Feasibility Study on a Social Support Fund for the Malawi National Social Support Programme

September 2016

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by:
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Charlie Goldsmith Associates

For: Ministry of Finance Economic Planning and Development / GIZ
Revision: v11/ 28 September 2016
Document Created: 3 June 2016
Authors: Liz O’Neill & Nick Hall

Contents

Table of figures

Acronyms

AfDB	African Development Bank
CABRI	Collaborative Africa Budget Reform Initiative
CBO	Community Based Organisation
CFOA	Common Fiduciary Oversight Arrangement
CGA	Charlie Goldsmith Associates
COMSIP	Community Savings and Investment Promotion
CONGOMA	Council for Non-Governmental Organisation
DC	District Council
DDF	District Development Fund
DFID	Department for International Development (UK)
DSSC	District Social Support Committee
ERJF	Education Reforms Joint Fund
EU	European Union
FA	Fiscal Agent.
FAO	Food and Agriculture Organisation
FISP	Farm Input Subsidy Programme
GoM	Government of Malawi
HSJF	The Health Services Joint Fund
IFMIS	Integrated Financial Management Information System
IRLADP	Integrated Rural Livelihood Agriculture Development Programme
JDI	Joint Declaration of Intent
LA	Local Assembly
LDF	Local Development Fund
LGA	Local Government Act
LGFC	Local Government Finance Committee
M&E	Monitoring and Evaluation
MALGA	Malawi Local Government Association
MASAF	Malawi Social Action Fund
MDAs	Ministries, Departments and Agencies
MF	Microfinance
MIS	Management Information System
MoGCSW	Ministry of Gender, Children and Social Welfare
MGDS	Malawi Growth and Development Strategy
MoLGRD	Ministry of Local Government and Rural Development
MoEST	Ministry of Education, Science and Technology
MoF	Ministry of Finance
MoH	Ministry of Health
MoTPW	Ministry of Transport and Public Works
MVAC	Malawi Vulnerability Assessment Committee
NAO	National Audit Office
NGO	Non-Governmental Organisation
NLGFC	National Local Government Finance Committee
NSSP	National Social Support Policy or Programme
OPC	Office of the President and Cabinet
ORT	Other Recurrent Transactions
PFM	Public Financial Management.
PFMA	Public Finance Management Act
PSNP	Productive Safety Net Programme (Ethiopia)
PWP	Public Works Programme
RIDP	Rural Infrastructure Development Programme

SC	Steering Committee
SCTP	Social Cash Transfer Programme
SF	School Feeding
SLAs	Service Level Agreements
SPPEP	Social Protection for People in Extreme Poverty project
SSF	Social Support Fund
SWAP	Sector Wide Approach
TA	Technical Assistance
ToR	Terms of Reference
TWG	Technical Working Group
UBR	Unified Beneficiaries Register
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund
VSL(A)	Village Savings and Loans (Association)
WB	World Bank

Executive Summary

The National Social Support Policy 2012 (NSSP) is Malawi's overarching framework for social protection. It consists of five sub-programmes[i], coordinated and monitored by Ministry of Finance, Economic Planning and Development (MoFEPD): social cash transfers, public works, school meals, village savings and loans, microfinance.

Malawi has suffered a series of weather shocks, including drought and flooding, in recent years, with predictions that these are set to continue under what has been termed 'a cycle of vulnerability'[ii]. The 2016 Malawi Vulnerability Assessment Committee 2016 food security assessment determined that a minimum of 6.5m people (39% of the population) will be food insecure during the 2016/17 consumption period. This constitutes an increase of 129% on the previous year. With low economic growth predicted to continue, food price increases, and low job creation, the NSSP is a critical safety net for the most vulnerable in Malawi.

The MoFEPD, with the support of GIZ, have commissioned this study to explore options for the creation of a common funding mechanism for the NSSP, which also considers links to and/or the inclusion of the MVAC response. This is based on the initial Terms of Reference (ToR) from GIZ, and subsequent decisions made by a Steering Group of key stakeholders, formed to oversee this assignment.

This study follows a 2014 concept note by MoFEPD for a Social Support Fund and is being conducted in parallel with a review process of the NSSP programmes. The review process should address programmatic issues, critically including debates around linkages between programmes and 'graduation' of beneficiaries. There are numerous pilots and studies which have or intend to contribute to this area, but currently these are seen to be ad-hoc and the learning from them is not always disseminated widely.

Coordination mechanisms are being strengthened, however, particularly at the national level (for instance, Steering and Technical Committees, and some Technical Working Groups, are reportedly meeting more regularly, with more consistent participation). The NSSP's implementation remains fragmented though, with limited programmatic or financial coordination within or between the five programme areas, and little coordination between national and district levels. Whilst some programmes are more coordinated and some stakeholders more aligned than others, reporting structures for financial and programmatic accountability are not systematic, which undermines efforts to assess the sector's performance or to coordinate activities.

[i] It also encompasses the emergency response for food-insecure households, determined by the Malawi Vulnerability Assessment Committee (MVAC), and Farm Input Subsidy Programme (FISP).
[ii] World Bank, 2016

None of the five programmes within the NSSP currently has a single, harmonised approach to fund management by its donors, largely due to the varying appetite for risk. District Councils in particular are burdened by the multiple funding mechanisms and related management and reporting requirements.

Given the limited programmatic or financial coordination, and donors' concerns over fiduciary risks, donor appetite to establish a common funding mechanism in the short term is low. However, there is widespread recognition among government and non-government stakeholders that **addressing programmatic and financial coordination weaknesses, as well as fiduciary risk, could provide the required building blocks for a Social Support Fund in the medium term**, which would help achieve the following, as set out in the ToR for this study:

1. Harmonisation and strategic alignment of activities to GoM policy
2. Predictability in resource flows
3. Flexibility in implementation (within an agreed framework)
4. Coordination and subsequent reduction in transaction costs

In addition, it would enable stronger government leadership through good quality, up to date information on programmatic and financial activities under each line ministry; reduce the burden on districts to deliver financial accountability and manage funds; and create an incentive for joint management of essential programmatic monitoring tools, particularly the unified beneficiaries register (UBR) or a similar beneficiaries register to provide reliable, disaggregated data to assess programme delivery and impact.

This report sets out a roadmap, comprising incremental improvements, particularly for increasing financial coordination, to enable the sector to move towards the establishment of a Social Support Fund in the medium term. The following provides a summary of the roadmap:

Interim steps towards a SSF:

The following can be completed, or at least started within a year:

1. **A high level National Financial Coordination Forum (NFCF) should be formed**, with a mandate to share information on funding and value for money for the NSSP, and monitor progress against an agreed roadmap (see point six for more detail) to establish the SSF. Rather than create a separate forum, this could be considered a sub-committee or even part of the NSSTC, which already has the necessary membership to engage in substantive, technical discussions. **This forum should produce actionable information and make operational decisions (or, where appropriate, recommendations to the NSSSC for approval) that can ultimately guide the sector towards the most appropriate funding model and implementation mechanisms for a common funding mechanism.** The information provided in the Mapping section of this report, will be a useful basis for the NFCF.

