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MALAWI THRESHOLD PROGRAM  
END TERM EVALUATION

FINAL DRAFT

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OCTOBER 17, 2010

## **Acknowledgements**

The authors wish to thank the many people who made this evaluation possible. In particular, officials from the Government of Malawi, Malawian civil society and university participants, MCC and USAID staff, and current and former staff of the implementers (Casals, ICITAP, OPDAT, OTA, and SUNY) were generous with their time and invaluable in discussing their experiences and helping to locate project documents, almost two years after the completion of the program. The authors also wish to thank Franck Wiebe, John Molyneaux, Malik Chaka, and Sophia Sahaf at MCC for their guidance and help throughout the project.

## Abbreviations

ACB	Anti-Corruption Bureau
AGO	Accountant General's Office
AML/CFT	Anti-Money Laundering and Combating Financing of Terrorism
ASYCUDA	Automated System for Customs Data
C&A	Casals & Associates
CIDA	Canadian International Development Agency
CSO	Civil Society Organizations
DDRS	Disaster and Data Recover Site
DfID	United Kingdom Department for International Development
DPP	Department of Public Prosecutors
FFU	Fiscal Fraud Unit
FIU	Financial Intelligence Unit
GoM	Government of Malawi
GWAN	Government Wide Area Network
HIPC	Highly Indebted Poor Country
ICITAP	U.S. Department of Justice International Investigative Training Assistance Program
IFMIS	Integrated Financial Management Information System
IGP	Inspector General of Police
IMF	International Monetary Fund
IT	Information Technology
LAN	Local Area Network
M&E	Monitoring and Evaluation
MCC	Millennium Challenge Corporation
MDA	Ministry, Department, or Agency
MEPD	Ministry of Economic Planning and Development
MIM	Malawi Institute of Management
MoF	Ministry of Finance
MP	Member of Parliament
MRA	Malawi Revenue Authority
MRA	Malawi Revenue Authority
NAO	National Audit Office
NDI	National Democracy Institute
NGO	Non-governmental Organization
NORAD	Norwegian Agency for Development Cooperation
ODPP	Office of the Director of Public Procurement
OPDAT	U.S. Department of Justice Office of Overseas Prosecutorial Development Assistance and Training
OTA	United States Treasury Office of Technical Assistance
PAC	Public Accounts Committee
RBM	Reserve Bank of Malawi
SPU	Specialized Procurement Unit
SUNY	State University of New York
TA	Technical Assistance
TCP	Threshold Country Plan
UNAIDS	United Nations Program on HIV/AIDS
USAID	United States Agency for International Development
VAT	Value-Added Tax

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## 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.<sup>1</sup> 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)<sup>2</sup>- 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

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<sup>1</sup> 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.

<sup>2</sup> 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<sup>3</sup>, 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

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<sup>3</sup> 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.

## I. INTRODUCTION

The Millennium Challenge Corporation (MCC) seeks to reduce global poverty through the promotion of sustainable economic growth. For a country to be selected as eligible for an MCC assistance program, it must demonstrate a commitment to policies that promote political and economic freedom, investments in education and health, the sustainable use of natural resources, control of corruption, and respect for civil liberties and the rule of law, as measured by 17 different policy indicators that are divided into three categories: Ruling Justly, Investing in People, and Economic Freedom (i.e. the “Eligibility Criteria”).<sup>4</sup> Threshold program investments support a country’s overall efforts to meet the indicator criteria to become eligible for a MCC Compact to help reduce poverty and stimulate economic growth. Threshold Programs are two to three years in duration and are typically implemented under the day-to-day management of the country’s USAID mission. The possibility of Compact assistance, much larger grants for economic growth investments, is intended to incentivize Threshold Program and broader government reforms.

The Malawi Threshold Program was the second Threshold Program initiated by MCC and constituted a \$20.9 million program to reduce corruption and improve financial management. At the time Malawi was informed they were eligible for Threshold assistance, they were failing indicators related to control of corruption, girl’s education, fiscal policy, and credit rating. The program was implemented from September 2005 to September 2008<sup>5</sup> and attempted to address the areas captured by the failing indicators (except for girl’s education which was deemed to have sufficient funding from other sources). Anti-corruption and financial management were seen as mutually reinforcing and the activities were designed using a three-pronged approach aimed at preventing corruption, enhancing oversight functions, and building enforcement capacity.<sup>6</sup>

The Threshold Country Plan (TCP) was developed by the Government of Malawi (GoM), with coordination by the Ministry for Economic Planning and Development, and substantial involvement by USAID. The program was designed according to the perceived performance gaps highlighted by the MCC Eligibility Indicators; the selection of participating Ministries/Departments/Agencies (MDAs) was guided by this analysis of areas requiring reform.<sup>7</sup> A wide range of institutions were involved as it was felt that improvement across the board was needed to effectively combat entrenched corruption. MDAs then used their strategic plans and a map of other donor support to identify which areas they had planned for implementation but still needed to fund. In many cases, these perceived needs related to capacity building among staff. No formal due diligence or needs assessments were required by MCC or performed as part of this process. Program design involved wide consultation with other donors and each Ministry was requested to appoint an operational person with decision-making authority to participate in design meetings.<sup>8</sup>

The TCP called for 15 interventions<sup>9</sup>, 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 Office of Overseas

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<sup>4</sup> For more information, see <http://www.mcc.gov/mcc/selection/index.shtml>

<sup>5</sup> The Agreement between the MCC and the Government of Malawi was signed in September 2005 for 3 years (ie. closing in September 2008) to allow for completion of the credit rating. Bidding and awarding the contract and mobilizing staff meant that implementation began in earnest in April 2006. Contracts for activities outside of the credit rating were for two years (thus ending in early 2008) but extensions were granted to OTA, C&A, and SUNY. See USAID’s final report for exact start and closing dates.

<sup>6</sup> This was reportedly in line with USAID policies on effective counter-corruption techniques.

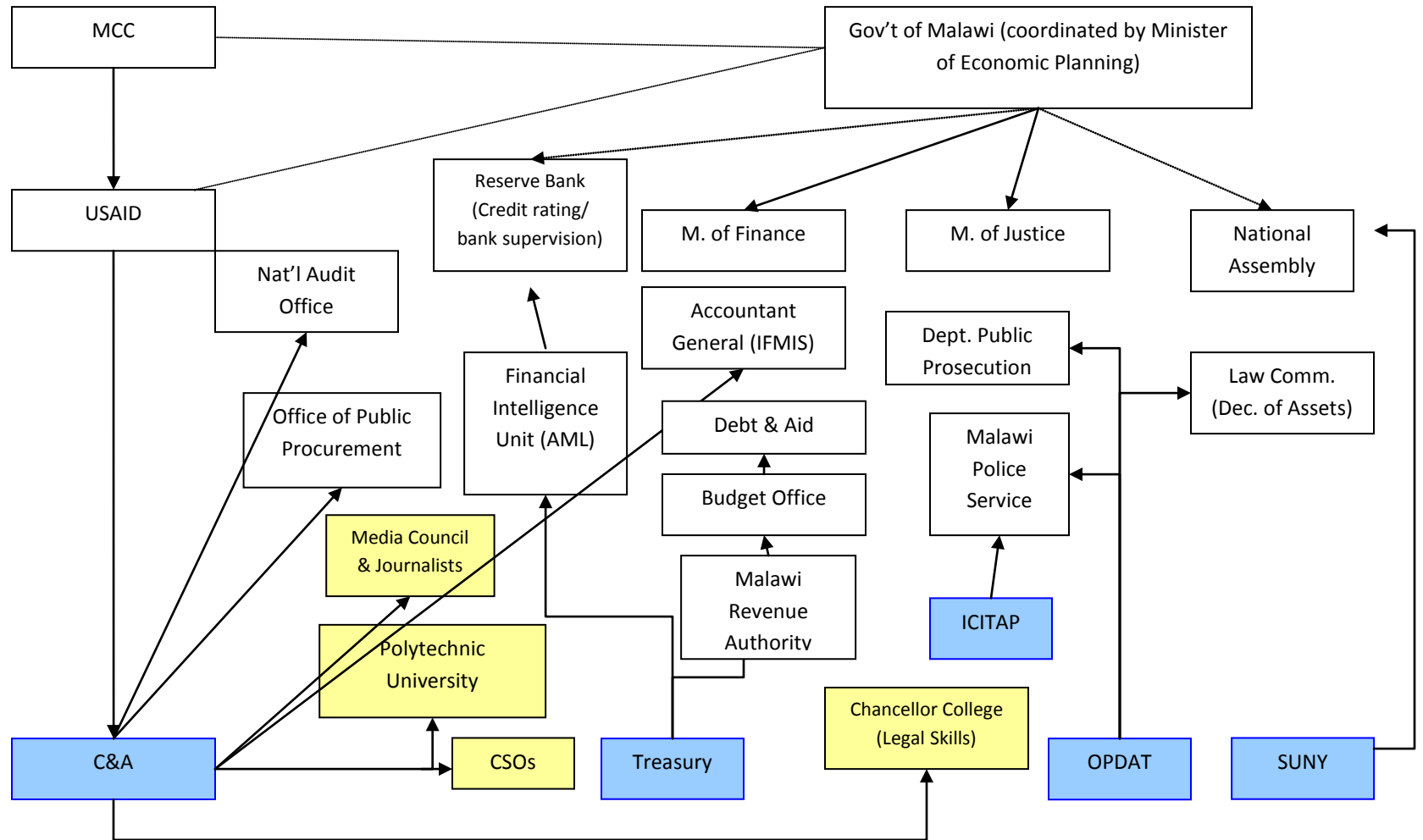
<sup>7</sup> MCC now provides an indicator analysis to qualifying countries; this was not done at the time of the Malawi Threshold Program as MCC systems and procedures were still being established.

<sup>8</sup> Participants included the Accountant General, Deputy Auditor General, and the Attorney General.

<sup>9</sup> The formal agreement between the countries (SOAG) refers to 14 interventions, with the credit rating having been omitted presumably by accident.

Prosecutorial Development Assistance and Training (OPDAT), as shown in Figure 1. The program had three intended results, broadly defined, as follows:

FIGURE 1: ORGANIZATIONAL CHART FOR MALAWI THRESHOLD PROGRAM



Blue= implementer; Yellow= Civil Society or University Partner

1. Systems for preventing corruption established and strengthened;
2. Oversight institutions effective and independent; and
3. Systems of enforcement and deterrence in place and functioning effectively.

Under the first objective “Prevention”, the TCP called for the following activities:

- Deploy an Integrated Financial Management Information System (IFMIS) to control spending (reduce arrears and off budget spending) and improve financial reporting;
- Professionalize public procurement to reduce leakage;
- Draft and pass a Declaration of Assets Law to ensure transparency among public officials;
- Pass and implement Anti-Money Laundering and Combating Financing of Terrorism legislation and establish an effective Financial Intelligence Unit.

The second objective, “Increasing oversight” was to be accomplished by:

- Strengthening the capacity of the National Audit Office (NAO) by recruiting, training, and equipping staff;
- Capacity building for improved financial management by strengthening capabilities in the Ministry of Finance, Ministry of Economic Planning and Development (MEPD), and the Malawi Revenue Authority (MRA);
- Improving the Ministry of Economic Planning and Development monitoring and evaluation of GOM implemented donor projects;
- Strengthening National Assembly oversight of the Executive by empowering the committee system;
- Preparing journalists to report on corruption;
- Revive a Media Council to improve press freedom, promote journalistic ethical and professional standards, address complaints on press conduct, and accredit journalists; and
- Integrating civil society in an anti-corruption campaign.

Finally, under the third objective, the program sought to support improved enforcement of anti-corruption laws by:

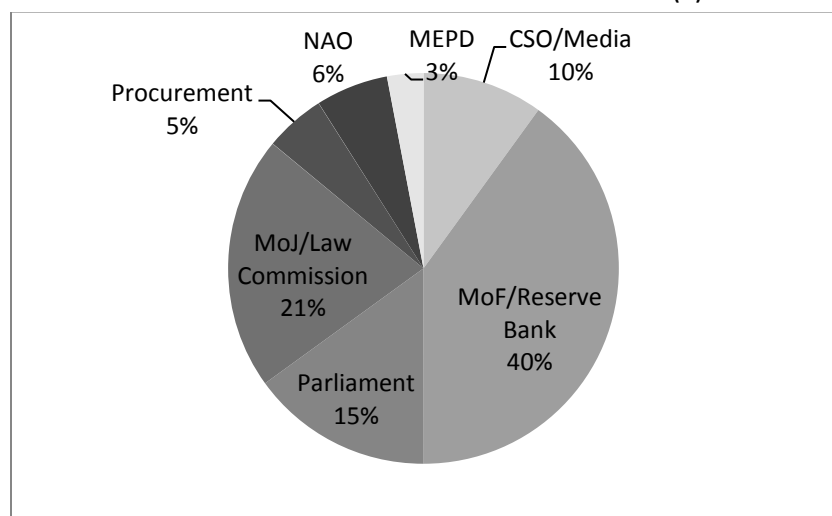
- Building prosecutorial abilities in the Department of Public Prosecutions, the Anti-Corruption Bureau, and the Malawi Police Service;
- Increasing the effectiveness of the Malawi Police Service to address corruption related crimes; and
- Building legal skills capacities among judges, police prosecutors, media and others.

In addition, the MCC agreed to purchase a sovereign credit rating as part of the program. The budgeted amounts for each recipient institution (excluding approximately \$2 million allocated to contractor administrative costs) are shown in Figure 2. A summary table of the activities, with their respective counterparts, implementing organizations, and projected funding amounts is shown in Annex 1.

The majority of the activities can be linked to the MCC corruption or financial policy indicators. However,

a few, such as the AML legislation and work with the media and civil society, do not factor into the indicators tracked by MCC, which focus on actions by the government to control corruption.

FIGURE 2: BUDGET ALLOCATIONS BY RECIPIENT INSTITUTION (%)



## II. METHODOLOGY

### Purpose of the Evaluation

This ex post evaluation (hereafter, Evaluation) is being carried out to provide an independent, objective investigation into the effectiveness and efficacy of MTP activities, using the best data and most rigorous methods feasible. The program evaluation serves three purposes: provide lessons learned for MCC, the Government of Malawi, and other program donors; uphold MCC's institutional commitment to measuring program results; and provide practical lessons for current and future Threshold Program partners in developing and implementing Threshold Program activities. A team of two international consultants were hired to evaluate the Malawi Threshold Program. The evaluation was conducted in three field visits, in October 2009, April and May 2010. The evaluation examined three key questions:

1. Were activities fully executed and did they result in intended, or unintended, outcomes (meaningful changes in practice, knowledge, or attitudes)?
2. Have those outcomes and pilot activities proved sustainable?
3. What lessons learned can be drawn from these activities?

### Methodology

Although the evaluators sought to conduct as rigorous an examination of possible impact as possible, the qualitative nature of the intended outcomes, which focused on internal capacity to the institutions, and the nature of the baseline survey that was done, which examined public attitudes towards corruption rather than gauging the levels of corruption in particular Ministries, precluded survey work of clients of the institutions. The evaluators instead used the following methodologies:

- **Document review** - All relevant implementing partner, USAID, MCC and GoM reports, including planning documents, annual workplans, performance monitoring plans, quarterly and annual reports and evaluations were reviewed (see Annex 2 for a list of documents). GoM reports included administrative records and technical outputs (e.g. posters, charts, score cards, and training tools) related to the activities.
- **Key informant interviews**- These were administered to GoM staff, consultants from the various implementing organizations, MCC and USAID staff, civil society representatives who had been sub-grantees or trainees, and relevant third-parties such as donors (see Annex 3 for a list of those interviewed and Annex 4 for sample questions that were modified for each institution). Interviews covered the relevance of program interventions to the stated goals, the extent to which activities were undertaken and completed, and evidence or anecdote regarding the effectiveness of Threshold interventions.

The evaluation **did not** assess the impact of the program on MCC Eligibility Criteria because of attribution problems.<sup>10</sup> In addition, the evaluation encountered a number of methodological challenges:

- **Difficulty in measuring qualitative outcomes**- The outcomes of the program largely focused on capacity building with performance indicators that were output oriented or not directly attributable to planned interventions. The evaluators recognize potential biases in responses related to qualitative outcomes and triangulated data from interviews, to the extent possible, to overcome this. Evaluators note that there may be some selection bias among respondents since 100% coverage of participants was not generally possible.

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<sup>10</sup> The Eligibility Criteria are primarily made up of indices, reflecting a large number of variables, and in some cases based on public perception of governance issues. This makes it difficult to reasonably attribute changes to discrete interventions. Other methodological issues that reduce the confidence of causality include data lag, meaning indicator information may reflect experiences/perceptions 1-2 years prior to Threshold and the composition of the indices can change from year to year, sometimes leading to retroactive adjustments to scores.

