU**- respondents indicate anecdotally that the training was useful in improving their investigation skills and a case management database remains in use. However, data provided by FFU does not demonstrate an increase in the number of cases investigated or the conviction rate and it is therefore not possible to attribute any impact to this activity.
    - **Forensics**- the Forensics Unit was assisted to develop in house computer forensics and forgery identification. Anecdotally, the ability to investigate such evidence in house has increased the willingness to pursue financial crime cases and has helped secure convictions. However, the unit is facing sustainability challenges.
    - **Internal Affairs**- the Internal Affairs Unit was created in September 2007 and is investigating cases (some of which have resulted in successful prosecutions), educating officers in the code of conduct, and conducting anti-corruption activities in cooperation with the ACB.

14. **Building legal skills capacities** among judges, police prosecutors, media and others ($550,000)- to supplement the prosecution focus under Activity 12, the Threshold Program also provided more general legal education to various audiences in the form of 3-5 day courses and conferences. The DPP has continued some part of this work by reinvigorating their training for MPS prosecutors and is now conducting monthly workshops around the country to discuss difficult cases and otherwise provide advice. It is not possible to determine whether this activity had any impact.

15. **Credit Ratings** as an indicator of Malawi's fiscal management and anti-corruption success ($200,000)- the Threshold Program funded a sovereign credit rating by Fitch. Malawi's credit rating in 2007 improved from the previous CCC (in 2003) to a B- with a stable outlook. The rating itself is based on economic fundamentals which are not attributable to Threshold. However, respondents from Reserve Bank, MoF and MEPD indicate that the preparatory work by OTA on data points, mock interviews, etc. was very helpful to them and made the rating process run more smoothly. GoM has not made internal funding available to renew the rating and so the MCC-funded rating remains the most recent.

Overall, the evaluation finds the primary impact of the Threshold Program was the establishment of a large number of institutions (or institutional arrangements) that have proved sustainable thus far including: the FIU, the MPS Internal Affairs and Computer Forensics Units, the Domestic Tax division at MRA, the National Assembly Committee Department, a revived Media Council, the IFMIS regional office connections, and the university procurement specializations. The Threshold Program was also instrumental in passage of two pieces of legislation: the AML and the plea bargaining provisions under the recently enacted Criminal Procedure and Evidence Code. These are significant accomplishments in a two year timeframe and speak to the high level of internal ownership of the reforms by the GoM.

However, there is no evidence that the Threshold activities had any impact on the program goal of combating public sector corruption. Where data is available, improvements relate to criminal activity in the private sector (financial crimes or tax evasion) rather than the public sector corruption, which the program was meant to address. Activities related to financial management as a whole were more effective than interventions at MDAs directly related to controlling corruption. Capacity building is inferred to have benefitted individuals but the high level of staff attrition characterizing Malawi's civil service has limited the impact on institutions. More intensive

investment in fewer partner organizations and a tighter focus on anti-corruption rather than general capacity building would have been beneficial in increasing impact.

The findings suggest a number of Lessons Learned that may be of interest in future Threshold Programs:

- **Need for greater selectivity in the number of interventions**- More intensive investment in fewer partner organizations would have likely increased impact. The large number of low-impact activities which did not progress in part for lack of sufficient support, such as work at NAO, ODPP, Debt & Aid, NGO advocacy, legal training, etc. indicates that the program was spread too thin.
- **Articulating the program logic more clearly would have helped identify which interventions were highest priority and should be pursued**, and allowed a tighter focus on increasing transparency rather than general capacity building.
- **Sustainability** in many cases has meant connecting partner MDAs (or NGOs) to other donor funds. The implementers were proactive in assisting partner institutions to connect to such funding and in many cases multiple donors were providing budget support alongside the Threshold assistance .
- The **two-year timeframe** was sufficient to stand up new institutions given the internal ownership of reforms but in many cases was too short to build sufficient technical capacity for the institution to fully serve its intended purpose. Most of the organizations continue to receive technical support from other donors.
- **Participation by operational heads** in the design phases, rather than relying on Cabinet level input to the TCP, contributed to the relevance of activities to the institutions and increased commitment to engaging in program reforms.
- **Engaging multiple implementing organizations contributed to the quality of technical assistance as organizations played to their respective strengths.** Although this increased USAID's management time and coordination between USG agencies in particular was sometimes complicated, the evidence suggests that having specialized agencies fielding prosecutors, police officers and financial sector experts produced better results than hiring a contractor with more general specialization in rule of law or governance reform.

**Resident Advisors were generally more effective than intermittent advisors or short trainings-** One-off trainings were of limited utility in most cases, with NAO, National Assembly MPs and procurement officers being examples where there is little documentable impact.