2. **Ongoing attention should be paid to plans to merge the LDF and NLGFC,** particularly by the NFCF membership.
3. **Purpose of and linkages between programmes should be clarified through the NSSP review process, under the leadership of MoFEPD and responsible line ministries.** This should include the proposed graduation strategy, and also consider links to the MVAC response. This information should be used to inform common work plans and budgets for each programme.
4. Whilst a common funding mechanism is not considered immediately feasible, **common auditing and financial management mechanisms could harmonise financing within programmes**, whilst providing donors with sufficient protection from fiduciary risk. With many of the largest programmes due to end in 2016, 2017 and 2018, there is currently a window to build such reforms into the design of follow-on programmes. The **early plans for these new programmes should be shared and discussed** at the 6-monthly meetings of the Financial Coordination Forum, so that opportunities for such harmonisation of funding modalities can be considered, supported and perhaps realised. **The results of and responses to these measures should be shared and discussed** at the 6-monthly meetings of the Financial Coordination Forum.
5. **Intensify efforts to develop a nationwide NSSP beneficiaries register** which includes timely, disaggregated data on uniquely identifiable beneficiaries, to enable monitoring of programme impact, to address targeting problems between the five programmes, and to inform rational allocation of funds. A pilot UBR system, with the characteristics described in section 1.13, would be a good initial step.
6. **Design, in detail, an Implementation Plan outlining the activities and areas for decision making required to progress to the next stages towards the SSF, and the expected responsibilities of key stakeholders.** This would include a timeline for the immediate to longer term, and should be built upon this strategic document while also taking advantage of the momentum built amongst stakeholders by this assignment.

Longer term vision for a SSF:

Depending on the GoM's progress towards lowering fiduciary risk in particular, these activities have a 1-5 year time frame:

7. **Any fund should aim to be on budget**, as defined by CABRI (2009):

> *"External financing, including programme and project financing, and its intended use are reported in the budget documentation"*

regardless of whether it is on treasury[iii]. This will help develop Government responsibility and accountability to citizens, as well as contribute towards more predictability in resource flows and harmonisation of activities to GoM policy.

8. It may be most practical and achievable to **develop the fund initially for one or two programmes** which are:
    a. **strongly coordinated** (regular, well attended meetings, producing actionable information and ensuring adherence to policy);
    b. have **clear and systematic targeting**, based on Government policy;
    c. have reliable monitoring systems (ideally **based on timely data for individually identifiable beneficiaries, harmonised between programmes**), and
    d. are **active participants of the Financial Coordination Forum**, with joint workplans and budgets.

This same criteria (which stakeholders may enhance) should be used to determine if and when other programmes join the fund.

9. It will be **essential to have effective management of fiduciary risk, based on learning from pooled funds in similar contexts, and recent examples in Malawi**. This may be delivered through:
    a. the expansion of an existing model (from within one of the programmes)
    b. a new fund with a contracted monitoring/fiduciary agent to ensure timely accountability for and disbursement of funds
    c. use of an existing fund, possibly still with a monitoring agent for NSSP funds, or
    d. another example proven to work within a Malawian or similar context.
10. **Whilst the LDF is not currently considered a strong enough institution to manage an SSF**, following its merger with NLGFC, this could be reviewed by an independent agency with oversight of the Financial Coordination Forum. Three key issues which would need to be addressed are:
    a) Strengthening PFM systems and transparency in financial reporting, to a level satisfactory for all potential funders;
    b) Increasing human resources in line with responsibilities, particularly at the district level;
    c) Clarifying responsibilities and reporting structures with line ministries and programme stakeholders (e.g. policy coordination, monitoring and auditing).
11. **At District level, efforts should be made by NSSP donors to harmonise financial and programme monitoring in order to limit the reporting burden**, and encourage capacity building
12. **The fund should not be housed in a line ministry responsible for any single NSSP programme.** This option would not be viable for donors due to fiduciary risk and would likely create tensions between line ministries.

[iii] *"External financing is disbursed into the main revenue funds of government and managed through government systems" (CABRI, 2009)*

13. **A joint fund could include a recommended contribution from all donors, to maintain common tools that are essential to ensuring accountability, monitoring of programmes and rational allocation of funds,** such as the UBR (specifications described in Interim Step #5, above and Section 1.13 of the main report). Even without such a contribution, a beneficiaries register, which provides timely and disaggregated data (to individual level), covering all NSSP programmes, will be essential to monitor programme delivery and impact.

Introduction

The National Social Support Policy (NSSP) is the overarching framework for social protection in Malawi, and aims to enhance the effectiveness, efficiency and coherence of social protection programmes. It consists of five sub-programmes[iv], coordinated and monitored by the Ministry of Finance, Economic Planning and Development (MoFEPD):

1. Social cash transfers
2. Public works
3. School meals
4. Village savings and loans (VSL)
5. Microfinance

The NSSP's implementation remains fragmented, leading to unnecessarily high transaction costs and a disconnect between needs and resources. GIZ is therefore supporting the MoFEPD, who have commissioned **this study to assess the feasibility of establishing a Social Support Fund (SSF) for financing the NSSP.**

1.1 Background

In 2014, the MoFEPD released a concept note for a Social Support Fund, a common funding mechanism for the NSSP based on the understanding that:

"Social Support interventions in Malawi are poorly coordinated and funded, thereby limiting the potential impact on reducing poverty and vulnerability… funding of these programmes is fragmented thereby leaving out other programmes with great potential of curbing poverty"[v]

The fund, whose basis is the policy, was to include predictable and sustainable contributions from Government, as well as donors, private sector and Local Councils' own revenues, and new sources, such as a fuel levy. Discussion on the proposed SSF did not proceed further. However, the funds were intended to be disbursed as follows:

"The Ministry of Finance (MoF) will disburse funds to the local councils through the LGFC following the approval of the NSSSC. The LDF which receives financing from foreign organizations will also channel resources to the LGFC. The LGFC will hence be at the receiving end of the consolidated basket fund. All development partners will also remit resources into the Social Support Consolidated Fund managed by the LDF."

The MNSSP was planned for the period 2012/13 - 2015/16, and is therefore currently undergoing an extensive review process, to inform the design of Malawi's future social protection policy framework. This study is being conducted alongside that review process.

[iv] It also encompasses the emergency response for food-insecure households, determined by the Malawi Vulnerability Assessment Committee (MVAC), and Farm Input Subsidy Programme (FISP).
[v] MoFEPD, 2014

Since this study began, it has been announced that Government is to merge the NLGFC and the LDF so that the funding to local councils has oversight and control through one institution. The detailed arrangements for this merged entity are yet to be established and therefore recommendations have been adjusted to be flexible to this development.

1.2 Scope of work

This report explores and presents options for the creation of a joint Social Support Fund to finance the NSSP.

For the purposes of this work, the Social Support sector refers to the five programmes under the NSSP, plus the MVAC response, at the request of the Steering Group overseeing this work (made up of Government and development partners, and explained in the Methodology section, below). Although other programmes, such as FISP and school bursaries, can be considered as social protection mechanisms, they are beyond the scope of this assignment.

The recommendations made in this report take into consideration the needs and priorities and political economy considerations of different stakeholders, to ensure the mechanism is appropriate and attractive to all. **They aim to achieve the following four criteria within the social support sector, as defined in the original ToR:**

1. Harmonisation and strategic alignment of activities to GoM policy
2. Predictability in resource flows
3. Flexibility in implementation (within an agreed framework)
4. Coordination and subsequent reduction in transaction costs

The main audience for this report are: Government, donor, NGO, private sector and CSO organisations operating in Malawi's social protection sector.