- **Lack of baseline data-** The sole quantitative baseline conducted by the program was a public perception survey on corruption. That survey did not seek to directly measure performance of the target institutions and therefore cannot be used to show measurable improvement. Initial needs assessments by implementing firms were conducted in many cases but have been lost due to incomplete record keeping. They are cited where relevant and available but in most cases the evaluator was dependent on the recall of interviewees as to whether performance had improved. Where objective figures are available to supplement recall, they have been provided in the impact findings.
- **Difficulty in determining attribution-** Malawi receives significant amounts of donor support (constituting approximately 40% of GDP) and has been the beneficiary of a large number of donor programs working on the same issues as the Threshold Program. In many cases, Threshold implementers were picking up work that was begun by another donor, working alongside other donors in the same organization, or handing over to another donor at the end of the assistance. This greatly complicates attribution of impact to the Threshold Program as the exact proportion of investment in each MDA per donor before, during and after the Threshold Program was not available to the evaluators. The findings note which other donors were supporting the relevant MDAs. Any impact noted in the evaluation should thus best be considered part of an overall donor effort.

### III. KEY FACTORS AFFECTING RESULTS

The period during which the Threshold Program was implemented saw an unusually charged political atmosphere in Malawi. The President formed a new political party shortly after his election, in part because of disagreement over how to conduct his zero tolerance for corruption campaign. Members of Parliament (MPs) who crossed the floor to join the new party found themselves in the opposition. The constitutionality of MPs changing parties after an election was challenged and Parliament was gridlocked during the resulting impasse which was not resolved before the end of the program. The program's work with Parliamentary committees became extremely complicated since all of the committee chairpersons found themselves in the opposition; continuing the work with Parliament required considerable diplomacy on the part of implementers. The gridlock in Parliament effectively ended the ability to pass intended pieces of legislation. The President prorogued Parliament in the summer of 2007 for nine months (almost the entire second year of the program). Parliamentary Committees continued to meet even though the National Assembly only held budget sessions. Lastly, the Chief Clerk of Parliament was suspended towards the end of the program.

In the Executive Branch, President Muthairika removed a number of important Threshold counterparts from their posts early in the program. These included the Director of Public Prosecutions, Director of the Anti-Corruption Bureau and the Chief Law Commissioner. The Chief Law Commissioner was replaced quickly and a new Director of Public Prosecutions was put in place after a gap of several months. However, appointments requiring confirmation by the Public Appointments Committee of the National Assembly were held up by the gridlock affecting Parliament. As a result, the ACB did not have a new Director until October 2007 and no Director was confirmed for the new FIU during the program period. In addition, the Auditor General passed away in January 2006 and was not replaced until May 2008 (with the Accountant General who was working with Threshold on the IFMIS roll out). The absences at NAO and ACB were the most serious impediments to the program as the enabling regulations for those two agencies allow only the Directors to submit audits to Parliament and approve new trials, respectively. The Threshold program was slowed by these factors but achieved most of the planned outputs.

The GoM identified capacity building of public servants as a core need to be addressed by the Threshold Program. The civil service in Malawi is characterized by high levels of turnover and attrition, primarily as a result of low pay



scales which make it difficult to attract and retain professionals with technical skills such as accountants, lawyers, auditors, etc. Attrition is exacerbated by the impact of the HIV/AIDS epidemic. UNAIDS estimates that the national adult HIV prevalence rate in Malawi was 14.1 percent in 2005, one of the highest in the world. A survey commissioned by UNDP on the impact of HIV/AIDS on the Malawian civil service estimates that average employee attrition in four large Ministries (Education, Agriculture, Water and the Malawi Police Service (MPS)) was 2.3% between 1990-2000, and estimates that roughly 50% of that attrition was due to AIDS-related deaths.<sup>11</sup> These underlying problems were outside the scope of the Threshold Program.

An internal factor worth mention was the coordination between USG donor assistance programs (USAID, Treasury and Justice). USAID was designated by MCC to run the program and held authority for day-to-day management of the Threshold Program. However, OTA and OPDAT have their own internal policies and procedures. In some cases, challenges to coordination were administrative, for example, OTA and OPDAT did not submit detailed financial reports or M&E plans to USAID. In other cases, the independence of technical advisors from OTA and OPDAT on the ground resulted in the inclusion of activities that were seemingly unrelated to the original workplan, with work on a Plea Bargaining Act being a prime example. MCC was newly established and guidelines, reporting formats, and programming methodologies were still being developed. As such, MCC played a supportive but largely removed role.

## IV. IMPACT FINDINGS

This chapter briefly describes activities, discusses to what extent outputs were completed, and draws inferences on the impact of program interventions nearly two years after program completion as well as factors affecting the sustainability of any impacts.

### COMPONENT I: PREVENTION

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Planned interventions to prevent the occurrence of corruption and improve financial management included an IT solution to better track and control government spending; training and higher education to increase professionalization of procurement specialists; the passage of anti-money laundering legislation and the creation of a Financial Intelligence Unit to implement its provisions; and the drafting and passage of legislation requiring public officials and legislators to declare their assets.

#### 1. DEPLOY AN INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS) TO CONTROL SPENDING AND IMPROVE FINANCIAL REPORTING

*Investment:* Incurred costs of approximately US\$1 million for hardware, software and networking plus unspecified consultancy and staff costs by C&A.<sup>12</sup>

*Background:* The Accountant General's Office (AGO) is responsible for overseeing the GoM's accounts and has a central role in financial management. Prior to deploying an IFMIS, GoM used a decentralized payment system; line Ministries and statutory bodies could independently open bank accounts and made payments to vendors without notifying the AGO. AGO attempted to monitor these expenditures through a manual process. The very weak

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<sup>11</sup> See UNDP, "The Impact of HIV/AIDS on Human Resources in the Malawi Public Sector", February 2002.

<sup>12</sup> Expenditure amounts in this chapter reflect actuals- minus labor and administrative costs- unless otherwise noted. USAID's accounting software does not break down labor costs by project. It is therefore not possible to calculate the full cost of each of the activities as technical assistance made up a substantial amount of inputs.

financial controls of the system and difficulty in compiling data from the various bank accounts resulted in serious budget overruns and off-budget expenditures leading to high levels of arrears. According to USAID's request for proposals for this component, budget arrears in 2003 amounted to \$103 million and GoM was unable to account for approximately 38% of government spending in FY03/04.<sup>13</sup>

GoM was required to implement an IFMIS as part of the conditionality to qualify for the Highly Indebted Poor Country (HIPC) Initiative and had begun implementing an IFMIS system in 2005, purchased from EPICOR, a US-based software company, with assistance from the World Bank.<sup>14</sup> At program inception, most of the accounting departments for Ministries located on Capitol Hill (Lilongwe) had already been connected to the system.<sup>15</sup> C&A's primary role was to handle procurement on behalf of AGO as most of the technical issues had been decided although OTA advisors provided some technical inputs. The AGO initially requested that Threshold support be directed towards funding vertical integration of select line Ministries' sub-national offices. However, an assessment by C&A determined that such a solution was prohibitively expensive and technically difficult due to the low internet connectivity in the country. It was therefore decided instead to:

- Deploy IFMIS at three regional payment offices located in each of the country's administrative regions (Eastern, Southern, and Northern, with Lilongwe serving the Central region) where line Ministries could submit payment vouchers (see box);
- Create a live connection Disaster and Data Recovery Site (DDRS) to ensure that the Government would not lose vital financial data in the event of a problem in the main server farm in Lilongwe;
- Set up two training labs (one at AGO and one in the MOF Budget Office) and train staff on the system;

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<sup>13</sup> The GoM fiscal year runs from July 1-June 30.

<sup>14</sup> Malawi reached the completion point for HIPC in 2006, receiving debt relief amounting to US\$646 million in net present value (NPV) terms (IMF Press Release No. 06/187).

<sup>15</sup> Capitol Hill is a physical location in Lilongwe, the capital, where core Ministries are located. However, a number of important government entities and most statutory organizations are located elsewhere, including the Reserve Bank, Malawi Revenue Authority, the National Audit Office, and Malawi Police headquarters.

### Case Study: IFMIS Regional Sites

Line ministries at the sub-national level bring their requests for payment to the regional Accountant General Offices which process the payment on their behalf. Prior to the deployment of IFMIS, all payment vouchers were paper and checks were written by hand, a very time consuming process. (The Zomba office which processes payments for the Eastern Region handles 80-100 transactions per day). There were very weak controls over payments; officers only ensured that the payment voucher was filled out correctly. Voucher numbers were recorded in Excel and payment vouchers were physically transferred to Lilongwe at the end of each month. Threshold provided servers, a backup generator, a virtual private network connection to Lilongwe, intranet, computers and other equipment that allows the offices to use IFMIS. Staff also received a month-long training in the system.

Following the deployment of IFMIS, payments are controlled three times to ensure data is entered correctly and that there are sufficient funds before the check is printed. The system blocks payment if there are insufficient funds for the relevant line item. Payments are automatically posted to other financial reports and the data is transferred every evening to the central server in Lilongwe. This has greatly increased the rapidity with which MoF receives the data. Departments have a better sense of their cash position as financial reports are distributed to all cost centers at the end of each month. The new system also is more secure- access is password protected and the audit trail records who input the data.

- Send a group of super users for training (employees with system administration rights) to Tanzania where the same system was in use; and
- Provide three oversight institutions (NAO, National Assembly and DPP) with read-only access to provide them with financial data for their investigations.

The intended outcomes of this activity were to: (i) stop arrears spending and (ii) improve the timeliness of financial reports to the Ministry of Finance, Parliament, and donors.

*Completion of Outputs:* All outputs were completed as planned with the exception of read-only access to the system for the NAO, DPP and the National Assembly.

*Achievement of Outcomes:* Based on interviews with MoF staff, relevant third parties and financial reports provided by AGO, the evaluation finds that the expanded IFMIS has contributed to an improvement in the timely reporting of public expenditures. Automation of the system in the three regional offices means that payment records are transferred daily, as opposed to monthly, and backed up instantly to the DDRS. Improved reporting times are corroborated by the IMF Representative who reports that the Government is now able to provide expenditure figures on a monthly basis, a significant improvement over the previous situation.

Expanded use of IFMIS appears to have had some impact on preventing future budget arrears.<sup>16</sup> The system blocks payments that do not have sufficient budgeted funds to cover the expenditure and therefore serves to curb budget arrears and off budget expenditures. However, the Accountant General notes that it is possible that government entities are entering into contracts that require additional payments without alerting the AGO, meaning that GOM would still be contractually obligated to pay the balance. The AGO does not yet have an estimate for how widespread this problem is or what amount may be involved.

In relation to anti-corruption objectives, the AGO reports that they were able to counter two cases of fraudulent checks in 2007 (in both cases they were able to cancel the checks before they were cashed). These two cases are still in court, as is a third that occurred more recently involving collusion by an AGO staff member in fraudulent payments. IFMIS creates an audit trail which has been helpful in identifying these case and allowing AGO to stop payment of checks.

These improvements should be seen as incremental, with Threshold building on the earlier work to increase the number of cost centers processing payments through the system and provide the DDRS safeguarding the data. Any impact is limited to the payment system and this is not comprehensive as there are a substantial number of government entities not yet connected to the system for a combination of logistical (in cases where a GWAN would have to be created) and political reasons. These include the Office of the President, Ministry of Defense, Malawi Police Service, and most of the district assemblies.<sup>17</sup> Another significant shortcoming of the system is that the revenue side is still not integrated: Malawi Revenue Authority and the Ministry of Economic Development and Planning (which coordinates donor funding) report figures which are input manually. Budget figures were input manually until FY09/10 when a compatible budget module was activated. The system will require substantial additional investment and political backing to fully cover GoM's accounts, incorporate the revenue side of the

<sup>16</sup> Budget overruns also occur for reasons completely unrelated to the effectiveness of IFMIS controls. Sizeable budget overruns on fertilizer and goods and services occurred during fiscal year 2008/09 in the run-up to the May 2009 presidential and parliamentary elections. See IMF "Malawi: Report for 2009 Consultation" at <http://www.imf.org/external/pubs/ft/scr/2010/cr1087.pdf>

<sup>17</sup> Five out of a total 39 district assemblies have been connected to IFMIS since the Threshold Program ended. District Assemblies are responsible for many social services and therefore control local budgets for education, health and some public works. .

balance sheet, and activate the procurement module; steps that are required for IFMIS to serve as a fully functional accounting system.

Respondents also report concerns about the quality and variety of the reports generated by IFMIS, which many audiences find too detailed (for example, current reporting formats do not allow readers to identify a particular project). The IFMIS vendor is also having difficulties customizing the system to reflect Malawi's performance based budgeting system. The limited utility of the reports means that it is difficult for non-accountants to use the reports to try and identify leakage or cost effectiveness of programs. Partly as a result, the three institutions that were intended to have read-only rights (National Assembly, NAO and DPP) are not using IFMIS to aid investigations as originally envisaged.

*Sustainability:* According to the AGO, the system is being maintained with GoM's own funds at a cost of approximately US\$1 million per year for all expenses including generators, networking, service and licensing agreements, etc. The evaluators found that the server farms at the AGO, and the DDRS as well as the training labs and regional office of Zomba appear to be in good working order. The "hot", or continuous feed, connection to the DDRS was cut in mid-May 2010 when construction work damaged the fibre optic cables but the lines have since been repaired.

In 2008/2009, there was some discussion of abandoning the EPICOR system for a new IFMIS because of the expense of the system and the perceived limited utility of the reports to department heads and other managers. However, interviews with MoF officials in 2010 indicate that the Government has now decided to continue investing in the current system. GoM has restarted discussions with EPICOR on modifying reports to better meet user needs.

Staff in Zomba report that high turnover is a challenge to sustainability. New staff are trained in IFMIS "on the job" rather than being brought to Lilongwe for formal training as was done under the Threshold program.

*Summary of Impact:* The additional 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 in improving financial management is limited to more efficient payments.

## 2. PROFESSIONALIZE PUBLIC PROCUREMENT TO REDUCE LEAKAGE

*Investment:* Approximately US\$543,000 not including C&A consultancy and staff costs.

*Background:* Malawi suffers from significant leakage in public procurement and corruption is considered to be rampant.<sup>18</sup> Traditionally, procurement in the country had been centralized under one office. Following donor recommendations, the Parliament passed a Procurement Act in 2003 which decentralized the system, creating Internal Procurement Committees and special procurement units (SPUs) within each line Ministry and statutory body. The Act also established an Office of the Director for Public Procurement (ODPP), operating under the President's Office, as a regulatory body with oversight authority (but no disciplinary powers) over the procurement

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<sup>18</sup> In a Governance and Corruption Baseline Survey commissioned by GoM in 2006, businesses estimated that nearly 60% of contacts with the Directorate of Public Procurement involved a request for "gratification" (Governance and Corruption Baseline Survey, pg. 25)

units.<sup>19</sup> The ODPP monitors the procurement of 165 public institutions (line Ministries, local governments and statutory bodies). This involves reviewing procurement actions to ensure they followed regulations and pre-approving tenders over amounts set annually by the ODPP (generally in the range of 3-10 million kwacha (\$20-67,000) depending upon procurement type and the entity's past compliance).

At program inception, the ODPP had been operational for less than two years, and was only beginning to be fully staffed.<sup>20</sup> Most SPUs were staffed by inventory managers who had no experience in procurement (e.g. professional tenders as required under the Act). One challenge identified in implementing the Procurement Act was therefore the lack of specialized training in procurement or supply chain management in Malawi. As such, the Director requested that the Threshold activities focus on staff capacity building. ODPP also received (and continues to receive) support from other donors, including the World Bank and UNDP which funds staff positions and activities and provides technical assistance. Planned activities to increase the capacity of ODPP included:

- Sponsoring three procurement officers to attend master's degree programs in the UK on supply chain management and procurement (along with another six staff who were sponsored by other donors)<sup>21</sup>;
- Short trainings for ODPP and SPU staff members;
- Short, overseas training courses for two more senior staff members;
- A study tour to the US to see how procurement from small and medium enterprises (SMEs) is handled since the Procurement Act had provisions that seek to promote sourcing from SMEs; and
- Establishment of an e-procurement system.

To address the shortage of procurement professionals in the medium term, Threshold also planned to provide support to:

- The Malawi Institute of Management to create a Masters in Procurement degree, and the Polytechnic University to create a procurement specialization within their BA in Commerce degree. Support consisted of twinning the two universities with international universities for support in curriculum development. The Polytechnic also received textbooks and office equipment for the faculty; and
- Creation of an accreditation regime.