1.3 Limitations

Whilst the primary focus of this work will be on the five NSSP programmes, it will also include in its scope complementary programmes, particularly the Malawi Vulnerability Assessment Committee (MVAC) annual response. Other programmes, such as **Schools Bursaries and the Farm Input Subsidy Programme (FISP), will not be included,** as agreed by the Steering Group.

Although the ultimate objective of this report is to present options for a joint Social Support Fund, it was agreed in the inception meeting on 5th May, attended by the Steering Group (explained below) that **if the consultants found such a fund not to be feasible, alternative recommendations should be made.**

This report does not explore options for public funding of Social Protection in Malawi, e.g. national levies.

Data included in the mapping section of this report has been shared with all concerned stakeholders for verification on three separate occasions. Every effort has been made to ensure information is accurate.

Within the specified timeline, every effort has been made to consult as widely as possible. Due to delays and unavoidable schedule clashes, it was not possible to consult all stakeholders. A list of stakeholders interviewed is provided in Annex 2.

1.4 Assumptions

- **The main audience for this** assignment are MNSSP MDAs, as well as donors, NGOs, private sector and CSO organisations that may be interested in a SSF;
- **There is potential for these parties to adjust their programme and financing modalities** to participate in a SSF, if a viable option is presented;
- **Options for a SSF will only be presented if they are expected to have a positive impact** on the social protection sector, particularly according to the following criteria:
  - Harmonisation and strategic alignment of activities to GoM policy;
  - Predictability in resource flows;
  - Flexibility in implementation (within an agreed framework), and
  - Coordination and subsequent reduction in transaction costs.
- **A SSF does not necessarily have to include all five NSSP programme areas,** and similarly could include programmes other than these five (particularly the MVAC response), and
- **The focus of this assignment is on social protection systems and financing** structures, rather than an evaluation or assessment of programme delivery.

Methodology

A Steering Group of key stakeholders has been formed with an oversight role, meeting at key milestones and reviewing deliverables throughout the assignment. The membership of this group is:

MoFEPD, GIZ, KfW, DFID, World Bank, EU, Irish Aid, UNICEF

The assignment is being conducted in four phases, as shown in the work plan in Annex 1:

1. Inception and data collection;
2. Developing viable SSF options;
3. Stakeholder validation and workshop, and
4. Finalising the report and recommendations for an SSF.

An inception report was presented to and approved by the Steering Group, detailing how the study would be undertaken. It built on the methodology and workplan outlined in the initial proposal submitted to MoFEPD and GIZ.

Secondary data collection included an extensive literature review (See Annex 1: Bibliography), to develop the rationale for a Social Support Fund and to review relevant experience of common funding mechanisms and similar types of cooperation both within and outside of Malawi.

Primary data collection included 41 consultations with individuals in over 20 organisations at national and district level (See Annex 2), with representatives from Government, development partners and civil society, all considered to have an interest in one or more of the five NSSP programmes and/or the MVAC response, as well as public financial management.

A comprehensive mapping encompassed resources into the sector, as well as relevant studies, pilots and cross-cutting programmes. It also included programmatic and financial coordination mechanisms, and related issues and challenges that could impact on the establishment of a fund. The results of this exercise were shared three times for verification with relevant stakeholders.

The results of this mapping, as well as the primary and secondary data were triangulated and analysed to develop **findings, conclusion and recommendations, resulting in a roadmap for the SSF.** This is split into interim and long term steps.[vi]

Following **feedback from the Steering Group** and appropriate amendments, the report was shared with key stakeholders for review before a **validation workshop** in Lilongwe on 11th July 2016. Feedback from this workshop has been used to **finalise the report and recommendations.**

[vi] As the recommendations will show, an SSF is not considered feasible in the immediate term, and therefore, rather than presenting a SWOT analysis of funding mechanisms that would reflect the current situation, future options have been set out and guidance provided on their respective merits.

Mapping

Based on the information collected through the literature review and consultations, Tables 1-6 map the sources of funding for the five NSSP programmes and for the latest MVAC response. A summary of the sources of funding is provided in Table 7, and a summary of the financing models observed is provided in Table 8.

Following this, the coordination mechanisms under the NSSP and programmatic coordination found at implementation level are mapped in Tables 9 and 10 respectively.

It should be noted that contributions from Government to support programmes, such as staffing at national and district level, and resources for operating costs are not included here but do constitute significant additional inputs.

This information has been shared with relevant stakeholders for verification.

TABLE 1 : MAPPING OF SOURCES OF FUNDING FOR THE SOCIAL CASH TRANSFERS PROGRAMME

Social Cash Transfer Programme (SCTP)						
Source of funding	Funding	Timeline	Location	Financing model	Average[vii] annual funding	
					Original currency	USD[viii]
GoM – MoGCSW	MWK 500m[ix]	2016 – 2017	1 District: Thylo	Government	MWK 500m	712,017
EU	EUR 34,150m	2013 - 2018	7 Districts[x]	Contract with KfW-Germany. Disposition Fund Procedure	EUR 8.75m	9,867,160
KfW Germany	EUR 34m	2012 - 2017	7 Districts[xi]	Through KfW. Disposition Fund Procedure	EUR 8.75m	9,867,160
Irish Aid	EUR 3m	2012 - 2016	1 District: Balaka	Joint donor/government signatory bank account	EUR 0.75m	845,756
World Bank (MASAF IV)	USD 10m	Dec 2013 - Jun 2018	2 Districts	LDF	USD 2.2m	2,200,000
Summary	**n/a**	**n/a**	**18 Districts**	**n/a**	**n/a**	**23,492,093**

[vii] Average annual funding is a simple average: funds for the programme period divided by years planned
[viii] Exchange rate from xe.com on 18th June 2016
[ix] 2016/17 Estimate published in the 2016/2017 Programme Based Budget (Budget Document No 5, 2015)
[x] Nsanje, Chikwawa, Mwanza, Neno, Mzimba, Zomba, Mulanje
[xi] Chitipa, Likoma, Mchinji, Salima, Mangochi, Machinga, Phalombe

Other Relevant SCTP Activities and Stakeholders:

- UNICEF (2014-2016): Malawi SCTP Impact Evaluation
- EU (2011-2016): E-payment pilot: Innovative approaches to cash delivery for the Malawi SCTP
- Irish Aid (2015-2016): Pilot on Energy Sufficiency (distribution network through SCTP)
- IPRSE (2010-2011): Strengthening the Malawi Social Cash Transfer Scheme through Linking and Learning

TABLE 2: MAPPING OF SOURCES OF FUNDING FOR THE PUBLIC WORKS PROGRAMME

Public Works						
Source of funding	**Funding**	**Timeline**	**Location**	**Financing model**	**Average annual funding**	
					Original currency	**USD**
GoM – MoLGRD / LDF	TBD	2016-2017	All districts	Government	TBD	TBD
World Bank (MASAF IV)	USD 75m	Dec 2013 - Jun 2018	All districts	LDF	USD 13.6	13,600,000
EU (Rural Roads Improvement)	EUR 35m	2016-2020	12 districts	ASWAp MDTF (WB managed)	EUR 6.4m	7,217,122
WFP (PRRO 200692)	USD 38.1m[xii]	Dec 2014 – Dec 2017	9 districts	WFP – District Councils (DDF)	USD 9.5m[xiii]	9.5m
Summary	**n/a**	**n/a**	**All Districts**	**n/a**	**n/a**	**>30,317,122**

[xii] From WFP Malawi Country Brief April 2016: Total amount for Programme PRRO 200692 – unclear proportion to PW
[xiii] Ibid

Other Relevant Public Works Activities and Stakeholders:

- Concern Worldwide (2015-unknown): Targeting PWP beneficiaries in line with MVAC response (Pilot)
- GIZ (2015-2016): Inclusive Public Works Programme (Pilot)
- GIZ: Conduct of quarterly PWP TWG Meetings
- It is likely that there are more resources than shown in the table above going into PWP in Malawi as it can be a sub-component of other programmes, and therefore not easily identifiable.

TABLE 3: MAPPING OF SOURCES OF FUNDING FOR VILLAGE SAVINGS AND LOANS

Village Savings and Loans						
Source of funding	**Funding**	**Timeline**	**Location**	**Financing model**	**Average annual funding**	
					Original currency	**USD**
DFID (ECRP)	GBP 1m[xiv]	2011-2016	11 districts	DFID managed NGO consortia	GBP 0.2m	280,000
Irish Aid (ECRP)	EUR 2m				EUR 0.4m	451,070
Norway (ECRP)	NOK 20m				NOK 4m	479,150
WB (MASAF IV - COMSIP)	USD 10m	Dec 2013 - Jun 2018	All districts	LDF	USD 2.2m	2,200,000
USAID (Njira and UBALE)	USD 6m	Dec 2014-Sep 2019	5 Districts	PCI and CRS managed consortia	USD 1.2m	1,217,000
Summary	**n/a**	**n/a**	**All Districts**[xv]	**n/a**	**n/a**	**4,627,220**

Other Relevant VSL Activities and Stakeholders:

- We Effect (2006-2019): Pilot with Malawi Union of Savings and Credit Cooperatives (MUSCCO) on linking VSLs to SACCOs
- USAID (2013-2014): Study: Empowering women through savings groups. Based on the Wellness and Agriculture for Life Advancement (WALA) Programme
- IPA/Care International (2008-2012): Impact Assessment of Saving Groups: Randomized Evaluations of CARE VSLA programs in Ghana, Malawi and Uganda
- GIZ: Conduct of quarterly VSL/COMSIP TWG Meetings

[xiv] Funding is for Output 1 of ECRP, of which VSL is a major component
[xv] Based on information of 2014 VSL Mapping by Care and consensus that VSL has since grown in Malawi

- GIZ: Consultancy to draft VSL Best Practice Guidelines

It is likely that there are more resources than shown in the table above going into VSL in Malawi. It was beyond the scope of this study to capture all of these. See Annex 5 for other key stakeholders identified in the 2014 mapping exercise conducted by MoFEPD and Care.

TABLE 4: MAPPING OF SOURCES OF FUNDING FOR MICROFINANCE PROGRAMMES

Microfinance						
Source of funding	**Funding**	**Timeline**	**Location**	**Financing model**	**Average annual funding**	
					Original currency	**USD**
WB (FSTAP)	USD 28.2m	Mar 2011 – Aug 2017	National level focus	TBC	USD 4.3m	4,300,000
UNCDF (MicroLead & MM4P)	USD 9.7m[xvi]	2008-2019[xvii]	TBC	TBC	USD0.8m	800,000
Summary	**n/a**	**n/a**	**National**	**n/a**	**n/a**	**5,100,000**

Other Relevant Microfinance Activities and Stakeholders:

- GIZ: Conduct of quarterly Microfinance TWG Meetings
- GIZ: Microfinance mapping study
- RBM: Development of an Apex Fund (in early stages)
- In addition to the above, it is expected that commercial finance also contributes significantly to the microfinance programmes in Malawi. It was beyond the scope of this study to capture this information.
- Other key actors in the microfinance sector include:
    - OIBM
    - FINCA
    - CUMO
    - Vision Fund
    - Microloan Foundation

[xvi] This includes MicroLead & MM4P which run from 2008-17 & 2014-19 respectively (uncdf.org/en/Malawi)
[xvii] Ibid

TABLE 5: MAPPING OF SOURCES OF FUNDING FOR SCHOOL FEEDING PROGRAMMES

Schools Feeding						
Source of funding	**Funding**	**Timeline**	**Location**	**Financing model**	**Average annual funding**	
					Original Currency	**USD**
GoM – MoEST	MWK 9.9m[xviii]	2016-2017	45% of schools[xix]	Government	MWK 9.9m	14,100
DFID (Aid Match)	GBP 3m	2013-2020[xx]	TBC	NGO	GBP 428,571	615,514
EU (AFIKEPO)	EUR15m	2016-2019	21 Districts	Funds managed by GIZ	EUR 5m	5,638,340
GIZ (AFIKEPO)	EUR2.5m				EUR 0.83m	935,970
GIZ FNSP	EUR3.95m[xxi]	2015-2017	2 Districts	NGO	EUR 1,975,000	2,227,148
WFP	TBC	TBC	800 schools	TBC	TBC	TBC
Summary	**n/a**	**n/a**		**n/a**	**n/a**	**>9,431,072**

Other Relevant School Feeding Activities and Stakeholders:

- GIZ: Conduct of quarterly School Meals Programme TWG Meetings
- GIZ: Consultancy to draft Best Practice Guidelines for School Meals
- It is expected that there are many education and nutrition projects, not listed here, which include elements of school feeding
- GIZ supported pilots on linking school meals and public works in Mchinji and Dedza
- In response to the 2016 MVAC assessment, the Education cluster is targeting 166,000 with school meals in 15 districts between September 2016-March 2017[xxii]

[xviii] Estimated from 2016-17 Programme Based Budget (MoEST Programme 23, Item 32: Food and Rations)
[xix] 2016-17 Programme Based Budget: Target for % of schools offering daily school meal to learners
[xx] https://devtracker.dfid.gov.uk/projects/GB-1-203559
[xxi] Includes €0.6m for HGSM, €2.8m for construction of WASH facilities and €0.55m for support to clubs in 4 TAs in Salima and Dedza
[xxii] Presentation by Education Cluster Lead (MoEST) at NGEN Meeting on 23rd June 2016

TABLE 6: MAPPING OF SOURCES OF FUNDING FOR THE LATEST MVAC RESPONSE

MVAC Response					
Source of funding	**Funding**	**Timeline**	**Location**	**Financing model**	**Average annual funding**
GoM	In maize, not funds	Jan – April 2016	TBC	Government	TBD
WFP:	USD 118m	2016	25 districts	Donor > WFP > NGOs	USD 118m
Brazil					
CIDA					
DFID					
EU					
Flanders					
GIZ					
Iceland					
Irish Aid					
Italy					
Japan					
Norway					
USAID					
Summary	**n/a**	**n/a**	**25 Districts**	**n/a**	**>118,000,000**

1.5 Cross-cutting NSSP Programmes

- FAO (2015-2016): From Protection to Production (PtoP) Project
- GIZ (2015-2016): Economic Empowerment for SCT Beneficiaries (Pilot)
- GIZ (2015-2018): Social Protection for People in Extreme Poverty Project
- WFP (2012-2016): Rural Resilience and Food Assistance for Assets

Planned Programmes[xxiii]

- GIZ: Establish harmonized District Social Support Committees experience exchange
- GIZ: Sector Project P4H: Feasibility study on enhancing Universal Health Coverage / Social Health Protection
- Development of a Unified Beneficiary Registry

Whilst not a MNSSP-focused programme, the Government's aim to make 80% of all payments by electronic methods by 2018 (now delayed to 2020) is also highly relevant due to its potential impact to limit fiduciary risk, lower transaction costs, etc.