The objective of this activity was to build the professionalism of staff at ODPP and reduce corruption in public procurement. An implicit objective was to increase compliance by SPUs with requirements of the Procurement Act, including reporting procurement actions to ODPP, holding professional tenders, etc.

*Completion of Outputs:* The e-procurement system was not undertaken as activating the procurement module of IFMIS would cost approximately \$500,000 and was therefore deemed too expensive. In addition, the accreditation regime was not pursued since the Procurement Act does not give ODPP authority to play this role. Accreditation is planned instead to come under the mandate of a semi-autonomous body. All other activities were completed.

*Achievement of Outcomes:* The findings of the evaluation are as follows:

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<sup>19</sup> ODPP can cancel procurement actions in some cases but has no disciplinary powers over staff. Cases of corruption are referred to the Anti-Corruption Bureau for investigation.

<sup>20</sup> Anecdotally, the decentralization of procurement in the absence of a strong regulator has merely served to decentralize corruption.

<sup>21</sup> USAID resisted similar requests by other MDAs but decided in this case that a regulatory body such as ODPP required stronger skill sets than could be obtained in Malawi. The participating officers were bonded for a period of 5 years, requiring that they stay in the civil service but not necessarily ODPP.

- **Impact on Corruption:** ODPP was not able to produce any data on the number of procurement actions found to be out of compliance, cancelled, or the number of procurement officers disciplined or referred to ACB for misprocurement<sup>22</sup>. The evaluators therefore are unable to demonstrate any impact of the capacity building or improved enforcement of procurement regulations on the stated objective of reducing corruption. The evaluators note that no assistance was provided by Threshold to set up systems that would counter corruption more directly (for example, there is no database of vendors that have been involved in misprocurement cases; no hotline to allow people to complain about irregularities, etc.)
- **Compliance of SPUs with Procurement Act Requirements:** Six ODPP staff members interviewed for the evaluation stated that compliance with Procurement Act requirements (e.g. reporting procurement actions, allowing ODPP to audit their procurement units, holding open tenders, etc.) is improving gradually from a low base. A number of staff noted that ODPP had to overcome stiff resistance from procurement units but say that fewer than 10% of entities still refuse to report procurement actions as required. ODPP's audit coverage is still limited due to personnel shortages.<sup>23</sup> The evaluators cannot confidently attribute increased compliance to the Threshold interventions given the support of multiple donors. As noted above, there is no indication that increased compliance is reducing rent-seeking (for example, they could provide figures on the total numbers of audits but not the number of irregular findings).
- **Increase ODPP and SPU internal capacity:** ODPP does not have records of how many of the SPU officers given short-term (1-2 week) training by C&A remain in their posts and it was therefore not possible for evaluators to conduct interviews among this set of trainees. Staff at ODPP who had received short-term trainings felt they were helpful but too short to constitute a significant improvement. The value of the trainings to the institutions as a whole has been diluted by high staff turnover within the ODPP and the SPUs generally. Respondents report that staff movements mean that some procurement units no longer have any staff trained under the program while other SPUs may have two or three trained staff.

The evaluators interviewed all of the officers sponsored for MAs in the UK. All three report that it was a very valuable and positive experience. Only one of the three remains at ODPP, where he is in charge of staff development, another is handling procurement for the National AIDS Commission (which is donor funded and delinked from civil service pay scales) and the third is a procurement officer at the University of Malawi College of Medicine.

- **Establishment of procurement degree programs:** Threshold support was more successful in standing up the degree programs. The Polytechnic<sup>24</sup> reports that their curriculum is largely based on the degree program of the university they were twinned with (Makerere University in Uganda) and that Makerere faculty was instrumental in helping them adapt their program. Material support –textbooks, computers, air conditioning units and office furniture- remains in use although the lack of sufficient office and classroom space has been challenging to the program. The degree program graduated one class of 26 students in 2009 with another class of 40 students expected to graduate in 2011 (there is no graduating class expected in 2010). Twenty students in the first class were given scholarships (by another donor) which required that they work for the GoM after graduation. The class of 2011 includes 12 students with

<sup>22</sup> ODPP indicated that UNDP is assessing the feasibility of a computerized system to help track this information. ODPP claims they are not tracking the information manually and NAO indicated that they are not auditing procurement which means there is effectively very limited oversight over the procurement function.

<sup>23</sup> ODPP shared internal administrative records of how many procurement actions they have approved, how many audits conducted, etc. with evaluators. However, these have not been maintained consistently over the years and it is therefore difficult to demonstrate a trend line.

<sup>24</sup> Due to time constraints, the evaluators did not meet with the Malawi Institute of Management faculty.

scholarships who will be expected to join GoM procurement offices (with the other students presumably going to the private sector). The existence of the degree is therefore meeting the intended result of producing qualified staff for public procurement when donors are willing to provide scholarships. The availability of a procurement specialization in Malawi for the first time can reasonably be expected to lead to a higher professionalism in procurement in general.

*Sustainability:* The primary challenge to sustainability of the capacity building is the high turnover in the ODPP and the SPUs. ODPP continues to run staff trainings with other donor support to try and address this issue. The degree programs at MIM and Polytechnic are likely to be sustained as they are attractive to private students as well as those on scholarships.

*Summary of Impact:* The impact of capacity building within ODPP has been diluted by staff 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 ESTABLISHING AN EFFECTIVE FINANCIAL INTELLIGENCE UNIT

*Investment:* Total funding to U.S. Treasury for the Malawi Threshold was \$5.4 million. Treasury did not provide detailed financial reports to USAID making it impossible to determine what portion of this amount was spent on this component. The final report cites \$180,000 in hardware and software procurement for the FIU.

*Background:* At program inception, Malawi was party to a number of treaties to combat AML/CFT but had not enacted implementing legislation. A draft bill was prepared in 2002 but had not been passed by the National Assembly. The TCP identified the following activities to assist Malawi in meeting its international and regional obligations as one aspect of counter-corruption<sup>25</sup>:

- Pass the draft AML/CFT legislation. In practice, this involved a major outreach and education campaign for Members of Parliament (MPs) conducted in cooperation with the Malawi Banker's Association;
- Create capacity within the Reserve Bank of Malawi (RBM) to implement risk-based examination procedures for banking supervision;
- Amend the AML/CFT legislation to meet new international standards since the 2002 draft had been prepared;
- Establish a FIU to serve as the locus for AML/CFT implementation. In implementation, this included:
  - Organizational development support, including assistance with drafting the operational budget, policies and procedures, and recruiting personnel;
  - Refurbishment of office space to house the unit;
  - A study tour for FIU staff to South Africa and Mauritius to assess possible software to analyze suspicious and large transaction reports; and
  - Procurement of hardware and software as well as a security system for the offices.
- Develop a national AML/CFT Strategic Plan.

Two resident advisors- one for Financial Enforcement and one for Banking Services- were assigned to the RBM to conduct these activities. Implementation was indicative of the highly collaborative implementation structure of the program. While Treasury took the lead in technical assistance, Justice (OPDAT and ICITAP) and C&A facilitated trainings in investigating and prosecuting money laundering as part of the enforcement activities discussed below.

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<sup>25</sup> The evaluators note that the MCC eligibility criteria focus on public sector corruption as opposed to corruption per se. This activity therefore had limited relevance to qualification for the Compact, outside of cases in which public officials may have been laundering ill-gotten funds.

*Completion of Outputs:* All outputs were completed with the exception of the amendments to the legislation. This proved impossible given the impasse in Parliament.

*Achievement of Outcomes:*

- **AML-** the AML/CFT Law was passed in August 2006, just months after the program began. It was not possible to interview MPs who voted on the law as they are no longer in Parliament but anecdotal evidence from bank officers and implementers suggests that testimony by the Banker's Association on the need for the bill was influential in getting the law passed. However, these hearings may have taken place even without Threshold assistance.

As discussed below, the law is being implemented through the FIU. However, it has yet to be tested in court and therefore appears to have limited impact on deterring corruption thus far. Cases referred by the FIU to law enforcement have been tried and convicted for other financial crimes, but no cases have been brought to date on charges under the AML. This was confirmed by the Director for Public Prosecutions and ACB personnel, who corroborate that 3 cases referred by FIU have been investigated and one has resulted in a conviction (currently under appeal) for possession of unexplained property under the Corrupt Practices Act. The other two cases are being tried for illegal operation of foreign exchange bureaus that appear to be linked to money laundering. The OPDAT Resident Legal Advisor arranged three seminars on money laundering for staff of the ACB, DPP and police prosecutors around the country. This was done after the law was passed but before the FIU began referring cases to law enforcement. The majority of respondents among staff at ACB, DPP and the FIU say the training was too theoretical to be useful. There is also some concern that judges will not understand or accept the provisions of the Act, which was drafted without Threshold Program assistance.

- **FIU-** the FIU became operational on July 1, 2007 and began receiving transaction reports from banks in November 2007.<sup>26</sup> Estimates of how many transactions are reported per week by the country's 10 commercial banks vary from 100 to 600 large transactions per week to approximately 1,400 large currency transactions per week. Foreign exchange bureaus are still not reporting as required.<sup>27</sup> The FIU also receives reports of suspicious currency transactions from law enforcement (for example, people stopped at the border with large amounts of currency). Between November 2007 and October 2009, FIU had reported 22 suspicious transactions to various law enforcement agencies. Between November 2009 and April 2010, a further 8 cases

#### **Banks' Views of the AML/CFT**

Four bank compliance officers were interviewed for the evaluation. They report that the passage of the AML has improved confidence in Malawian banks as evidenced by improved relationships between their banks and international banks since they are able to report that they are in compliance with international AML/CFT law. However, compliance costs were felt to be a challenge and officers spoke of resistance by customers who do not understand the need for collecting personal data. Compliance officers and staff at RBM suggest that Threshold could have done a better job at educating the public on the purpose of the AML/FIU. Another challenge is that some of the identification requirements under the Act are difficult to implement in rural parts of the country. In particular, many customers lack formal physical addresses or official IDs.

<sup>26</sup> According to project documents, the nearly one year delay between passage of the Act and establishing the FIU was due to infighting between Ministry of Justice and Ministry of Finance over where the FIU should be situated. Parliament has to date (mid-2010) failed to confirm a Director for the FIU. The enabling legislation allows the Deputy Director to launch investigations and so activities were able to progress.

<sup>27</sup> See Eastern & Southern Africa Anti-Money Laundering Group report "Malawi Mutual Evaluation" December 2008.



were referred to law enforcement. The FIU reports that the Malawi Revenue Authority has recovered over 40 million kwacha (US\$266,666) from tax evasion cases arising from these reports. ACB staff states that it has had 3 cases referred so far by FIU (two remain under investigation) and that cooperation with the FIU has allowed the ACB to obtain financial records of defendants in foreign countries to help prepare corruption cases. Malawi has now joined the Egmont Group (an international network of FIUs) and the Eastern & Southern Africa Anti-Money Laundering Group as a result of its compliance.

- **Bank Supervision-** Threshold trained 15 supervision officers at the Reserve Bank in Blantyre in examination techniques and AML. Two officers interviewed at RBM report that their department is now succeeding in making annual site inspections to all 10 banking institutions under their supervision, whereas the inception report from the Resident Advisor notes that some institutions had not been visited in more than three years. This indicates that they are playing their mandated role more fully than before the Threshold, although it is difficult to attribute this to Threshold, since other factors (e.g. staffing, leadership) may have influenced the decision. The Resident Advisor also prepared Risk Based Supervisory Examination and AML/CFT Examination Manuals which remain in use and are highly valued as the primary guide to enforcing the legislation.

*Sustainability:* GOM continues to dedicate, and even expand, resources available to the FIU with the result that staffing has increased to 10 although a Director has yet to be named. FIU is also maintaining the IT system provided by MCC with internal resources. Thus, the FIU appears to be sustainable and is currently receiving support from the World Bank to train bank compliance officers and make necessary amendments to the legislation (notably the inclusion of insurance companies and increasing the amount for large transaction reporting). No one is providing follow up training to prosecutors.

*Summary of Impact:* The program enabled Malawi to begin monitoring for money laundering practices for the first time. 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 thus far. However, the AML has yet to be tested in court and foreign exchange bureaus are not reporting as required under the law.

#### 4. DRAFT AND PASS A DECLARATION OF ASSETS LAW TO ENSURE TRANSPARENCY AMONG PUBLIC OFFICIALS

*Investment:* Total funding to the U.S. Department of Justice Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) was \$1.9 million. Some part of that amount was used to provide technical assistance to the Law Commission to undertake these activities.<sup>28</sup>

*Background:* The TCP called for the drafting and preparation of a Declaration of Assets Law in order to curb corruption among public officials.<sup>29</sup> The TCP also included activities to assist in drafting a political party finance bill and reviewing legislation that restricts press freedoms. The Law Commission was the primary GoM counterpart.<sup>30</sup> Capacity building for the Law Commission was a subsidiary objective of the assistance.

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<sup>28</sup> Although ICITAP provided a somewhat detailed breakdown of program expenditures, OPDAT did not.

<sup>29</sup> Malawi's Constitution makes provision for declaration of assets by public officials but implementing legislation has not been passed.

<sup>30</sup> The Law Commission is an independent entity mandated by the Law Commission Act of 1998 to review and recommend amendments to laws to bring them into conformity with the Malawi Constitution. Its primary role is to draft major pieces of legislation.

Implementation deviated from original program design in that work on political party finance and media freedom was replaced with assistance to draft a plea bargain law.<sup>31</sup> Inputs by OPDAT included:

- Sending two Law Commission staff members overseas for a two-month course on legislative drafting;
- An intermittent advisor and funds to cover meeting costs for the panel of experts responsible for drafting the Declaration of Assets law;
- A study tour to the US for nine MPs and high level members of the Ministry of Justice for exposure to US plea bargain and asset declaration provisions; and
- A public awareness campaign and media outreach to educate MPs and the public on the need for the laws.

*Completion of Outputs:* All planned activities were completed, including most notably a draft Declaration of Assets bill, which was completed by December 2007. However, the draft law was never presented to the National Assembly given the parliamentary impasse that existed during the program. Implementers noted high levels of resistance by MPs to having to declare their assets. Key informants for the evaluation could not say whether the new Parliament will consider the Law, which remains with Cabinet. However, GoM is under pressure by the donor community to table the bill. Incumbents did very poorly in the 2009 Parliamentary elections with the result that all MPs sitting on the Legal Committee of Parliament are newly elected. New committee members have now received briefings (one in 2009 and another in 2010) from the Law Commission on the draft law indicating that they may consider the bill in the near to medium term future.

The plea bargaining provisions developed with Threshold assistance were passed in January 2010 as part of the new criminal procedure code, nearly two years after the end of the Threshold program. This is an unintended outcome from the perspective of the TCP, serving to strengthen rule of law but not connected to corruption. The intended impact was to reduce the large backlog of cases pending in Malawian courts and thereby reduce the number of detainees being held for extended periods of time pending trial, often longer than their potential sentence, thus addressing human rights concerns. The DPP reports that they are planning refresher training for prosecutors on how to implement the new provisions.

*Summary of Impact:* Plea bargaining provisions were enacted following technical assistance by Threshold and if applied correctly should improve time to trial and/or reduce backlogs of criminal cases (unintended outcome). A draft of an Assets Declaration Act was prepared but not enacted. Work on freedom of information and political party financing bills was not undertaken.

## COMPONENT 2: OVERSIGHT

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The program design called for implementation of a number of approaches to supporting improved oversight of public expenditure. This included, within the executive branch, oversight of line ministries through the National Audit Office and the Ministry of Economic Planning and Development; legislative oversight of the executive through the development of an active committee structure; and civil society (constituting both journalists and the NGO sector) oversight of the public sector. Activities specific to improving financial management were also included in this component, namely work with the Budget Office, Debt and Aid, and the Malawi Revenue Authority.

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<sup>31</sup> The relevance of such legislation to the program's overall goals is not clearly articulated in project documents. The impetus appears to have come from the OPDAT Resident Legal Advisor who recommended the plea bargaining provisions as the Law Commission was in the process of revising the criminal procedure code with British assistance when Threshold began.

## 5. STRENGTHEN THE GOVERNMENT OF MALAWI'S AUDIT CAPACITIES BY RECRUITING, TRAINING, AND EQUIPPING THE STAFF OF THE NATIONAL AUDIT OFFICE (NAO)

*Investment:* Actual expenditures of at least \$440,000 plus unspecified C&A consulting and staff time.