1.6 Cross-cutting NSSP Studies, Reviews and Consultancies

- EU (2015-2016): Graduation Strategy Study
- ILO, UNICEF, GIZ (2016): NSSP Review
- GIZ (2015): Gender in NSSP
- UNICEF (2015-2017): Process Evaluation Study
- GIZ (2015): Streamlining Targeting Mechanisms and Processes across SCTP, PWP, MVAC and FISP (includes development of UBR for these programmes)
- Irish Aid (2015): Capacity Assessment: Capacity Development Program Action Plan
- Irish Aid (2015-2016): Communication Strategy: Assessment of communication gaps and development of strategies for beneficiaries and policy makers
- UNICEF (2015-2016): Strategic Document: cost scenarios until 2030
- Irish Aid (2016): Resilience Study: Community Based Strategies
- Irish Aid, USAID (2016): Linkages Study: IT based linkages and referral system
- UNICEF, Irish Aid, ILO: Management Information Systems and Unified Beneficiary Registry Assessment
- UNICEF, Irish Aid: Strengthening Linkages towards Enhanced Resilience Building
- UNICEF (ongoing): Design of a CashPlus model: linkage to other social protection programs: Assessment and first pilots for linkages with MVAC

Planned Studies, Reviews and Consultancies

- GIZ, UNICEF, FAO, ILO: Consultancy for establishing the National Social Support Act of Parliament 2016/17
- FAO: Review of existing guidelines on SP linkages and produce a harmonized National Referral and Linkages Guidelines
- GIZ: Beneficiary Consultation for the re-design of the MNSSP

[xxiii] Information taken from Meller, 2016, 'Components of the Malawian National Social Support Programme (NSSP) (as of 01/2016)'

TABLE 7: SUMMARY OF FINANCIAL SOURCES FOR SOCIAL PROTECTION PROGRAMMES

NSSP Summary Mapping (1): Funding Sources			
Programme	**Estimated average funding per year (USD)**	**Districts covered**	**Main sources of funds**
SCTP	23,492,093	18	GoM, EU, IA, KfW Germany, WB
PWP	>30,317,122	All	GoM, EU, WB, WFP
VSL	4,627,220	All	DFID, IA, Norway, WB, USAID
Microfinance	5,200,000	All	WB, UNCDF
School Feeding	>9,431,072	TBC	GoM, DFID, GIZ, EU, WFP
Overall Systems Strengthening	7,329,855	Central coordination + 2[xxiv]	GIZ
MVAC	>118,000,000	25	GoM, WFP (>12 bilateral donors, humanitarian funds)
FISP[xxv]	1,109,323[xxvi]	All	GoM

Given that The Paris Declaration sets out donor and development partner country commitments to move towards the greater use of country systems, and the recognition in the ToR for this consultancy that the original SSF design *"builds on aid management reform trends, strategic alignment of activities of different actors to government policy and joint approaches"*, the chart below includes an indication of whether contributions to NSSP programmes are currently 'on budget' and/or 'on treasury', as defined by CABRI (2009):

- ***"On Budget:*** *External financing, including programme and project financing, and its intended use are reported in the budget documentation*
- ***On Treasury:*** *External financing is disbursed into the main revenue funds of government and managed through government systems"*

[xxiv] Dedza and Mchinji
[xxv] Although not a part of this evaluation, senior members of Government expressed their desire for it to be included, based on their view that FISP should be considered a social protection mechanism. It is therefore included in this table for context
[xxvi] 2016/17 budget estimate in 2016–2017 Draft Financial Statement: 715m grant; 64m subsidy and transfer

TABLE 8: SUMMARY OF FUNDING MODELS OBSERVED UNDER NSSP

NSSP Summary Mapping (2): Financing Models*									
SCTP		PWP		VSL		MF[xxvii]		SF	
Government (MoGCSW)	OB OT	Government (MoLGRD)	OB OT					Government (MoEST)	OB OT
LDF (World Bank)[xxviii]	OB OT	LDF (World Bank)	OB OT	LDF (World Bank)	OB OT	Commercial finance		GIZ managed Funds > NGO (EU, GIZ)	
Joint donor/ government signatory bank account (Irish Aid)		ASWAp MDTF (WB managed) (EU)	OB	Donor > NGO (DFID, Irish Aid, Norway)		Planned Apex Fund (details not finalised)		DFID > NGO	
Disposition Fund Procedure (KfW/EU)		District Development Fund (WFP)	OB OT					WFP > NGO	

TABLE 9 SUMMARY (2) OF FUNDING MODELS OBSERVICES UNDER NSSP

NSSP Summary Mapping (2): Financing Models*						
Financing modality, with source of funding	**SCTP**	**PWP**	**VSL**	**MF**	**SF**	**MVAC**
GoM (treasury ORT/development)	OB,OT	OB,OT			OB,OT	OB,OT
World Bank (LDF to DCs' dedicated account)	OB,OT	OB,OT	OB,OT			
EU: Disposition Fund Procedure	X					
KfW: Disposition Fund Procedure						
Irish Aid: Joint donor/ GoM signatory account	X					
EU (Rural Roads Improvement): ASWAp MDTF (WB managed)		X				
WFP: District Development Fund		OB,OT				
DFID, Irish Aid, Norway (ECRP): Donor > NGO			X			
Commercial finance				X		
Apex Fund (modality TBD)				TBC		
EU, GIZ (AFIKEPO): GIZ managed Funds > NGO					X	
DFID (Aid Match): NGO					X	
Bilateral /Multilateral Donors>WFP						X

[xxvii] UNCDF and World Bank models TBC
[xxviii] Defined at On Treasury in MoFEPD's Aid Atlas

>NGOs						

**OT = On Treasury, OB = On Budget*

1.7 Funding Channels to District Councils

Malawi's Constitution and the 1998 Local Government Act devolve political and administrative authorities to Local Government units; they are responsible for the delivery of district-based Government programmes, including those under the NSSP, with democratic oversight from elected local councils and popular participation in development planning processes.

Funding of activities at the district level and below under the NSSP takes multiple forms. This in itself puts some pressure on the District administration who must reconcile multiple accounts and provide varying accountability depending on the source and model of the funding. Below is a summary of some of those models, observed during the literature review and consultations.

GoM funding via line ministries
Currently, each ministry's planning process incorporates their sector's district level plans, and funds to be spent at district level are released by MoFEPD to District Councils.

It has been reported that district-level NSSP activities do not always receive the planned funding. There are varied reasons for this, which may include (not in order of magnitude) over-expenditure at the central level and lack of accountability delaying release of funds to the district level, among other things. Given the importance of timely funding to social protection programmes, this was cited as an area of concern by some stakeholders. For some programmes, such as FISP, almost all expenditure is done at national level, not requiring significant transfers to districts, although they are required to manage implementation.

LDF and NLGFC
The LDF has specific responsibilities for development funding to District Councils (from Government and partners), while the NLGFC has a delegated mandate to oversee all district funding. Currently, the LDF has a dedicated bank account at the district level.

The 2014 SSF concept paper had suggested that LDF might have responsibility for development funds and NLGFC for other recurrent transactions (ORT). After this study began, it was announced that LDF and NLGFC will be merged, although the details of this are still being finalised.

District Development Fund
The use of the district development fund (DDF) by partners has declined in recent years. Dedza District Council, visited as part of the consultation process, reported still receiving funds from UNICEF and UNDP, as well as Government, and manages the funds in one account with separate ledgers for each source of funding.

Programme Specific Accounts

Districts also operate multiple donor/programme-specific accounts, which they account for and reconcile separately. Whilst understandable to mitigate fiduciary risk, this in particular creates significant pressure on limited human resources at the district level.

1.8 Programmatic Coordination Forums

As the table below shows, there are multiple coordinating forums defined in the NSSP, which stakeholders reported to be increasingly regular and functional. However, it was reported that some programmes were often not represented at and did not provide updates to the meetings. Additionally, representation from the district level is minimal. The forums listed below were considered by many to provide updates, but little follow up in terms of ensuring better coordinated programming.

TABLE 10: OVERVIEW OF NSSP COORDINATING FORUMS

National Level Coordination, as defined in the NSSP				
Forum	**Membership**	**Frequency**	**Mandate**	**Observations**
Cabinet Committee on Economy & Public Sector Reform		As required	Discusses issues to be raised to Cabinet	
NSS Steering Committee	- Principal Secretaries - Heads DP missions - Civil society - Private sector	2x per year	Policy and resource mobilization	Limited representation or updates from district
NSS Technical Committee	- Ministry Directors - Donors - Civil Society+NGOs - Private sector	4x per year	Technical direction and recommendations on programme implementation	Limited representation/ updates from districts. Stakeholders reported that SF, VSLA and MF were not represented at the last meeting
Programme Technical Working Groups	- Technical officers from MDAs, donors and NGOs	4x per year	Coordination and harmonization of planning, financing, implementation and monitoring of programmes	
Local Council Social Support Committee			Coordinate all the implementing partners including Government sectors and Civil Society	
ADC & VDC Social Support Subcommittees			Oversee implementation of social support activities. Emphasis on targeting	Stakeholders reported that these have overlapping membership, but are uncoordinated

Other national level coordinating forums noted during data collection [xxix]

- **Social Protection Coordination Group**
  Donors only. Meets every two months. Agenda includes NSSP Programme updates.
- **MVAC Food Security Cluster**
  Chaired by DoDMA. Co-chaired by WFP
- **Technical Coordination Group for SCTP**
  Meets bi-monthly. Chaired by MoGCSW
- **SCTP E-payments Group**
- **UBR Task Force**
- **Education Cluster – Emergency Response Programme**

Other district level coordinating forums noted during data collection

It is understood that District Councils have committees for each programme but that the membership is often common to all. In Dedza, it was decided that PWP, SF, VSL and MF committees should report to the SCTP Committee, as it is perceived to be the strongest committee.

[xxix] This list is not exhaustive, but represents forums mentioned and discussed during the data collection process.

1.8.1 Programmatic Linkages and Overlaps

It is understood that in June/July 2016, key stakeholders will meet to discuss and clarify linkages between the NSSP programmes. Currently, stakeholders report that links between programmes are not systematic and, in some cases, there were contradictory views on the merits of linking programmes. This relates closely to the ongoing discussion to define and operationalise a graduation strategy, which UNICEF is currently leading. The following table summarises the views expressed during primary data collection and highlights the need for clarification of linkages and a graduation strategy.

TABLE 11: OVERVIEW OF POTENTIAL AND ACTUAL LINKAGES REPORTED DURING PRIMARY DATA COLLECTION

	MVAC	SCTP	Public Works (PW)	Village Savings and Loans (VSL)	Microfinance (MF)	School Feeding (SF)
MVAC		SCTP and MVAC address chronic and transient vulnerability and poverty respectively and have separate targeting criteria and mechanisms. There is a general consensus that limited funding, combined with community level desire for social cohesion, leads to exclusion errors in both programmes, and different groups of almost equally vulnerable people therefore receiving differing transfers. After the 2014 floods, options to temporarily 'top up' SCTP recipients to MVAC response level for the duration of the MVAC response was considered, but not operationalised.	Potential overlap in beneficiaries but not explicit links found in data collection	No explicit links found in data collection	No explicit links found in data collection	No explicit links found in data collection. Some suggestion of systematically scaling School Feeding Programmes in districts receiving MVAC response.
SCTP			No explicit links found in data collection	Small-scale/pilots: link SCTP beneficiaries to VSLs. Debate on SCTP aim: consumption/	No explicit links found in data collection	No explicit links found in data collection. Potential beneficiary overlap at pupil level

	MVAC	SCTP	Public Works (PW)	Village Savings and Loans (VSL)	Microfinance (MF)	School Feeding (SF)
				investment/ graduation		through SCTP school bonus.
PW				Small-scale / pilots to link PWP beneficiaries to VSLs COMSIP mobilises group members largely from LDF PWP beneficiaries	Small-scale / pilots to link PWP beneficiaries to MF	Only one example of link through upcoming pilot in Dedza to use PWP to develop school gardens: In planning stage
VSL					No explicit, systematic links found in data collection (CUMO, FINCA, Microloan use VSL to train and add credit clients)	Potential to buy from larger groups/Coops – dependent on availability
MF						No explicit links found in data collection
SF						

Findings

1.9 Key Findings from the NSSP + MVAC Response Mapping

Lack of coordinated planning documents, budgets, spending plans

The process, conducted by this consultancy, of mapping funds (current and future) and financing models for the NSSP programmes highlighted the **lack of a central repository of such key financial information under any of the NSSP coordinating structures**. The lack of a common work plan, spending plan or similar coordinated planning documentation at national or district levels weakens stakeholders' ability to manage and oversee efficient use of funds. It was apparent from consultations that, even within the same programme, key stakeholders often didn't have such data for other partners' contributions.

At the district level (at Dedza, which was visited as part of the consultations), there was no combined District Development Plan, and NSSP managers had limited information on partners' activities, levels of contribution, or timelines for implementation.

Multiple financing models in all programmes

As Table 8 demonstrates, there are multiple different financing models within the five programmes of the NSSP. No programme under the NSSP has a harmonised approach to financing.

Within the SCTP, which was often cited as the most coordinated of the five NSSP programmes, there are four distinct financing models between the five sources of funding, Government and non-Government sources. See Table 1).

In many cases, the timelines for funding are not aligned, and the burden of management and reporting for the differing models falls to the District level. The inherent characteristics of some of the NSSP programmes explain this divergence:

- Microfinance is largely funded through the private sector;
- VSL, without a clear policy framework or responsible line ministry (particularly at national level), is a growing initiative with multiple NGOs, FBOs and, to a lesser extent, CBOs, implementing smaller tranches of funding from numerous sources.

Donor contributions outweigh Government's in all programmes

In all programmes, donor contributions are higher than those budgeted for and dispersed by Government. Furthermore, there were widespread reports of delays in the disbursement of funds managed or provided by Government. The most commonly cited programmes experiencing this were SCTP and PWP.

Concern was voiced over Government's commitment to fund some of the NSSP programmes due to a perception that they constitute unproductive activities or handouts, which are unaffordable in the current economic climate. It should be noted that this view was not expressed by any line ministries responsible for NSSP programmes during our consultations.

Whilst any proposal for a common funding mechanism must be Government led to ensure sustainability and adherence to national policy frameworks, the high levels of funding from donors necessitate an approach which appropriately minimises fiduciary risk and provides appropriate oversight, in line with each donor's requirements.