*Background:* The NAO is an independent entity reporting to the Chief Secretary of Cabinet and mandated by the Constitution to audit government accounts. The organization suffered from significant staffing shortages and high staff turnover, attributed to the very low salary scales in the institution. Unable to compete with the private sector to recruit or retain skilled auditors, the NAO was not meeting its obligations to audit all government entities in a timely manner. According to the TCP, audit coverage at program inception was less than 20 percent of required entities per year. The organization was dependent on outsourcing audits to private firms; because of the expense associated with this it was generally only done for donor-funded programs for which an audit was required.

In order to improve audit coverage, meet the NAO's mandate to provide audits to Parliament within six months of the end of the fiscal year, improve staff retention, and reduce outsourcing of audits to private firms, the TCP called for:

- Training to NAO staff- 120 NAO auditors received short trainings on performance and investigative audits as well as procurement procedures and legal principles. Four staff members were seconded for three months to the national audit office in South Africa. Basic computer literacy training was conducted for all 150 staff to allow them to use the computer system.
- Support for recruitment of additional staff- because of difficulties in creating permanent posts, 20 accountant interns from Polytechnic University were hired for one year; and
- Provision of an information management system- IT equipment including 40 desktop computers, printers, and servers were procured for NAO, which was entirely manual at program inception.

The NAO functioned without an Auditor General for most of the program period. Activities were therefore decided in partnership with the Deputy Auditor General. However, NAO's supporting regulations require that the Auditor General approve and submit audits.

*Completion of Outputs:* All planned activities were completed with the exception of a Local Area Network (LAN), which was not undertaken due to delays in procurement.

*Achievement of Outcomes:* Interviews with NAO staff and current donors indicate that the assistance was of very limited benefit to the organization. The primary reason given for this is that activities, while demand driven, were not sufficiently connected to overall outcomes. No formal needs assessment, for example a baseline survey of staff to determine their skill sets and education levels, was done; activities were identified during meetings between C&A and NAO's Deputy Director. Staff members also cite trainings as being one-off and too short (two weeks at maximum) to sufficiently increase capacity although they acknowledge that it would have been difficult to release staff from their workloads for longer periods. As such, trainings in performance based audits and IT literacy can best be seen as foundations laid for future assistance. The computers are used to prepare reports but not to analyze accounts as intended.

The intended outcomes of clearing the audit backlog, reducing outsourcing of audits, auditing all public institutions and presenting audits to the National Assembly within six months of the end of the fiscal year (as required by the Public Audit Act) are still not being achieved by the organization. While the audits for fiscal years 04/05, 04/05 and 05/06 were prepared during the Threshold period, NAO staff state that Threshold did not provide any technical

support in preparing these documents. NAO is still not able to audit all government entities annually as required by its statute and is not auditing procurement. The problems encountered at NAO suggest that program design did not sufficiently take into account the internal capacity of the organization; a resident advisor able to mentor staff on a daily basis and much more sustained financial and technical support than was provided by Threshold would have been necessary to advance institutional capacity. These are long-term issues that may have been difficult to resolve in the two-year timeframe.

*Sustainability:* Of the 20 interns hired by Threshold, 10 have joined NAO as staff. NAO is now receiving support from the UK Department for International Development (DfID) to hire private firms to help clear the backlog and the Norwegian Agency for Development Cooperation (NORAD), which is providing a resident advisor and budget support.

*Summary of Impact:* 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 were not met. The failure of this activity is attributed to lack of a cohesive strategy, 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. BUILD MONITORING AND EVALUATION (M&E) CAPACITY FOR GOM-IMPLEMENTED PROJECTS AT THE MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

*Investment:* Actual expenditures of \$267,000 for training and IT. Unspecified staff and consultancy time by C&A (including a full-time local IT advisor for one year to develop the database).

*Background:* The Ministry of Economic Planning and Development (MEPD) is responsible for overseeing and coordinating donor aid. The TCP called for staff training and technical assistance for the M&E division of MEPD which is responsible for monitoring donor-funded programs. The objective of the activity was to mitigate financial mismanagement and fraud in the use of donor funds and make project implementation more efficient. Activities included:

- Training 46 staff members in M&E concepts, statistical data analysis methods, and proposal preparation for funding of local projects (including 40 staff members in MEPD's regional offices that had been newly hired with UNDP funds);
- Supporting 6 staff to attend a one month overseas training in M&E and performance auditing (this was combined with staff from NAO);
- Designing a communications strategy; and
- Developing a customized database to assist in tracking projects and training M&E staff in its use.

*Completion of Outputs:* Work on the database ran behind schedule and was completed only at the end of the program. As a result, the server provided to MEPD to centralize the regional databases was never configured and a planned website was not developed. All other outputs were completed.

*Achievement of Outcomes:*

- **Improved data tracking-** The software designed for MEPD monitors project progress and impact on beneficiaries but does not include financial information. The improvements made to the database with Threshold support mean that M&E officers can now do calculations, query the database and produce reports.

This is in contrast to the previous database which only produced tables. However, MEPD staff note that the database was finished at the end of the Threshold timeframe and there was therefore insufficient time to work out bugs in the software and completely train all staff in the new system.

- **Impact on corruption-** MEPD does not track how many programs have experienced problems with financial mismanagement or malfeasance and thus could not furnish this information. Evaluators were therefore unable to determine whether inputs contributed to the intended outcome of reducing misuse of donor funds in development projects. However, MEPD staff report that line ministries in the districts were resistant to the new system because of higher accountability, suggesting that the monitoring may be useful in this regard. The database does not specifically capture the financial records of a project, but will show if projects were not completed, as assessed by M&E staff, which can then be compared with records of how much has been disbursed to identify discrepancies. It is not clear whether this is being done systematically. To overcome resistance to using the new database, MEPD withheld operating funds from the regional offices that were not reporting with the new systems. However, in 2008, decentralization of funding removed this lever. Out of a total 40 local assemblies, MEPD estimates that 6-8 are still not reporting with the new system.
- **Increased M&E capacity-** Interviews with staff members indicate that the training was helpful, particularly the practical lessons in helping them use the new database system. No baseline of skills was available to evaluators to determine enhanced capacity but many staff were new hires and could be expected to have relatively low levels of knowledge on M&E.

*Sustainability:* Work begun under Threshold has been continued with the funding MEPD receives from DfID, UNDP, and others. The database designed by the Threshold consultant continues to be used and is being further revised with other donor funds. Of the 40 regional officers trained under Threshold, 37 remain on staff. Staff attribute high sustainability to the fact that the activities related to ongoing functions of the unit which are being supported through the basket funding they receive from other donors.

*Summary of Impact:* Regional M&E officers were trained and a database to track projects was created which remains in use. However, the database does not include financial information, making it difficult to identify leakage in donor-funded projects. It was therefore not possible to determine any impact on corruption.

## 7. BUILD CAPACITY FOR IMPROVED/PRUDENT FISCAL MANAGEMENT BY STRENGTHENING CAPABILITIES IN THE MINISTRY OF FINANCE, MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT, AND THE MALAWI REVENUE AUTHORITY

*Investment:* The total sub-obligation to US Treasury for the technical assistance was \$5.4 million for these activities as well as technical support related to the sovereign credit rating and FIU.

*Background:* The initial period of democratic government in Malawi was marked by systemically weak financial management resulting in serious macro-economic imbalances. The administration of President Mutharika had committed to addressing these problems and was receiving significant assistance from the IMF, World Bank and other donors at the time Threshold was designed. The TCP sought to complement these ongoing efforts with provision of targeted technical assistance. The intended outcomes of this activity were: improved budget compliance and discipline; enhanced cooperation in financial management; improved debt and aid management; improved revenue projection and collection systems in tax administration, and improved budget processes. Planned activities included:

- Trainings in fiscal, economic, and debt management, including establishment of a Domestic Debt Unit which would monitor and manage domestic debt;

- Development of a budget system that linked output based budget to the detailed budget;
- Six staff attachments to budget departments and debt and aid departments in neighboring countries;
- IT procurement; and
- Technical assistance to streamline operating systems.

This work was carried out by the US Department of Treasury Office of Technical Assistance (OTA) which placed a resident tax advisor at the Malawi Revenue Authority (MRA), supplemented by a number of specialized short-term consultants, and a resident debt advisor at the Budget Office at the Ministry of Finance.<sup>32</sup> Intermittent consulting services were provided to the Debt and Aid Office of the MEPD. These activities were coordinated with the IMF which also provided technical assistance to MoF.

*Completion of Outputs:* Work to establish a Domestic Debt Unit never gained traction and GoM and USAID agreed in mid-2007 to reallocate the funds to other activities under OTA's scope of work. Respondents attribute the failure of this activity to the fact that the advisor was not full-time in country to drive changes (OTA provided an intermittent advisor who came to Malawi quarterly and explored a number of programming options), the lack of a dedicated counterpart within Debt & Aid, and insufficient funding for equipment and staff that would have helped them establish the unit. All other outputs were completed.

*Achievement of Outcomes:*

**Budget Office-** the Budget Advisor worked directly with the Director of the Budget Office to determine activities. Her primary assigned focus was to work with three recently hired budget officers in the planning department to increase their capacity to analyze budget submissions from the line ministries and prepare reports for the Secretary of the Treasury. Intended outcomes included:

- **More consistent reporting/preparation across Ministries-** a budget manual was drafted, the first written guideline for budget officers in the MDAs on how to prepare their submissions. Although this was not completed during the Threshold timeframe it has since been distributed to the budget offices of all line Ministries and will be formally launched by the Minister of Finance this year. The guidelines serve as a benchmark and training tool for new staff. Anecdotal evidence suggests this has increased consistency of budget preparation but the evaluators were not able to confirm this through a review of draft submissions due to time constraints;
- **Increased transparency of national budget-** A "Budget Brief" presenting a condensed version of the annual budget in easily understood terms was developed to improve the budget presentation to MPs and was published in the national newspapers. The Budget Brief continues to be implemented and expanded (with assistance from DfID) and will be published in local language as well as English. The exercise increases transparency of the national budget but the evaluators could not identify whether the information is being used to hold the government accountable for financial management;
- **Increase timeliness of budget submission to Parliament-** The budget calendar was revised to include deadlines for line Ministries, as late submissions were one source of delay in preparation of the annual budget. This revised calendar remains in use and Budget Office staff report that submission of budget requests by the line Ministries has been timelier since the revisions were made and publicized. Threshold also funded the creation of a computer lab to support preparation of the annual budget and revisions on site. Budget Office staff report that this has increased efficiency over the prior situation when staff would

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<sup>32</sup> The Budget Office is the sole institution which reported being included in the Threshold program without consultation and the Director was caught unawares when the Budget Advisor contacted the office. The confusion appears to derive from an internal miscommunication within Ministry of Finance.

have to assemble on an ad hoc basis (usually in a rented offsite conference room bringing individual desktops from officers' desks) to prepare the annual budget. Clerks of the National Assembly's budget committee corroborated that the budget is now submitted on time but were not in the government prior to the Threshold and therefore cannot say whether this constitutes an improvement;

- **Activation of the budget module of accounting software-** the advisor assisted the Budget Office in communicating with EPICOR (the vendor of the IFMIS system) to modify the budget module which interacts with the IFMIS system so that it could be activated.<sup>33</sup> The respondents at the Budget Office indicate that because they were not familiar with computerized budget systems, they had difficulty expressing their desired modifications to the vendor, and did not have experience in what kinds of functions might ease their work. Input of the budget figures to IFMIS was manual (with data entry done at the computer lab) during the life of the program but the Budget Office has now been able to connect to IFMIS to prepare the FY08/09 budget (with the continued support by other donors). This means that budgeted figures no longer have to be keyed in by the Accountant General's Office and revisions to the budget are automatically reflected in the allocations for relevant cost centers, contributing to more efficient and timely information sharing.

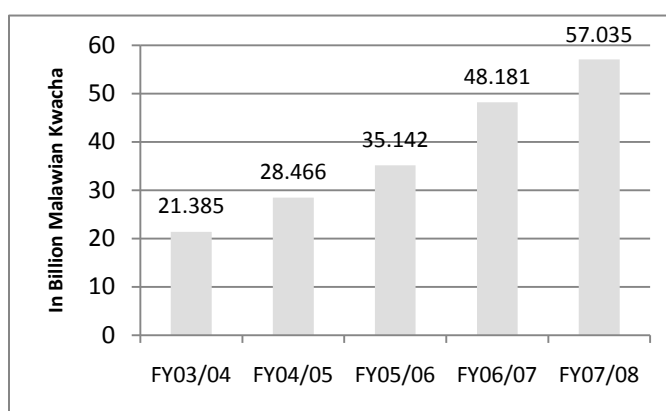
*Sustainability:* The two year timeframe was insufficient to complete some of the changes envisioned but continued donor support has allowed a number of these activities to come to fruition. The inputs at Budget Office continue to be put to use. An Overseas Development Institute fellow funded by DfID is providing ongoing assistance on some of the activities, for example the Budget Brief.

*Summary of Impact:* the Advisor contributed to incremental improvements in the Budget Office's operations and their ability to prepare the budget in a timely and complete manner. The technical assistance was found to be more useful in improving budget monitoring than in improving coordination among departments to identify possible budget arrears or reduce cash rationing.

**Malawi Revenue Authority (MRA)-** The primary objective of activities at MRA was to broaden the tax base, increase the collection of tax receipts, and improve revenue projections. The Resident Tax Advisor worked with the VAT, income tax, customs, and investigations divisions as well as human resources to provide short trainings and technical advice. Project documents refer to lack of responsiveness by MRA's leadership; agreeing on activities required five months of negotiations. Activities to increase revenues generated by MRA included:

- **Increase tax receipts by creating a function-based organization-** MRA undertook internal restructuring to combine VAT and income tax in a Domestic Tax division (following recommendations by the Advisor and the IMF). Staff of the combined division from all over the

FIGURE 3: ANNUAL INCOME & VAT RECEIPTS



<sup>33</sup> The selection of a vendor for IFMIS was made by the Accountant General but had repercussions for related offices. EPICOR has had difficulty in modifying their software to reflect the performance based budgeting that the Budget Office was moving towards and this has delayed implementation of the budgeting module.

country received trainings in auditing and investigations. Based on feedback from earlier classes, these were lengthened to 3 weeks to allow sufficient time to absorb the material.

MRA key informants report that the combined focus, which allows auditors to check compliance with both kinds of tax obligations, has contributed to increased receipts resulting from audits. The Domestic Tax unit estimates that monthly receipts for income and VAT have risen to 1.8 billion kwacha from 600-800 million kwacha (\$12 million from \$4 million). MRA data indicates that receipts increased sharply between FY05 and FY06, which may be interpreted as evidence of program impacts, although figures were already trending higher before the Threshold program began in 2006 as a result of new taxes and other measures (see Figure 3). As part of the reorganization, responsibility for audits was moved under the new Loss Prevention Unit in Domestic Tax (see box).

- **Identify and prosecute tax evaders-** the Tax Advisor worked with the Investigations Unit to pursue criminal charges against violators in contrast to the MRA's previous practice of recovering funds but not prosecuting. Under the MTP, a number of trial cases were conducted, with 2 defendants found guilty and fined. However, staff suggested that there may be some political interference in bringing forward cases related to high profile tax evaders and the difficulty of obtaining convictions appears to be dissuading MRA from following this approach; MRA Investigations could not supply any data on the number of cases they have taken to trial since Threshold ended.

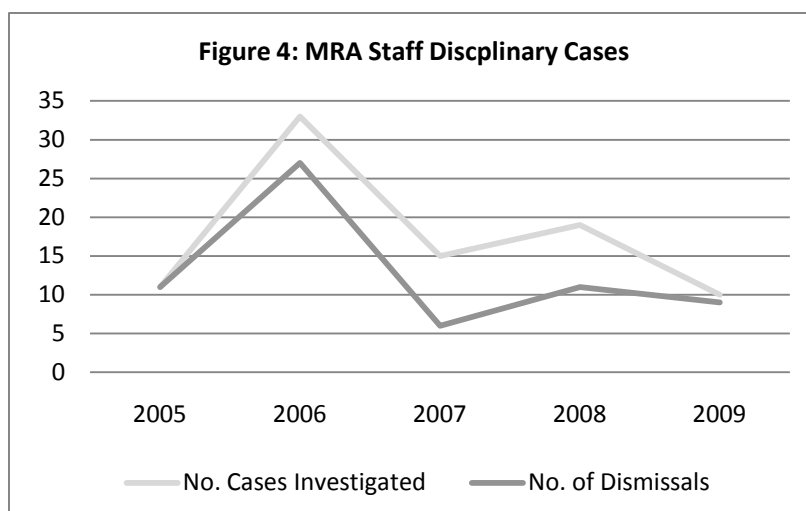
#### **MRA Loss Prevention Unit**

As part of the reorganization supported by the Threshold, Domestic Tax now has a loss prevention unit which follows up on audits, anonymous calls, and cases reported by the FIU or ACB. The Loss Prevention Unit of Domestic Tax provided records of 27 cases they have investigated (no baseline was available). Illustrative cases from their records include tax evasion or under-reporting by businesses and individuals and collusion between tax officers and tax payers to under-report earnings. Cases from the ACB have included tax officers with cars or other goods that seem beyond their means. Large transactions reported by FIU are compared with companies' income declarations to identify under-reporting. These investigations have resulted in assessments of millions of kwacha, helping to increase government revenue.

The Investigations unit did provide records of cases from 2005, 2008 and 2009; due to incomplete record-keeping conclusions cannot confidently be made from the data. No impact is shown on the number of investigations (roughly 15-17 per year) or the amount of revenue recovered (between \$90-140,000 annually), although there appears to be a shift in the kind of cases handled. In 2005, cases were uniformly related to under-reporting revenue (cases now handled by Loss Prevention) whereas in 2008 and 2009 a significant percentage of cases related to smuggling (evading customs). In line with a stronger criminal approach, staff from Investigations took part in the MTP trainings on money laundering and financial crimes and report that the Threshold contributed to improved cooperation with the ACB and the FIU. However, data from ACB indicates that the number of referrals to MRA actually *fell* during this period and in no year did the number of cases referred exceed 13.



- **Develop a code of conduct and ethics program for employees-** the program assisted in a revision of the existing code of ethics and distributed summaries to all staff. Anecdotally, it was extremely rare that staff would be dismissed prior to this, as violators would plead ignorance of the provisions. Data provided by the human resources department shows numbers of cases and dismissals for infractions dating to 2005 (first available year for which



there is data). A sharp increase in number of cases and dismissals is seen in 2006 when the Threshold support was given, numbers dropped quickly and have remained relatively flat since then. It is impossible to determine whether this is because the deterrent effect is showing results or instead whether MRA is not as actively pursuing cases. Anecdotally, the Advisor encouraged them to report cases to the ACB which subsequently resulted in convictions and jail sentences but it was not possible to confirm this information.<sup>34</sup>

- **Develop a draft tax administration act-** technical assistance was given on a draft law but the draft was abandoned as incompatible with a Commonwealth legal system. MRA subsequently received assistance from a British consultant funded by another donor.
- **Commodity support to migrate Customs to ASYCUDA-** an unspecified number of servers and desktops were provided to a number of border stations but the migration was not completed because there were not sufficient funds to purchase the Oracle database that the system runs on.

*Sustainability:* High turnover among officers is the main threat to sustainability of the interventions at MRA. Directors interviewed estimate that approximately 30% of staff trained under the program have since left to go to the private sector or have passed away. MRA lacks funds to replicate the trainings that were conducted under Threshold so new staff do not receive training of the same caliber. Respondents also felt that the equipment budget was insufficient given the needs of the organization and that this curtailed the effectiveness of the TA. In addition to the problem with deploying ASYCUDA, recommendations by the Advisor to share records with other government departments to identify sources of wealth that might indicate tax evasion could not be implemented as MRA does not have a secured internet connection to the rest of the government.<sup>35</sup>

*Summary of Impact:* Creation of a domestic tax unit has anecdotally resulted in higher revenues although attribution cannot be determined since receipts were trending upwards prior to the program. The Investigations unit was supported to conduct trial cases for tax evasion but no figures were available on the number of cases tried. The consultant 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.

<sup>34</sup> No reliable record exists of how many cases were referred but ACB only completed between 16-23 cases per year in the period 2004-2009 so the cases referred by MRA, if any, were presumably very few.

<sup>35</sup> MRA's main office is based in Blantyre, the commercial heart of the country, which increases the expense of networking to other government departments which are in Lilongwe, the capital. This is apparently one reason that MRA does not have access to IFMIS.

## 8. STRENGTHEN NATIONAL ASSEMBLY OVERSIGHT BY EMPOWERING THE COMMITTEE SYSTEM

*Investment:* Expenditures by SUNY for this work were approximately \$2.9 million, of which \$1.47 million was for SUNY labor costs. Another \$1.1 million covered trainings, meetings of the Committees and operating costs of the Committee Department, including salaries and office rent that were provided to GoM on a provisional basis.

*Background:* National Assembly Committees, made up of MPs who are supported by Committee Clerks, are responsible for drafting and reviewing proposed legislation and monitoring the implementation of legislation.<sup>36</sup> The objective of this activity was to develop the National Assembly committee system so that MPs could carry out oversight, particularly related to public finance.<sup>37</sup> This was in line with Parliament's strategic plan which was finalized in early 2006. At the time of the Threshold, only four constitutionally mandated committees- Public Appointments, Legal Affairs, Defense and Security, and Budget and Finance- were meeting regularly out of a total of 13 committees. There was no committee department and three clerks served the committees in addition to serving on the floor of Parliament. Other key intended outcomes for this activity included the ability of Parliament to conduct informed debate and public hearings.<sup>38</sup> The TCP called for:

- Hiring additional clerks and training them and relevant MPs (i.e. Committee members) in basic financial analysis, accounting and auditing to assist them in monitoring the budget and considering the Auditor General's reports (reinforcing other areas of Threshold support);
- TA to consider technical bills with significant bearing on anticorruption, financial discipline and good governance, in particular legislation being supported by Threshold;
- Connecting the National Assembly to the Government Wide Area Network (GWAN) so they could access IFMIS; and
- Hiring interns from local universities to address staff shortages and help with research.

In implementation, it was agreed that rather than focusing on financial analysis skills for the "money committees," the assistance would be extended to all of the committees to bring them up to a basic level of staffing and administrative functioning. In order to avoid perceptions of partisanship during the political impasse in Parliament, the implementers followed a highly demand-driven approach in which committees were invited to submit proposals for funding and approval was coordinated with the Speaker of Parliament and the Chief Clerk.

*Completion of Outputs:* The evaluators interviewed four staff of the Committee Department. Respondents indicate that all outputs agreed between the implementers and the Chief Clerk were completed. An additional seven clerks were hired to provide Secretariat services for the Committees and all ten clerks were trained in basic administration (procedural requirements, taking minutes, etc.). Operating funds were provided to facilitate meeting on a regular basis (almost monthly for some committees), provide office space for the Committee Department, over 20 computers were procured for the clerks and the library, and a website was developed.

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<sup>36</sup> Although the National Assembly has the right to draft and introduce legislation, in practice legislative drafting is undertaken by the Law Commission.

<sup>37</sup> The National Assembly receives support from a large number of donors. The committee structure had also been receiving support from CIDA and the Threshold program was preceded by a USAID funded program at Parliament implemented by NDI.

<sup>38</sup> The performance indicators for this activity related to legislative independence and were not directly connected to Threshold inputs. The primary indicator was "NA has more control over own budget" which was accomplished because of the commitment of the Executive to fund Parliament regularly as constitutionally required rather than any action supported by Threshold.

A number of activities called for in the TCP were not required or feasible in implementation. For example, the TCP called for a review of the House Standing Orders and passage of the amended Parliamentary Service Act<sup>39</sup>; these areas were receiving support from the Scottish Parliament and thus were dropped to avoid duplication. The GWAN connection to IFMIS was not completed because of GoM delays in extending the GWAN to the Committee offices. As discussed above, certain legislation (Declaration of Assets bill, Freedom of Information Act) were not passed as planned in the TCP because of the political situation during the Threshold period.

*Achievement of Outcomes:* the primary accomplishment of the Threshold was that the Committee Department was successfully stood up and all 13 committees began meeting regularly for the first time. The Committees are producing reports and holding hearings, although not all reports are tabled in Parliament. The number of reports prepared and presented to Parliament are shown in Table 1. Interviews with four committee clerks indicate that Committee members have been less involved in considering pending legislation (as constitutionally required) and more active at monitoring how enacted legislation is being implemented. Respondents also report that they are consulting with a broader spectrum of civil society than prior to the Threshold, although this cannot confidently be attributed to the program.

<b>Table 1: Reports Prepared by Committee Department</b>		
Session of Parliament	Reports Prepared	Reports Tabled
40 <sup>th</sup> Session (2007-2009)	13	6
41 <sup>st</sup> Session (June-Dec 2009)	9	6
42 <sup>nd</sup> Session (Jan 2010- present)	N/A	1

However, while the Committee structure is functioning better than prior to the Threshold, it is difficult to determine whether the Committees are focusing on corruption and financial management, per the Threshold goals. Committees appear to have been active in

questioning executive branch financial management during the Threshold program, based on reports shown to the evaluators, but it was not possible to verify whether the questioning on financial issues benefitted from Threshold assistance since most of the MPs are no longer in Parliament and could not be interviewed by evaluators.<sup>40</sup> However, respondents indicated anecdotally that the willingness of legislators to question the executive seen during the Threshold was a product of MPs being in opposition rather than incentives or skill sets to root out financial irregularities.

The decision to change the focus away from specialized financial training has had repercussions. The clerk for the budget committee reports that she is not able to analyze the budget herself and that they remain dependent on hiring external experts to conduct this kind of work. The original idea of using interns had limited impact since they are not professionals and cannot undertake complicated research or analysis. No in-depth trainings were provided and it was not possible to hire specialized, experienced staff with available resources (for example, Threshold was not able to hire a single attorney to work on staff because of the low salaries that could be offered). The clerks are primarily providing Secretariat services.

*Sustainability:* Funding for the committee department has been continued and all Committees are meeting quarterly with internal resources (less frequently than under Threshold). Of the ten clerks trained under Threshold, 8 remain in the Department, although they have not been made permanent civil servants. In the 2009 elections, incumbents performed very poorly (only 50 of 193 MPs were re-elected) meaning the benefit of trainings to MPs

<sup>39</sup> The Standing Orders outline the roles, responsibilities and rules that govern the functioning of Parliament. They can be found at: [http://www.parliament.gov.mw/docs/standing\\_orders/Standing\\_Orders\\_MARCH\\_25\\_2003.pdf](http://www.parliament.gov.mw/docs/standing_orders/Standing_Orders_MARCH_25_2003.pdf)

<sup>40</sup> For example, a report prepared by the Public Accounts Committee (PAC) with Threshold support highlights serious findings of over-spending and misappropriation of funds in the FY2004 audit. Threshold funded the Committee to meet three times to question a total of 23 Controlling Officers on questionable expenditures and hired a consultant to assist with analyzing the audit.

and Committee Heads provided under Threshold has been lost. On the other hand, the role of the clerks is highlighted in this context since they can orient incoming committee members on procedures, the legislative calendar, etc. Trainings developed under Threshold are not being replicated as there are no funds to bring in external trainers. However, MPs are being briefed by government staff trained under Threshold, including the Law Commissioner and staff of the Budget Office. None of the interns brought on by the program were hired as clerks and the internship program was interrupted because of objections by Parliament staff who feared they would be replaced. The internship program was eventually re-started in 2009 and there are currently 18-20 interns on staff. The website developed by SUNY is being maintained.

*Summary of Impact:* All 13 committees began meeting on a regular basis for the first time and now have secretariat capacity that was lacking prior to Threshold. This has largely been sustained with Parliament's own resources, offering more professionalized services to MPs that form the Committees. However, there is little evidence based on reports produced by the Committees that they are engaging in increased financial analysis or oversight as intended. All financial capacity transferred to MPs during the program has been lost given the high attrition rate of incumbents in the last election.

## 9. TRAIN JOURNALISTS AND MEDIA PROFESSIONALS TO REPORT AND ANALYZE CORRUPTION

*Investment:* Approximately \$151,000 was spent on these activities plus unspecified C&A staff time.

*Background:* The objective of this activity was to "build journalists' skills for better reporting on corruption, economic crimes and the national budget" and to address the lack of formal training in investigative or financial journalism in the country. The TCP called for:

- Short-term trainings for working journalists. This consisted of trainings of up to three weeks for journalists from most of the major print and radio outlets in the country; and
- Training for local university journalism faculty members and development of a continuing education curriculum. In implementation, support was provided to the Polytechnic Faculty of Journalism to launch an investigative journalism module.<sup>41</sup>

The intended result of these activities was an absolute increase in the number of investigative reports related to corruption and public economic management. Program documents implicitly acknowledge barriers to such reporting arising not from capacity but from limited press freedoms. Activity 3 called for assistance to draft a Freedom of Information Act and review of legislation that unnecessarily constrict the press.

*Completion of Outputs:* According to project documents, over 100 journalists from the major media outlets in Malawi were trained in investigative journalism. Threshold funded a study tour to South Africa for faculty from the Polytechnic Faculty of Journalism but did not provide any TA directly on what the curriculum should include. The project also conducted three public debates on corruption that were broadcast on radio.

*Achievement of Outcomes:*

- **Training for Journalists-** The evaluation was not able to measure the impact of these activities on the number or quality of reports on corruption as there was no baseline and a large number of other factors impact the intended outcomes. A majority of key informants cited self-censorship by media outlets as the primary impediment to reporting corruption stories. Many media outlets are either

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<sup>41</sup> The journalism faculty was also receiving technical assistance from CIDA at this time.

state-owned or belong to the families of politicians. Respondents stated that when trying to apply the approaches they learned during the training to corruption stories, they have been told by their editors to drop investigations and one journalist was suspended after printing a story related to corruption in procurement.

However, interviews with 4 journalists trained under the program<sup>42</sup> indicate that the skills they gained in investigative journalism increased their capacity and desire to substantiate and investigate claims of corruption. Although respondents felt that the trainings were too short to cover the entire topic, they agreed that longer trainings would have been difficult to attend since the program targeted working journalists.

- **Curriculum-** Evaluators met with two members of the Polytechnic Faculty who indicate that the university has designed an investigative journalism module based on what they saw in South Africa. The module 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. Over 150 students have now gone through that class.

*Sustainability:* No donors are currently providing follow up training to journalists. The sustainability of the journalists applying their training is curtailed by the lack of press freedoms alluded to above. Newspapers willing to pursue stories on public corruption face blacklisting by the government, which is the major source of advertising in the country.<sup>43</sup> The Polytechnic University curriculum appears to be sustainable.

*Summary of Impact:* 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 cite self-censorship by media outlets as a major impediment to writing stories on corruption. The Polytechnic Faculty has designed an investigative journalism module; over 150 students have taken "advanced reporting" classes which incorporate some of this material pending Board approval of the new specialization.

## 10. REVIVE A MEDIA COUNCIL TO IMPROVE PRESS FREEDOM, PROMOTE JOURNALISTIC ETHICAL AND PROFESSIONAL STANDARDS, ADDRESS COMPLAINTS ON PRESS CONDUCT, AND ACCREDIT JOURNALISTS

*Investment:* Approximately \$135,000 was spent on these activities (including a 6-month start up grant for operating costs) plus unspecified C&A staff time.

*Background:* The objective of this activity was to revive a Media Council which would:

- Advocate for freedom of the press;
- Promote ethics and professionalism in journalism and address complaints regarding breaches of same; and
- Accredit journalists.<sup>44</sup>

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<sup>42</sup> Evaluators contacted over 15 journalists trained under the program but due to a low response rate were only able to complete interviews with 4. Because the Threshold investment in this activity was relatively small, it was not deemed a priority to conduct a survey among all 100 journalists.

<sup>43</sup> For example, all public entities were recently instructed to stop advertising in *The Nation*, one of two national dailies, after they published stories on corruption among road traffic police and other government departments.

<sup>44</sup> The Media Council had been inactive for approximately five years at the time Threshold started, following a previous program funded by GTZ. It closed due to financial and management challenges.

*Completion of Outputs:* According to the Council's Executive Director, all planned outputs were accomplished with the exception of some staff training. Technical assistance was provided to advocate amendments to the draft Access to Information bill, but the actual campaign could not be conducted as the bill was not presented to Parliament due to the political situation.

*Achievement of Outcomes:* The Media Council was successfully re-opened in February 2007 with 40 members (30 of whom are active). Threshold assisted in consultative meetings to select a Board, supported development of a strategic plan (including exchanges with the Tanzania Media Council), hiring and training staff, and providing in-kind support for secretariat expenses. Technical assistance was provided to review the Code of Conduct and develop rules and procedures for accreditation. There was some delay in operationalizing the accreditation program as issues over who has the authority to accredit journalists had to be resolved with the Ministry of Information (a compromise was reached that both institutions will sign the press cards). Media Council began accrediting journalists only recently, in November 2009, after the Threshold program. Thus far, they have received 151 applications and approved 81. The journalists interviewed by evaluators felt that accreditation had helped improve professionalism in the media, although the evaluators were unable to identify any independent media surveys that can corroborate this. The Media Council is not actively engaged in advocacy at the moment, as they focus on implementing the accreditation program.