Funding sources are diverse, and may have differing aims

Among the five NSSP programmes plus the MVAC response, there is a mix of public and commercial funding, with public funding coming from both humanitarian and development funds.

It was evident from the consultation process that the NSSP Review will tackle fundamental questions about the aims of some of the programme areas, particularly in relation to graduation and linkages between them. These discussions must take into account the inherent purpose of the diverse funding sources and whether they align to programme aims.

Advantages and Disadvantages can be observed in all models

The different funding models used by development partners are, to some extent, a reflection of their appetite for fiduciary risk. As well as implications on the management of funds, the models are also linked to differences in programmes delivery, as described here:

SCTP: Disposition Fund Procedure

By pooling resources and jointly contracting Ayala, who act as both fiduciary agent and implementing agency, EU and KfW limit their fiduciary risk and are able to hold Ayala to account for efficient and timeline programme delivery. Detailed budgets are provided by Ayala to DCs to guide expenditure and funds are only disbursed once adequate reconciliation for the previous disbursement has been received.

However, some stakeholders expressed the view that this model may be disempowering to the MoGCSW, as they neither manage funds nor planning processes. This may be true to some extent, although EU and KfW funds are spent in line with MoGCSW targeting and expenditure guidelines.

SCTP: Joint Auditing

The EU, KfW and Irish Aid conduct annual joint audits of the SCTP. As well as reducing transaction costs, this ensures consistency in reporting and transparency between partners and government.

All audits to date have been adverse. However, donor funding has not been interrupted as, within this classification, they are confident that progress is being made within the programme and that Government is showing its willingness to continue in this direction. For example, the MoGCSW has been requested to pay back funds after each audit to date and has done so in full. They also see improvement in, for example, the transfer of staff to District level, to strengthen programme implementation.

Government and World Bank SCTP districts aren't included in the common audit.

MASAF IV

The World Bank channels funds through one mechanism (LDF) for Public Works, SCTP, and VSL. Whilst stakeholders expressed concern over LDF's limited human resources, lack of district presence and susceptibility to political interference, this process is intended to strengthen government systems.

Both SCTP and Public Works stakeholders noted that LDF-managed funds had been dispersed late in some districts (with only two rounds of public works in at least Dedza district in 2015). Furthermore, LDF funds are channelled through a separate bank account at the district level, which Dedza District Council reported to cause additional management and reporting burdens.

However, it is Government's intention to promote the LDF and the recently-announced merger with NLFGC is part of that process. Furthermore, the World Bank's approach is in line with the findings by CABRI (2009): *"Using country systems is seen as an important way of strengthening them. It is also seen as a way of ensuring sustainability, since parallel activities often wither when external funding ceases."*

Government Funding

Many stakeholders referred to delays and/or reductions in the planned disbursement of Government funds to District Councils, particularly with regards to SCTP and School Feeding. As already stated, the timeliness and stability of social protection programmes is of the utmost importance given the vulnerability of recipients.

Despite all programmes receiving some Government funding, there are few examples of joint planning or implementation processes. For some programmes, the lack of clear reporting channels to a designated line ministry seems to exacerbate programmatic issues. For example, VSL is mostly funded through non-government sources and does not have a policy framework or lead ministry, leading to fragmentation.

Within the SCTP, there is a lack of clarity around reporting structures in LDF-funded districts, with stakeholders stating that there is not enough transparency as reports are not frequently or regularly shared by LDF with MoGCSW and other SCTP donors.

Decentralisation has not been fully achieved yet

According to the Government's decentralisation agenda, development planning processes should be 'bottom-up', community driven and implemented at the district level and below. In reality, many programmes are driven by national level planning or non-government actors.

Whilst all programmes must be approved by District Councils prior to implementation, this process was reported to be largely symbolic as Districts don't always have the capacity and resources to oversee and coordinate all programmes, and therefore can't easily or fully identify needs, gaps and overlaps.

The District Development Fund is now only used by a few donors, with most development partners preferring to open dedicated accounts at district level, with the associated management and reporting burdens outlined earlier. This trend stems from concerns over fiduciary risk, reportedly due to both mismanagement and a lack of capacity at the district level. This view was expressed by some government stakeholders, as well as most non-government stakeholders.

1.10 Key Findings Relating to Programmatic Coordination

Regarding current coordinating forums:

As Table 9 above shows, NSSP coordinating forums are taking place more frequently, in line with the terms set out in the NSSP. However, they are still not consistently attended by key representatives from all programmes.

In addition, many stakeholders reported that whilst programmatic updates are given by those present, this does not develop into discussions or follow up actions to improve coordination and efficient programme delivery.

MoFEPD reports that district representatives can be invited to NSSTC or NSSSC when required, e.g. to clarify issues, although many stakeholders reported that there is usually no district representation at either meeting (see membership in Table 10). Dedza DC did not report receiving minutes of the NSSSC or NSSTC minutes, or similar documentation to inform their own district-level meetings.

At the district level, programmatic forums are conducted with varying degrees of regularity, but often attended by the same people.

There were no formal efforts reported to coordinate between NSSP programmes and the MVAC response (although some pilots and some unimplemented attempts for programmatic coordination were reported).

Many stakeholders cited the number of forums, often with similar or overlapping mandates, as a cause of inefficiency.

In all of the above, there are variations between the programme areas and differing speeds of progress to address weaknesses.

Regarding coordination at implementation level:

Despite the challenges mentioned above, SCTP was commonly referred to as the most coordinated of the NSSP programmes, largely due to standardised targeting techniques. However, reporting channels differ between LDF managed funds and other funds for the programme. Payment delays were also reported to have occurred in MoGCSW and LDF managed districts.

Of the remaining four programmes, the Government's Public Work Programme also has a standardised targeting approach, although there have been recent concerns over 'ghost' beneficiaries, and communication to districts regarding changes to the use of LDF-managed WB funds, which affected programme implementation.

VSL, microfinance and school feeding differ from PWP and SCTP in that they do not have a standardised methodology for targeting or implementation. However, MoFEPD is working towards Best Practice Guidelines for VSL, school feeding and microfinance stakeholders.

Microfinance is also seen as largely urban or peri-urban, with the high costs of financing limiting its accessibility to the rural poor and therefore limiting the scope for links to beneficiaries of the other NSSP programmes. The proposed Apex Fund, which would provide seed finance at a lower-than-market rate, could help overcome this challenge.

Linkages between the programmes have been described as ad hoc rather than systematic. In some cases, this is due to the nature of the programmes. For example, PW only takes place three times a year (and in some districts only two rounds were achieved last year), which makes it difficult to formalise links. For example, the PWP MIS could be used to link PWP beneficiaries to VSL, but efforts to link it to school feeding must consider the unpaid labour which will be needed to maintain school gardens outside of PWP periods.

In terms of links between NSSP and the MVAC response, there are differing views as to whether this should be formalised or not. Some argue that Malawi should move towards resilience-based social protection and limit reliance on the MVAC response over time. Others argue that it will be needed in at least the medium term and links should therefore be formalised, particularly between the MVAC response and SCTP, to harmonise targeting and amounts (be they in kind or cash) received by beneficiaries.