*Sustainability:* Threshold implementers assisted the Media Council in obtaining follow-on funding in the form of a three-year grant from the British High Commission. The Council is now charging membership fees ranging from 25,000-200,000 kwacha (US\$166-1,333) depending on the size of the organization as well as accreditation fees from foreign journalists. These fee for service revenues are insufficient to cover more than a fraction of operating costs.

*Summary of Impact:* the Media Council, which had been defunct for over 5 years, was successfully re-opened in February 2007. It is being sustained with a grant from the British High Commission. The Council began accrediting journalists in November 2009 but is not conducting advocacy activities.

## 11. INTEGRATE CIVIL SOCIETY INTO AN ANTI-CORRUPTION CAMPAIGN

*Investment:* Approximately \$394,000 was spent on sub-grants and two public perception surveys. This amount does not include C&A staff or consultant fees.

*Background:* The objective of this activity was to support civil society advocacy against corruption to complement the government's internal anti-corruption campaign. The TCP called for:

- Sub-grants to civil society organizations (CSOs);
- Development of a regulatory framework for non-governmental organizations (NGOs) and building the capacity of a NGO umbrella organization to set codes of ethics and register NGOs; and
- Polling to track citizen's knowledge and attitudes towards corruption. This was intended to identify needs for the civil society component and track progress.

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### *Civil Society Efforts*

The program provided one-year sub-grants ranging from \$12,000-40,000 to support CSOs to engage in anti-corruption work. For most of the organizations, it was a first experience working on corruption issues. Some of their approaches included:

The Olympic & Commonwealth Games Association of Malawi conducted quizzes during half-times of games to educate the public on how to report corruption to the ACB. Sports are a popular source of entertainment for rural communities and this activity allowed them to reach a wide audience.

Youth Net & Counseling worked in two districts to support street theater to educate the public on corruption and sponsored citizen advocacy forums for members of the community to engage district assembly officials on planned and ongoing development projects. These were the first public-private forums of their kind in these districts and despite some resistance from officials and initial hesitation by community members fearful of repercussions, they have allowed members of the community to directly question government officials and get results. Examples of issues brought to these forums include unofficial payments requested by police to get people released from jail and the construction of a public market which had been budgeted but not completed.

The Public Affairs Committee, an interfaith organization, worked with religious leaders to conduct civic education on anti-corruption through radio and TV.

*Completion of Outputs:* Work on creating an umbrella organization and improving regulation of the NGO sector was not accomplished. It appears that a weak umbrella organization already existed and there was not enough agreement within the sector to move forward. Instead, Threshold funded a number of meetings exploring the possibility of re-establishing a Malawian chapter of Transparency International to serve as a civil society focal point on anti-corruption (activity not explicitly mentioned in the TCP); stakeholders could not reach agreement on the role and structure of such a chapter and the work did not progress.

All other intended outputs were completed, including a sub-grant program to CSOs and two national perception surveys. The first survey served as a baseline<sup>45</sup> and the second, a year later, was intended to identify changes. The baseline survey, conducted in October 2006, found that the public had widely experienced corruption first hand but did not know how to report or otherwise act to stop corruption. These findings informed eight small grants made to local CSOs<sup>46</sup> to support a variety of activities highlighting the costs of corruption to the economy and society and encouraging people to report corruption (see box). Grant funds were complemented with technical assistance on advocacy, financial management, and reporting to the ACB.

*Achievement of Outcomes:* Given that the evaluation was conducted nearly two years after the end of the program it was not feasible to survey the public on whether the campaign had reached them or been effective. The evaluators were unable to identify any impact on reporting corruption as the ACB does not record the source of their complaints, making it difficult to document whether the campaign led to an increase in the number of complaints to the ACB as intended. While interviewed grantees anecdotally thought complaints had increased as a result of their outreach efforts, data from ACB's annual reports on the number of cases reported and investigated shows some increase during Threshold but only back to historically average levels after a dip in FY06-07 which may have been associated with the unfilled Director position (see Table 2).

The follow-up survey commissioned by C&A in 2007, roughly one year after the baseline, also fails to identify impact; respondents did not have improved knowledge of how to report corruption to the ACB (only 16% were aware of how to report in each survey). Roughly 30% of respondents in the 2007 follow-up survey had been exposed to the radio shows funded under the program.

<sup>45</sup> The baseline did not measure incidences of corruption in specific MDAs and could not therefore be used to compare performance for this evaluation. See methodology section for more information.

<sup>46</sup> C&A experienced financial misconduct in two of these grants. Associated losses were incurred by C&A rather than MCC in line with AID's contractual requirements on implementers.

Evaluators interviewed 3 of the program's grantees. Youth Net credits public-private forums conducted under their grant with creating a new avenue for citizens to engage officials on corruption and anecdotally relate that a number of issues were resolved through these forums (see box). However, the other two respondents felt the size and brevity of the grants were too small to achieve significant impact.

<b>Table 2: Cases Handled by ACB</b>				
	FY04-05	FY05-06	FY06-07	FY07-08
Number of complaints	1,042	1,008	795	1,046
Authorized for investigation (%)	22%	25%	38%	25%
Number of convictions	9	11	10	6

*Sustainability:* The three NGO sub-grantees interviewed report that donors are not funding anti-corruption activities and it has therefore been difficult to continue these activities. Youth Net has been able to secure funding for a local participatory planning program which, while not explicitly anti-corruption, is replicating the approach that was piloted under Threshold and

continuing the work in one of the two original districts. Interviews indicate that coordination between the ACB and the CSOs has not continued systematically due to funding constraints.

*Summary of Impact:* Evaluators were not able to identify any increase in reporting corruption as a result of the activities. 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.

## COMPONENT 3: ENFORCEMENT

Efforts to improve enforcement of laws on financial crimes and corruption were directed towards increasing prosecutorial capacity, enhancing legal literacy among various government officials (including magistrate judges), and improving the effectiveness and integrity of the police. The ACB, which is mandated to investigate and try corruption cases, was not the primary focus of these activities as they were already receiving large amounts of donor assistance.

### 12. BUILD MALAWI'S PROSECUTORIAL ABILITIES IN THE DEPARTMENT OF PUBLIC PROSECUTIONS (DPP), THE ANTI-CORRUPTION BUREAU (ACB), AND THE MALAWI POLICE SERVICE (MPS)

*Investment:* Total funding sub-obligated to the U.S. Department of Justice for prosecution and police activities was \$3.5 million. Of that, \$1.9 million was allocated to the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) which provided a resident advisor to the DPP and short-term consultants for specialized training and assistance to the Law Commission. A computerized case management system for DPP cost \$75,000 according to OPDAT's final report.

*Background:* The objective of this activity was to work with the DPP, ACB and MPS (and to a lesser degree ACB) to improve the conviction rate for corruption, fraud and economic crime cases.<sup>47</sup> The TCP called for a resident advisor to provide on-the-job training for prosecutors and to provide material assistance. This was conducted in parallel with C&A's implementation of Activity 14 to strengthen legal skills, which trained judges, police prosecutors and others. The Resident Advisor also worked with the Law Commission on preparation of a Plea Bargaining Law (see

<sup>47</sup> Because of the shortage of prosecutors in the country, police officers designated as prosecutors handle the majority of non-homicide cases in the country, including financial crimes under \$7,000. Cases designated as corruption (involving abuse of power) are handled by ACB. ACB was already receiving donor assistance from the UK, Japan, Denmark and Norway at program inception.



Activity 4 above). The performance indicators for this component were the percent of investigated cases prosecuted and the average time to process corruption cases.

An OPDAT assessment conducted at program inception found that DPP was severely understaffed (the main office in Lilongwe had only 8 prosecutors all of whom had been in the department for less than two years) and that prosecutors had limited skills, particularly in trial advocacy. At MPS, prosecutors were selected from general recruits, had no legal background, and received short introductions to legal principles before taking up their duties. The assessment also identified a large backlog of cases and insecure record storage resulting in a large number of lost case files. To address these deficiencies, it was agreed to:

- Conduct a series of **trainings for prosecutors from DPP and MPS** on prosecution skills including trial preparation and trial advocacy, financial crimes, and human trafficking. Over 300 police prosecutors around the country and roughly 30 prosecutors and paralegals at DPP attended these 3-5 day classes. Courses were opened up to prosecutors from the ACB and trial judges, particularly on the specifics of financial crimes and money laundering. At ACB, 4 prosecutors and 12 investigators attended these classes;
- The Resident Advisor **mentored three prosecutors** that were considered particularly active or were working on cases of interest; they were sent on a two-week trial advocacy course in the U.S. The focus of activities was often on criminal cases rather than narrowly confined to financial cases. This appears to have been the result of which cases were on the docket and the Advisor's focus on rule of law rather than corruption per se; and
- Develop a **computerized case management system** to improve case tracking and document retention. This was complemented by efforts to improve the manual record keeping process.

*Completion of Outputs:* All planned activities were completed.

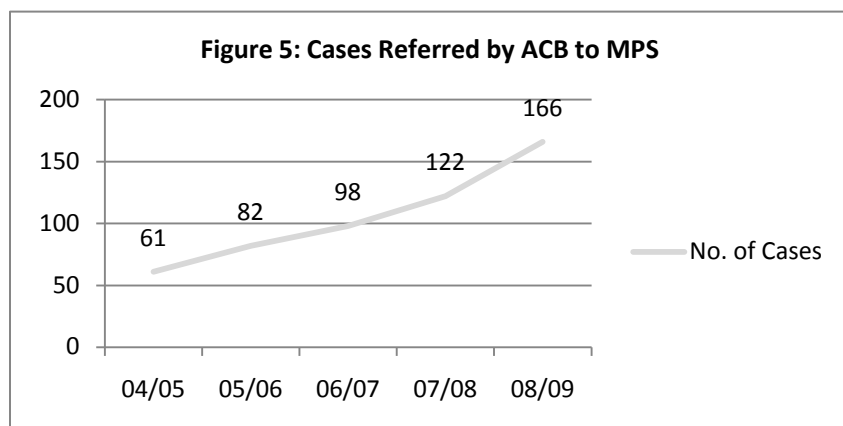
*Achievement of Outcomes:*

**Capacity Building-** Five DPP prosecutors, 4 MPS prosecutors, and 1 ACB prosecutor trained under the Threshold Program were interviewed for the evaluation. All reported that the training on trial advocacy skills and introduction of documentary and computer-based evidence had helped them in preparing and trying cases. DPP prosecutors also indicate that training on plea bargaining helped them better understand how to use their discretion to explore lesser charges when appropriate. At MPS, prosecutors reported anecdotally that their improved capacity to handle more complex cases is resulting in higher conviction rates, and ACB reported faster time to trial. Available MPS data, which is unreliable, does not show any compelling evidence of impact although conviction rates and number of cases appear to have improved in the Southern and Eastern provinces (see Annex 5 for a more detailed discussion). MPS respondents report that Threshold training changed internal practices related to questioning defendants (with some respondents suggesting that questioning has replaced more coercive methods of obtaining confessions and information) and introduced pre-trial preparation of witnesses for the first time. As a result of their increased capacity to handle financial cases, they report that they are referring fewer cases to DPP. In the absence of a formal needs assessment survey of prosecutors, it is impossible to compare their post-Threshold skill sets in an objective fashion.

The evaluators could not determine the impact on the intended objectives of increasing the prosecution (and conviction) rate at DPP as they could not provide records of how many cases they have investigated or prosecuted over the years as they do not compile this data. Available data from FFU (see Figure 6 below) and ACB (see Table 2 above) does not indicate any improvement in conviction rates. Evaluators note that because the MDAs do not

systematically maintain or analyze figures on caseload and conviction rates, it is difficult to verify whether this data is complete.

**Coordination among enforcement agencies-** A majority of respondents reported that the joint trainings with ACB, FIU, DPP, and MPS had improved cooperation between the agencies. Although not necessarily attributable to Threshold, a steady increase in referrals from ACB to MPS prosecutors is seen (Figure 5) although the total number of cases handled by ACB did not increase substantially over this period (see Table 2). This may indicate greater coordination between the MDAs. Staff movements between some of these agencies (for example, many DPP prosecutors have moved to ACB since Threshold ended) also may have reinforced common approaches developed during the Threshold trainings.



**Case Management-** A database was created for DPP and prosecutors were trained in its use but it appears it was never widely deployed. Only a few months after Threshold ended, the IT person in charge of the system left the Ministry and it was abandoned. Although the advisors to DPP had taken the precautionary step of offering recommendations to improve the manual case management system, a visit to the records department and interviews with prosecutors indicate that these are not being implemented.

**Sustainability:** The primary barrier to sustainability of the results at DPP and ACB has been high staff turnover, which has continued since before the Threshold program. Interviews with 5 prosecutors currently or formerly at DPP indicate that the department is viewed as a place for recent graduates to gain experience before moving on to better paying positions in the private sector or donor-funded government agencies whose salaries are delinked from the civil service pay scale.<sup>48</sup> Thus, all three of the prosecutors who were sent to the US have moved on (or will shortly) to other government agencies and six of the prosecutors/paralegals trained under Threshold have now moved to ACB. However, turnover is also high at ACB, which has higher salaries, with most prosecutors trained under Threshold having moved to the private sector.

Staff turnover at MPS is less of an issue since prosecutors have no formal legal training and cannot move to the private sector. However, prosecutors cite the lack of equipment (particularly computers) as limiting the impact of the capacity building activities. DPP is continuing to conduct trainings for MPS prosecutors, described under Activity 14 below.

The lack of sustainability of the case management system is attributed to the fact that Ministry of Justice does not have an IT support unit. DPP has put in a budget request to hire an IT person but funds have not been approved thus far.

**Summary of Impact:** Prosecutors at DPP and MPS report that the training on trial advocacy skills and introduction of documentary and computer-based evidence had helped them in preparing and trying cases and anecdotally report this has improved their conviction rates. However, DPP was not able to provide data and MPS data, which

<sup>48</sup> For example, ACB and Law Commission pay approximately 50% more than DPP and offer benefits.

may not be reliable, indicates improvements in some jurisdictions but not others. 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. INCREASE THE EFFECTIVENESS OF THE MALAWI POLICE SERVICE TO ADDRESS CORRUPTION-RELATED CRIMES BY TRAINING OFFICERS IN FISCAL AND FRAUD INVESTIGATION, INSTALLING A MANAGEMENT INFORMATION SYSTEM, AND DEVELOPING AND DELIVERING AN INTEGRATED ETHICS TRAINING CURRICULUM**

*Investment:* Total funding for support to MPS was \$1.6 million. Expenditures were broken down as follows: Basic Police Skills- \$590,000, FFU- \$330,000, Internal Affairs- \$105,000, Case Management- \$108,000, Forensic Development- \$202,000, and ICITAP Management- \$244,000.

*Background:* In order to assist MPS to be effective in anti-corruption efforts, the TCP called for:

- Building the skills of fiscal and fraud unit (FFU) investigators in the areas of investigative skills, forensics, money laundering, accounting/auditing, and cyber crimes;
- Conducting a feasibility study of establishing a white-collar crime unit;
- Deploying a management information system (MIS) for the FFU to track and manage relevant data; and
- Developing an internal anti-corruption initiative focused on developing and delivering an ethics curriculum.

Inception reports indicate that ICITAP took a broad approach that reached beyond the Threshold goals of corruption. Evaluations were conducted on seemingly unrelated elements such as community policing and an improved curriculum for basic training for recruits was eventually added to the activities (and absorbed the bulk of funds). This was justified as strengthening the fundamentals of the organization and improving rule of law (unintended outcome from the viewpoint of MCC). The need for such a focus suggests that the original objectives may have been too ambitious given the capacity of the organization and the timeframe.

*Completion of Outputs:* All planned activities were completed.

*Achievement of Outcomes:*

- **Fiscal Fraud Unit (FFU)-** Baseline assessments conducted by ICITAP describe a unit in acute shortage of resources with no telephones, transport for officers, computers or other office equipment. Case management had no safeguards and original copies of depositions and other evidence were sent to the prosecutors' office with no copies kept at FFU. FFU's 15 member staff was identified as lacking investigative and computer literacy skills. The resident advisor was based here for much of the first year and provided 3-5 day courses in investigative techniques, anti-money laundering, IT literacy and other topics. These were generally considered helpful but too short. Despite the presence of a Resident Advisor, ongoing coaching appears not to have overcome this issue. This may be attributable to leadership issues at the FFU which slowed implementation. Despite support from the Inspector General of Police (IGP), the Resident Advisor was eventually moved to Lilongwe. A case management database was developed which remains in use and has made it more efficient to track cases.

Data provided by FFU does not demonstrate a consistent increase in the number of cases investigated or in the conviction rate, as shown in Figure 6. The data, which may be only partial due to lack of systematic record keeping, does not indicate any impact from these activities.

**Figure 6: FFU Case Load and Conviction Rate**



- **Forensics-** Baseline assessments found that MPS lacked internal capacity to conduct forensics related to financial crimes. Evidence requiring handwriting analysis, document examination (for example, to identify forgeries) or computer examination was sent to South Africa. The cost of this precluded necessary examinations in all but the highest profile cases and defendants were often let go for lack of evidence.

Threshold supported the creation of computer forensics capacity by sending two officers for a three-month course in the U.S and providing computers, specialized equipment (such as de-encryptors) and software. This is the only such capacity in the country and MPS now assists ACB to examine computer evidence as needed. Due to low IT penetration in Malawi, cyber crime and forged documents remain rare; the examiner estimates that he handles approximately two examinations per week. The ACB estimates that they have referred fewer than 10 cases to MPS Forensics for assistance in investigation since 2008. However, respondents from different branches of MPS reported anecdotally that having the capacity in house means these cases are more likely to be pursued. The examiner frequently testifies in cases where computer evidence is being presented and police prosecutors corroborated that this has helped them in obtaining convictions. Examples of cases that have been investigated include forged fertilizer subsidy coupons, forged bank notes, identity theft and pornography.

Threshold also trained two examiners and a technician in questioned documents (handwriting analysis and forgeries). Like the computer forensic examiner, this capacity has increased the ability of investigators and prosecutors to pursue cases and is being called upon by ACB, MRA Investigations and other enforcement agencies. This was corroborated by prosecutors in DPP and the FFU.

- **Internal Affairs Unit-** At program inception, the MPS handled internal discipline through an informal system whereby commanding officers at each station were in charge of investigating infractions by their staff. Recommendations for disciplinary action were forwarded to central command in Lilongwe. Anecdotal evidence suggests that it was extremely rare for any action to be taken; no baseline figures are available. The IGP recognized this system was inadequate and requested technical support from ICITAP.

Threshold supported the revision of the code of conduct and trained 20 staff (assigned to various stations) in policies and procedures for the new function. The Internal Affairs Unit was created in September 2007 and staffed with an Assistant Commissioner (a high rank to ensure cooperation by officers). Internal Affairs is investigating cases, some of which have resulted in successful prosecutions, educating officers in all stations on the code of conduct, and conducting anti-corruption activities in cooperation with ACB. All officers must pledge to uphold the code of conduct.<sup>49</sup>

The Unit thus appears to be institutionalized and working towards the intended objectives. However, effectiveness of the Unit has been limited because until recently the Assistant Commissioner was working alone and the staffing shortage resulted in a backlog of investigations (see Table 4). Budget for two additional officers was approved this fiscal year and should help increase the number of investigations. The commitment to launching and maintaining the Unit is directly from the IGP, the top official in the MPS.

**Table 3: Cases Handled by MPS Internal Affairs**

Year	No. of Complaints Received & Investigated	Nature of Complaints	Resolution of Complaints
2007 (Sept – Dec)	56	14 cases of improper treatment by police; 42 cases of dealing in firearms.	14 disciplined 42 sent for prosecution
2008	32	13 cases of improper treatment by police; 11 cases referred by ACB; 8 cases referred by Ombudsman.	6 cases disciplined, remaining 7 under investigation. All referred cases under investigation.
2009	27	8 cases of improper treatment by police; 1 case of cheating; 18 cases referred by ACB.	1 conviction 4 disciplined 18 under investigation.
2010	44	6 cases of offensive behavior; 38 cases referred by ACB.	6 disciplined 5 referred cases exonerated 33 referred cases under investigation

NB: Source of data is MPS records. Due to a computer malfunction, they have lost data and the numbers given should be considered incomplete.

- **Basic Training-** Threshold conducted a three-month training-of-trainers to improve the curriculum offered to new recruits. Topics such as proper search techniques, handling of evidence, conducting surveillance, interviewing witnesses, and professional ethics were included in the curriculum. Respondents indicate that the practices introduced by ICITAP differed considerably from the existing curriculum and some of the topics were introduced for the first time. Twenty-eight trainers subsequently conducted an Instructor Course for an additional 58 trainers. The revised curriculum is still in use in a modified format for new

<sup>49</sup> All inputs were completed for this activity with the exception of printing the Standing Orders developed with Threshold assistance (which includes the code of conduct). This was recently completed with support from the Human Rights Commission and they are being disseminated to all stations.

recruits and as refresher courses. (The full curriculum recommended by ICITAP lengthened basic training significantly and there were not enough resources to support this.)

*Sustainability:* Staff turnover at MPS is less problematic than in other parts of government; capacity building to FFU and Police Prosecutors has therefore stayed “in house” although officers are moved from one unit/station to another. Interventions at the Internal Affairs Unit are being sustained with internal resources and staff size has been increased this fiscal year to add two officers for investigations. Sustainability at Forensics is less promising; investments to maintain software (in particular upgrading cyber crime software which is constantly changing) have not been made and this has reduced effectiveness and staff morale. The software license has not been renewed since Threshold ended obliging the Forensics Examiner to use trial versions which do not handle sufficient quantities of data. The renewal costs approximately \$2,000 annually. One of the two computer forensics examiners trained under the program has left for ACB and one of the handwriting experts passed away. They have not been replaced. MPS does not benefit from significant donor support because of donor restrictions on working with security organizations and this appears to have reduced the sustainability of the interventions.

*Summary of Impact:* Training at FFU is anecdotally reported to have improved 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 a higher conviction rate. The Forensics Unit now has in-house computer forensics and questioned document capacity and is serving not only MPS but also ACB and DPP. 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. An Internal Affairs Unit was created and is investigating cases resulting in some dismissals and prosecutions. Internal Affairs is also educating officers in the code of conduct, and conducting anti-corruption activities in cooperation with the ACB.

#### 14. BUILD LEGAL SKILLS CAPACITY AMONG JUDGES, POLICE PROSECUTORS, MEDIA AND OTHERS

*Investment:* Funding for trainings, study tours, and international conferences as well as publications for MoJ’s law library came to \$441,000. Unspecified C&A staff time and management fees.

*Background:* Per the TCP, the objective of this activity was to provide sustainable continuing legal education. The intended outcomes of this activity listed in the TCP were far-ranging, with disparate results including recovery of illegally diverted funds to improving the capacity of Parliament to exercise oversight over the use of public resources. Planned activities included:

- Provision of legal education to policy makers, civil society, law enforcement, MPs, and others. In contrast to trainings implemented by the OPDAT advisor under Activity 12, these trainings were on constitutional and administrative law rather than on prosecution skills and were led by faculty from Chancellor College (Malawi’s only law faculty). Topics were identified through consultation with the Ministry of Justice;
- Vocational placement of students from Chancellor College; and
- Conducting test cases on corruption.

*Completion of Outputs:* Outputs were largely completed but there were some modifications in implementation. The vocational program was not implemented as envisioned; instead of an internship program, all students were hired as staff by MoJ because of their chronic staff shortages (Threshold funded their induction training). Trainings focused on the judiciary, the MPS, ACB, and NAO but it appears trainings were not conducted for the media as originally planned. Test cases were prepared (although there was not time to bring them to trial) but focused on governance issues not directly connected to corruption.

*Achievement of Outcomes:* In the absence of a baseline of knowledge among trainees, it is not possible to assess whether legal skills improved with the technical assistance.<sup>50</sup> Respondents state that the manual on Administrative Law developed by Chancellor faculty for the program continues to be useful. A large number of law publications were supplied to the Attorney General's library and are being consulted and distributed around the country.

*Sustainability:* DPP continues to run training courses and workshops for MPS prosecutors on a monthly basis. They attribute their stronger commitment to continuing education to the experience under Threshold and have adopted the demand driven approach that C&A initiated. The EU is funding a very large justice sector program that has continued some of the work.

*Summary of Impact:* DPP is replicating some of the demand-driven training for MPS prosecutors in monthly workshops around the country to discuss difficult cases and otherwise provide advice. However, due to resource constraints and the relatively low level of investment in this activity, evaluators did not survey the broad target audience to determine whether this activity had any impact on increasing general legal skills.

## CROSS-CUTTING

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### 15. CREDIT RATINGS AS AN INDICATOR OF MALAWI'S FISCAL MANAGEMENT AND ANTI-CORRUPTION SUCCESS

*Investment:* Expenditures by C&A of \$134,500 to hire Fitch, the ratings firm. Unspecified technical assistance time by Treasury (OTA) to prepare MDAs (primarily the Reserve Bank) for the rating visit.

*Background:* At the time the Threshold was designed, Malawi had not had a sovereign credit rating since 2003 (which was funded by the US Department of State). The Fitch ratings normally track performance over three years and so a one year extension to the Threshold was provided to complete this activity. The rating was intended to serve as a performance indicator on GoM's financial management performance in addition to the broader benefit of facilitating foreign investment.

*Completion of Outputs:* All intended outputs were completed.

*Achievement of Outcomes:* Malawi's credit rating in 2007 improved from the previous CCC 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 than in 2003. They also state that conferences conducted by Threshold led to a broader discussion on the economy and the need to coordinate data collection and economic management generally that did not take place without the external assistance.

*Sustainability:* Fitch continued its monitoring activities until August 2009 when its contract ended. Under the Procurement Act, GoM is required to bid out services for the sovereign credit rating and so Fitch has suspended activities until a new contract is awarded. Respondents at the Reserve Bank indicate that there is a commitment to renewing the credit rating but that procurement by MoF has been slow.

*Summary of Impact:* Malawi successfully completed the credit rating and improved its outlook from CCC to B-.

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<sup>50</sup> Feedback forms were collected after the trainings but these were not saved and could not be used by the evaluators. Anecdotal evidence is that feedback was positive.

## V. CONCLUSION AND LESSONS LEARNED

The evaluation finds that planned activities were completed with the exception of the work on Debt Management and passage of certain legislation (Declaration of Assets, Freedom of Information, and political party financing). The primary impact of the Threshold Program is found to be the large number of institutions that were established and have proved sustainable. Among these institutions (or institutional arrangements) are the FIU, the MPS Internal Affairs and Computer Forensic Units, the Domestic Tax division at MRA, the National Assembly Committee Department, the IFMIS regional office connections, a revived Media Council, and the procurement specialization at Polytechnic University. These have succeeded in creating new capacities (e.g. FIU) or professionalized existing institutions. In addition, Threshold was 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 Threshold activities had any impact on the overall goal of combating public sector corruption. This finding is based on the following:

- ODPP does not track or analyze figures on misprocurements or referrals of procurement officers for disciplinary or criminal investigation;
- The MEPD database does not track financial information thus precluding the identification of potential leakages;
- The NAO does not report impact on increased oversight and is not auditing procurement;
- The National Assembly Committee Department has professionalized operations but there is no evidence of in-house capacity to analyze public expenditures nor any sustained legislative attempts to call the executive to task for financial mismanagement or public sector leakages;
- Limited available data from DPP, MPS and ACB does not indicate increases in conviction rates from pre-Threshold levels;
- Work with civil society and the media is not inferred to have contributed significantly to building a sustainable anti-corruption coalition. NGOs are no longer conducting anti-corruption work, the Media Council is not engaging in advocacy, and limited press freedoms inhibit journalists from publishing corruption-related stories.

Where available data does suggest improvements, at FIU and MRA, cases focus on criminal activity in the private sector (money laundering or tax evasion) rather than the public sector corruption the program was intended to address. The successful interventions most directly relevant to public sector corruption are the Internal Affairs Unit at MPS and MRA's HR Unit (code of conduct) which directly examine cases of corruption or improper conduct by staff. These have led to a small increase in dismissals and prosecutions of public servants. Overall, activities related to improving financial management- including IFMIS, the credit rating, and support to the MoF- were more effective than interventions directly related to controlling corruption.

Intended outcomes related to capacity building appear to have benefitted individuals but in most cases are inferred to have limited impact on institutions because of the high level of staff attrition and turnover characterizing Malawi's civil service. This highlights the challenge of increasing capacity in the absence of broader public sector administrative reform. The factors which lead to high turnover (the root cause of the lack of capacity) were not addressed directly by the program and would have required a timeframe well beyond the Threshold



Program's two year time limit<sup>51</sup>. However, bonding employees who received significant training has been effective and the movement of staff between government agencies means that, in some cases, capacity is at least maintained within GoM. This is seen most clearly in movements from DPP to ACB and the Law Commission and from ODPP to procurement units of various donor-funded government entities.

The focus on institutional capacity rather than anti-corruption per se reflected GoM's prioritization of strengthening basic government functions. A number of GoM respondents referred to Threshold as being unusually demand driven in contrast to other donor programs they have experienced. The ability of GoM to use Threshold funds to support activities they had already planned, while reducing the focus on corruption, presumably contributed to the high levels of ownership and commitment to sustaining interventions found in the evaluation.<sup>52</sup> This highlights the tension between donor objectives and a truly demand-driven approach to administrative reform.

## LESSONS LEARNED

- **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. Project design in this case involved selecting activities first and then trying to create a unified program framework around them. In many cases program design was extremely vague as to intended outcomes, or displayed faulty logic between inputs and intended results. This made it difficult to determine performance indicators (and to monitor and evaluate progress of the program) and contributed to the limited impact on corruption. USAID may wish to evaluate whether its current practice of requiring results frameworks (which focus on outputs) is sufficient to demonstrate program logic.
- **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 (e.g. MEPD, MoF, NAO, NA). Among other things, a workshop was held at the half way point of the program explicitly to discuss sustainability and handover to other donors was prepared for the final close out workshop. Quarterly reports towards the end of the program identify which donor had agreed to take over what activities. In cases where sustainability did rely on GoM's recurring budget, (e.g. IFMIS, the FIU, the Police Internal Affairs Unit, and the Committee Clerks) line items for staff and expenses had been included in government budgets for the FY07/08 fiscal year (the final year of the program). Sustainability was also

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<sup>51</sup> See Public Sector Reform: What Works and Why?: An IEG Evaluation of World Bank Support, 2008.

<sup>52</sup> Contrary to some literature on the importance of the MCC Compact Incentive, respondents uniformly felt that this did not play a factor in implementing the changes seen in Malawi. MCC Compacts (which are much larger grants to undertake income-generating investments) are thought to encourage recipient countries to undertake difficult governance reforms. See "The MCC Effect" and Geertson "Achieving Quick Impact in MCC Threshold Projects" for more on the theoretical underpinnings of this approach.

supported by not introducing new IT or infrastructure changes that would have been difficult to maintain (a lesson reinforced by the failure of the case management system at DPP).

- 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. For example, FIU is receiving technical assistance from World Bank to expand coverage to foreign exchange bureaus and revise the AML to include insurance companies; MEPD is receiving technical assistance to fine tune the database provided by Threshold; and MoF is receiving support to expand IFMIS to local governments. The Malawi experience suggests that progress on governance issues is possible in a 2-3 year timeframe but is likely to be incremental, requiring continued support from other donors after the Threshold Program ends.
- **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. USAID explicitly requested that the Threshold design committee include representation from operational (Director level) heads with authority to make decisions. Thus, the Attorney General, Accountant General, Deputy Commissioner of Police, etc. participated in meetings leading to the production of the Threshold Country Plan.
- **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. Staff workloads meant that many trainings were no longer than 1-2 weeks; participants generally felt this was too brief to effectively absorb the information and that practical application was more important than learning in a classroom setting. Series of trainings and day-to-day coaching over an extended time period as occurred at MoF and MoJ appears to have been more effective than one-off training. Respondents felt that advisors with practical experience of working in similar organizations were particularly valuable in ensuring quality inputs. Advisors sensitive to regional models (if not necessarily directly experienced with them) were also appreciated by recipient institutions.
- **Engaging multiple implementing organizations** contributed to the quality of technical assistance as organizations played to their respective strengths. The varied experiences within partner MDAs in this project 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. This is not to say that a firm couldn't hire appropriate specialists, but does emphasize the importance of advisors with the necessary technical skills (for example, auditors, procurement specialists, etc.). Donors should be cognizant, of course, that working with multiple implementing agencies increased USAID's management time and coordination between USG agencies in particular was sometimes complicated. Regular coordination meetings between implementers and between partner MDAs were important to identify areas of synergy and share lessons learned. Improved coordination between USG donor assistance programs at headquarters level to increase compatibility of M&E frameworks, financial reporting, etc. would be helpful in promoting this type of cooperation in the future.

## ANNEX 1: MALAWI THRESHOLD PROGRAM DESCRIPTION

Counterpart	Activity	Objective <sup>53</sup>	Funding Amount/ Implementer
<i>Prevention Mechanisms</i>			
Accountant General's Office	Deploy IFMIS in select departments	Control spending (budget arrears and off budget spending) and enforce timely financial reporting to Treasury.	\$2.5 million C&A
Office of Public Procurement (and procurement officers in select departments)	Professionalize Public Procurement (build capacity in supply chain management and procurement)	Fully implement the Procurement Act; Reduce leakage in public procurement.	\$950,000 C&A
Reserve Bank/ FIU	Pass an Anti-Money Laundering Act and create a Financial Intelligence Unit	Malawi is enforcing AML/CFT in line with its international commitments.	\$2.04 million Treasury
Law Commission	Declaration of Assets Law	Corruption is reduced among public officials.	\$880,000 OPDAT
<i>Oversight Mechanisms</i>			
National Audit Office (NAO)	Strengthen audit capacity	NAO submits audits in a timely manner (as required by law); Percent of audits being conducted by external contractors is reduced; backlog of audits is cleared.	\$1.2 million C&A
Ministry of Economic Planning and Development (MEPD)	Monitoring of public sector projects	MEPD is tracking progress of donor-funded programs; leakage in such programs is reduced.	\$500,000 C&A
Ministry of Finance (MOF) <i>Budget Office, Debt and Aid Office &amp; Malawi Revenue Authority</i>	Capacity building for improved fiscal management	Improved debt and aid management; improved revenue projection and tax collection systems; improved budgetary process and management of domestic debt.	\$2.87 million Treasury
National Assembly	Strengthen National Assembly oversight	National Assembly committee system is effectively carrying out oversight, curbing corruption, and enhancing fiscal discipline in the public sector.	\$2.9 million SUNY
Polytechnic University	Journalists prepared to report on corruption	Improved quality and quantity of investigative reporting on corruption, economic crimes and the national budget.	\$500,000 C&A

<sup>53</sup> In some cases, the TCP document conflates activities, outputs and outcomes with the result that the intended outcomes of certain activities are not specified and have been taken from project documents.

Media Council of Malawi	Media professionalized	Media Council established, advocating for press freedom and accrediting journalists.	\$350,000 C&A
Non-governmental organization sub-grantees	Civil society anti-corruption campaign	Civil society conducting anti-corruption initiatives; foundation for an appropriate regulatory framework for civil society organizations laid.	\$1.08 million C&A
<b>Enforcement Mechanisms</b>			
Office of Public Prosecutor  Malawi Police Prosecutors	Building prosecution ability	Improve rate of successful prosecutions, specifically for economic crimes related to corruption.	\$1.6 million  OPDAT
Malawi Police Service - Internal Affairs - Fiscal & Fraud Unit - Forensics	Increase effectiveness of the police to address corruption crimes	MPS is able to effectively execute its role in anti-corruption.	\$800,000  ICITAP
Lawyers from a wide range of institutions including ACB, DPP, MPS, as well as some circuit judges	Build legal skills		\$550,000  C&A
<b>Cross-Cutting</b>			
Reserve Bank of Malawi	Purchase sovereign credit rating	Credit rating improves over time.	\$200,000  C&A- procurement Treasury- TA

NB: In addition to the costs shown here, the TCP budgeted \$2 million for contractor overheads, bringing the total Threshold Program investment to \$20.9 million.

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UNDP, “The Impact of HIV/AIDS on Human Resources in the Malawi Public Sector”, February 2002.

### ANNEX 3. LIST OF MEETINGS

#### **Anti-Corruption Bureau**

1. Victor Banda, Assistant Director, Operations, Anti-Corruption Bureau
2. Charity Mphande, Public Relations Officer

#### **Financial Intelligence Unit**

3. Atuwani Phiri, Legal and Policy Advisor, FIU
4. Fumbani Mhango, Manager Monitoring and Analysis, FIU
5. Vincent Chipeta, Financial Analyst, FIU

#### **Law Commission**

6. Mr. Allison Mbang'ombe, Deputy Chief Law Reform Officer

#### **Malawi Police Service**

7. Lot Dzonzi, Commissioner of Police, Malawi Police Service
8. Pike Mphaka, Assistant Commissioner, Head of Internal Affairs Unit
9. Mr. Bonongwe, Deputy Officer in Charge of FFU
10. H. Mkandwire, Chief, Legal Dept Police Prosecutors
11. Prescott Mayiulipo, Police Prosecutor
12. James Sambo, Police Prosecutor
13. Mwao Phiri, Police Prosecutor
14. Mr. Fyson Thomas, (former computer forensic examiner MPS, now Investigations Officer at ACB)
15. Bright Jere, Computer Forensic Examiner
16. Tiyese Chiumbuzo, Forensics Examiner (Handwriting Expert)

#### **Ministry of Economic Planning and Development**

17. Cliff Chiunda, Director of Development, Ministry of Economic Planning and Development
18. Ben Botolo, Director of Finance and Administration, Ministry of Finance (former Director, M&E Division, Ministry of Economic Planning and Development)
19. Mr. Mafi Kajumi, Deputy Director of the Joint Program Support for M&E Systems in Malawi
20. John Bosco Phiri, Chief Economist
21. Davie Chunga, Economist
22. Fungai Chitaukire, Information Officer
23. Mary Mhukule, M&E district officer, Lilongwe

#### **Ministry of Finance**

24. Emmanuel Kaluluma, Deputy Commissioner for Customs and Excise, Malawi Revenue Authority
25. Jones Zimba, Commissioner for Domestic Taxes, Malawi Revenue Authority
26. Amos Mbendera, Director Tax Investigations, Malawi Revenue Authority
27. Hanson Banda, Human Resources Director, Malawi Revenue Authority
28. Dorothy Banda, Accountant General, Department of Accountant General (former Budget Director)
29. B.Y. Mganga, Chief Accountant, Department of Accountant General
30. V. Mallewa, Chief Systems Analyst, Department of Accountant General
31. Frank Mangwaya, Deputy Project Manager (IFMIS), Department of Accountant General
32. Limbikani Noel Kalimbakatha, Assistant Accountant, Department of Accountant General, Zomba



33. Mr. Sumaka, Former Head, Planning Unit, Budget Office
34. Hetherwick Nunjati, Deputy Budget Director, Budget Office
35. Chancy Simwaka, former Deputy Budget Director, Budget Office
36. Emma Mbavumbe, Assistant Budget Director, Budget Office
37. Winston Nyasuru, Principal Budget Officer, Budget Office
38. Ms. Tithokoze Samuel, Principal Budget Officer, Budget Office
39. Saulos Nyirenda, Head Public Financial and Economical Management Unit (PFEM)
40. Andrew Tench, PFEM Advisor
41. Stan Nkhata, Assistant Director, Debt & Aid Department

#### **Ministry of Justice**

42. Wezi Kayira, Director, Department of Public Prosecutions
43. Mr. B.F. Tembo, Senior Legal Officer, Department of Public Prosecutions
44. Mr. Pacharo Kayira, Senior Assistant Chief State Advocate
45. Mr. Mtambuden Liabwaya, Prosecutor, DPP
46. Janet Kayuni, Prosecutor, DPP
47. Bruno Matumbi, (former DPP prosecutor now at ACB in Blantyre)
48. Julius Choqawana, Paralegal Officer, Registry Office, Department of Public Prosecutions

#### **National Audit Office**

49. R.A. Kampanje, Auditor General (formerly Accountant General)
50. Mr. S. Gomani Deputy Auditor General

#### **Office of the Director of Public Procurement**

51. B.S.M. Mangulama, Director ODPP
52. Arnold Chirwa, Head of Monitoring and Enforcement
53. Edward Jeke, Chief Professional Development Officer
54. Peter Makanga, Principal Development Officer
55. Gift Mwanza, Procurement Specialist, National AIDS Commission
56. Chester Gondwe, Chief Monitoring Officer

#### **Reserve Bank of Malawi**

57. Mr. Jos Milner, Director, Exchange Control & Debt Management
58. Mr. Noel Nkulichi, Director Financial Institutions

#### **National Assembly**

59. Hon. Ralph Jooma, Chairperson, Budget and Finance Committee, National Assembly
60. Henry Njolomole, Chief Clerk Assistant
61. Joseph Manzi, Principal Committee Clerk and Head of Department
62. Ms. Sunganani Kalemba, Budget & Finance Committee Clerk
63. Mr. Makande, Legal Affairs Committee Clerk

#### **Universities and NGO Partners**

64. Robert Phiri, Executive Director, Public Affairs Committee (NGO grantee)
65. Felix Limbani, Director of Programs, Youth Net and Counseling, Zomba (NGO grantee)

66. Floriano Massah, President, Olympic and Commonwealth Games Association of Malawi (NGO grantee)
67. Fidelis Kanyongolo, Dean, Faculty of Law, Chancellor College
68. Francis Chikunkhuzeni, Dean, Faculty of Education and Media Studies, The Polytechnic, Blantyre
69. Grey Mang'anda, former Dean, Faculty of Education and Media Studies, The Polytechnic, Blantyre
70. Eric Chimpesa, Senior Lecturer, Accountancy Department, Faculty of Commerce, The Polytechnic, Blantyre
71. Baldwin Chiyamwaka, Executive Director, Media Council

#### **Journalists**

72. Doreen Sonani, Reporter, Malawi Broadcasting Corporation
73. Mundango Nyirenda, Chief Reporter, Guardian Newspaper
74. Mkandawire, Journalist, Zodiak Broadcasting Station
75. Nyirenda Mundango, freelance journalist

#### **Banks Reporting to FIU**

76. Mr. Hamlet Kamtengeni, Malawi Savings Bank
77. Mrs. Zunzo Mitole, National Bank of Malawi
78. Miss Mayanja Mphande, FDH Bank
79. Miss Chikondi Kamangira, Standard Bank

#### **Donors**

80. Mitland MacFarlan, Resident Representative, International Monetary Fund
81. Britt Kjolas, Economist, Norwegian Embassy
82. Michael Nyirenda, Director of Project on Economic Governance, CIDA
83. Mr. Sam Kakhobwe, National Coordinator, MCA
84. Mr. Themba Chirwa, Principal Economist, MCA
85. Mr. Alex Gomani, Chief Economist, MCA

#### **Implementing Organizations**

86. Curt Reintsma, Mission Director, USAID
87. Richard Kimball, GDO, USAID
88. Stephen Mwale, Governance Specialist, USAID
89. Paul Kaiser, former CTO, USAID
90. Martha Myers, former CTO and Threshold Coordinator, USAID
91. Kevin Sullivan, Deputy Chief of Mission, US Embassy
92. Dye Mawindo, Consultant/former Chief of Party, SUNY
93. Thusita Pilapitiya, Chief of Party, C&A
94. Celeste Kubasta, Budget Advisor, Dept. of Treasury
95. Peter Strasser, Resident Advisor, OPDAT
96. Eric Beinhart, Assistant Director, Africa, ICITAP
97. Robert D. Coburn, Senior Law Enforcement Advisor, ICITAP

## ANNEX 4: SAMPLE EVALUATION QUESTIONS

### **Part I. Quality of Project Design**

1. What was your role during the Threshold Project?
2. Were you involved in the development of the Threshold Country Plan (the GOM proposal for MCC support)?
3. Were the MCC's Eligibility Criteria explained to you? Were they relevant to the work your institution does?
4. Please describe how objectives and activities for your institution were decided:
5. Was any baseline or needs assessment done as part of project design?

### **Part II. Capacity Building**

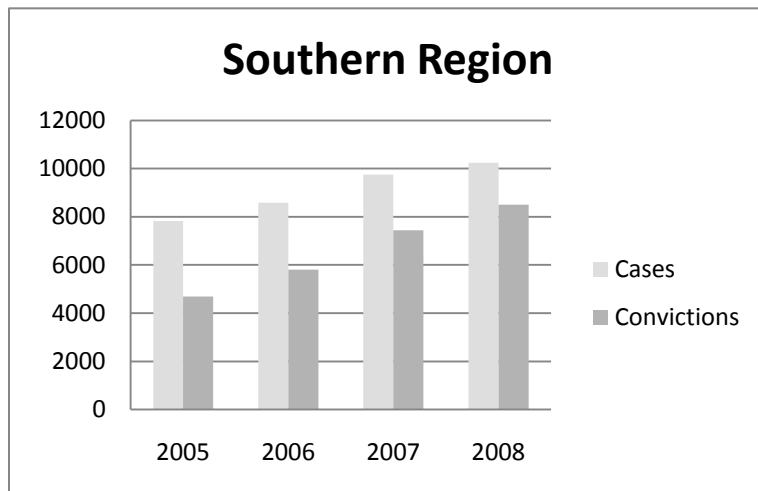
6. Did you participate in trainings? (please describe)
7. Of the trainings that you took, are any still useful in your current work (please give example)?
8. Are the trainings being replicated now that the program is over? ☐ yes ☐ no
9. Of staff trained under Threshold what percent are still in their position? \_\_\_\_\_
10. Did you receive IT equipment from the program? ☐ yes ☐ no
11. Were you trained in how to use the equipment? ☐ yes ☐ no ☐ not required ☐ don't remember
12. Is the equipment still functioning?  
☐ functioning well ☐ functioning but has occasional breakdowns ☐ not functioning ☐ don't know
13. Did the consultants help you create a sustainability plan (budget and technical support) for the equipment? ☐ yes ☐ no ☐ don't know
14. Did you receive any other forms of capacity building? Please describe:

### **Part III. Effectiveness**

15. Were there planned activities that were not completed? If so, why were they not completed?
16. Did the activities produce changes in the way your office works? If so, please describe these impacts by pointing to the specific changes.
17. Did these changes (if any) reduce corruption? Please give specific examples.
18. What do you feel is the main contribution that Threshold made to your institution?
19. What was the biggest challenge in implementing the activities?
20. Are there any other lessons learned that you would offer about how success was or was not achieved?

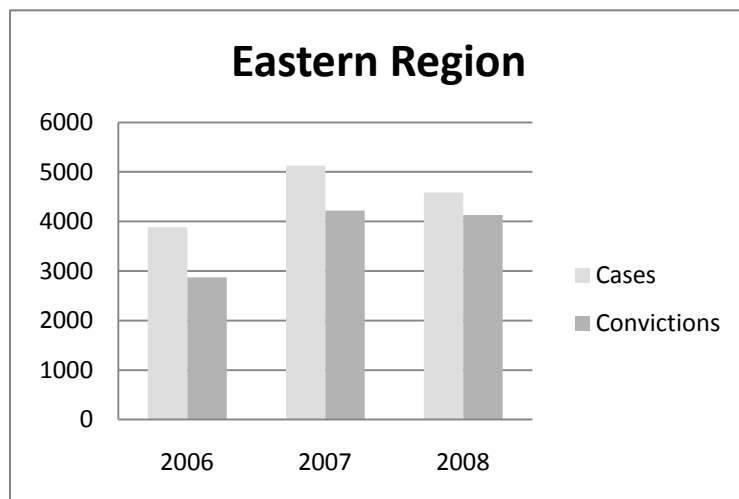
## ANNEX 5: MALAWI POLICE PROSECUTION DATA- CASES & CONVICTIONS

Malawi Police Prosecutors maintain manual records and do not compile data on number of cases brought to trial, dismissed, or resulting in convictions. MPS kindly sought to compile data from their files for the purposes of this evaluation, but this data cannot be considered complete (for example, data for 2005 was available only for two regions) and it was not possible for evaluators to assess to what extent all records were included for the years shown below. The data is therefore presented without any assertion of its reliability.



Threshold provided training in court procedures and trial advocacy to prosecutors from around the country during the period 2006-2008. These trainings were organized in all four of Malawi's regions: Southern, where the commercial capital Blantyre is located; Eastern, where the old capital of Zomba is located; Central, where the capital city of Lilongwe is located; and Northern, which is the most sparsely populated. Administrative records indicate that the course offered was the same for prosecutors from all regions. Transfer of

officers between stations is also common. The evaluators cannot therefore explain the variation seen in the regional tables presented here, which show quite different outcomes by region.



The Southern region demonstrates a consistent upward trend in both number of cases and convictions from the baseline year of 2005 through 2008. In the Eastern region (2005 data not available), improvement is seen from 2006 to 2007, with the number of cases falling slightly in 2008. These cases give some indication that the training may have been helpful, although a large number of other factors affect these outcomes, including quality of leadership, crime rates, etc. making attribution difficult.

On the other hand, the Central region, which handles the largest caseload in the country, demonstrates a consistent *downward* trend from 2006 to 2008 (2005 not available). While the Northern region shows a slight increase from 2005 to 2006 but then drops significantly in 2007. This may indicate a data error or change in MRA's methodology for counting cases. These charts are shown below.