Examples of relevant funding models

1.11 Funding models within Malawi

The Roads Fund

The 2006 Roads Authority and Roads Fund Administration Act, made the Roads Fund Administration (RFA) responsible for the Roads Fund and disbursement of its funds to implementing agencies. Its mandate is to:

"Administer any monetary contribution which shall be made by the Government for the implementation and execution of a donor-funded or Malawi Government project for the construction, maintenance and rehabilitation of any public road."[xxx]

The main sources of funding currently are a fuel levy (approximately 90%) and international transit fees, the collection of which was outsourced to the Malawi Revenue Authority (MRA) in 2014. When received, funds are banked in RFA accounts, the signatories of which are senior finance and administration staff. Cheques need at least two signatories, of which government officials can't be one. An internal auditor reports to the Board directly.

Among its noted successes[xxxi], arrears to contractors have been eliminated and the transparency in the use of funds did previously lead to an increase in donor funds. However, it is seen to be overly dependent on revenue from the fuel levy, and be underfunded in comparison with the demand for road construction and maintenance. Quality control has also been cited as an area of concern and the Fund has no authority to carry out punitive actions against any contractors who breach performance agreements. The fund also lacks a MIS to ensure accountability in collections.

Between 2005 and 2011, the RFA managed the funding of the EU's Income Generating Public Works Programme (IGPWP).

The Local Development Fund

The LDF was established by Government to manage development financing from Government and development partners. It is intended to support the Government's decentralisation agenda by empowering District Councils and local communities to take part in development planning processes, ensuring that resources are directed to locally prioritised needs. It should also facilitate the implementation of the Integrated Rural Development Strategy.

Development partners funding the LDF enter into agreements with MoFEPD. The LDF Steering Committee provides policy oversight and is supported by the National Technical Advisory Committee. A bi-annual Government Donor Review

[xxx] www.rfamw.com
[xxxi] MoH, 2015

is intended to increase transparency and coordination of the Fund's implementation. In addition, the Kalondolondo programme, funded by DFID, is a civil society, community based monitoring programme, to encourage communities to assess and report on the standards of services delivered by Government, including LDF programmes.

As well as the World Bank's MASAF IV funding identified in the mapping above, the LDF also receives and manages funds from AfDB (spent through the Urban Window, ending in September 2016) and KfW (also spent through the Urban Window, ending in 2017). Both of these arrangements includes a clause committing the Government to a 10% financial contribution for the funded programmes. KfW further employs GOPA, as a supervising consultant/fund manager, to limit fiduciary risk. The LDF previously managed funds under the Education Sector Wide Approach, but this ended in 2014.

Among the challenges faced by the LDF are limited human resources and a lack of presence at the district level (this was previously the case and the MoFEPD is discussing the possibility of reinstating community presence with the support of key development partners).

The LDF has not yet been legally institutionalised as a fund however, during the course of this assignment, it was announced that it would be merged with the NLGFC. The details of this merger are yet to be defined.

Health Services Joint Fund

Supported by DFID, Norway, Flanders and Germany (in the second year), the HSJF has a specific mandate to support particular budget lines at central level and others at district level. In the first year, four areas are supported with a budget of $22 million:

1. District-level utilities
2. District-level Service Level Agreements (with the Christian Health Association Malawi (CHAM))
3. Central-level expenditure on equipment
4. Central-level expenditure on infrastructure

Money is held in commercial bank accounts, with externally contracted oversight and control through a contracted Fiduciary Agent and a Procurement Oversight Agent, both embedded within the Ministry of Health. Donors are able to specify areas for which their contribution cannot be used, but there is flexibility between other areas, subject to approval.

Africa Risk Capacity

The ARC's mission is:

"to use modern finance mechanisms such as risk pooling and risk transfer to create pan-African climate response systems that enable African countries to meet the needs of people harmed by natural disasters"[xxxii]

It is a Specialized Agency of the African Union, which uses the [*Africa Risk View*] satellite weather surveillance software to estimate funding needs and trigger the release of funds to member countries affected by severe weather events. Contributing member countries in any given year are not all expected to experience severe weather events and, in this way, the ARC's intention is to pool risk and reduce reliance on external aid as a response mechanism to crises.

Malawi is among the 18 original signatories, who signed the ARC Establishment Agreement in 2012. By January 2016, 32 countries had signed.

Malawi was due to but did in fact not receive funding under Risk Pool II, which was to include five countries in 2015/16. Varying reports have been circulated as to why this did not happen, which are beyond the scope of this report. However, Malawi's Operations Plan explains the intended use of the (then expected) ARC funds (USD 46m in total), which would have been received and channelled through the Ministry of Finance to the Department of Disaster Management Affairs (DoDMA). The Office of the President and Cabinet, through DoDMA, would have been the national leading implementation office, as well as the focal point reporting to the ARC. .[xxxiii]

1.12 Funding models from outside Malawi

Ethiopia: Productive Safety Net Programme (PSNP)

The PSNP IV receives approximately USD 3.2bn, made up of contributions from Government (approx. USD 500m) and 11 donors, who have moved from earmarked funding, to a pooled funding mechanism. In addition, the Government has developed a plan for a gradually increased contribution, including its goal to have the programme on budget in the next 10 years.

This was partly made possible by a 2010 Public Expenditure and Financial Accountability review which rated Ethiopia's PFM systems and performance as the third best in Africa, citing that weaknesses were being addressed adequately by the Government's Expenditure Management and Control Programme.

[xxxii] http://www.africanriskcapacity.org

[xxxiii] http://www.africanriskcapacity.org/documents/350251/1020605/MW_Operations+Plan+PRC_EN_201503_TRC_v01_CR.pdf

MoUs between government and development partners commit parties to following reporting and auditing structures, and accountability and transparency, including Joint Assessment Missions.

An Implementation Manual prescribes how monies can be spent, spending ceilings, budget preparation and consolidation, and financial reporting. This includes a detailed budgeting process, providing breakdowns of spending by region and subcomponent to enable closer expenditure monitoring. Regional legislative bodies have also been empowered to scrutinise programme expenditure through an MoU with MoFED.

Development partners deposit funds (loans and grants) into foreign currency accounts at the National Bank, which MoFED then transfers and deposits in the equivalent Birr amount into the PSNP account, along with its own contribution. Annual work plans at the woreda (comparable to Malawi's district level) and national level dictate the disbursement of funds. Monthly and quarterly reports, financial statements and procurement plans are required to trigger subsequent deposits into the pooled fund.

The equivalent programmes to Malawi's SCTP and PWP are targeted jointly and, those who receive MVAC response-equivalent for three consecutive years are automatically classed as chronically food insecure and transferred to either SCTP or PWP depending on their ability to work. The SCTP amounts are calculated based on the minimum food basket.

Other examples of fund monitoring mechanisms

- **Somalia Special Financing Facility:** A 'monitoring agent' approach is used where a private sector organisation has been hired by the donor, in this case the Norwegian Government, to manage donor funds provided to strengthen control mechanisms and improve payment process for civil servant salaries, money which is put 'on treasury' and 'on budget.' The funds are released in arrears based on if satisfactory reports made by the monitoring agent (who in Somalia also have a capacity building role). This gives the host government agency, but also builds their capacity practically, while protecting donors from risk.
- **Sierra Leone Free Health Care Support:** Although not a fund in itself, DFID and the Global Fund both provided 'on budget' and 'on treasury' support to the Government for the payment of health worker salaries in support of the free health care initiative launched in 2010. The funds were disbursed to the Ministry of Finance in arrears, conditional upon meeting a set of targets against indicators, set by a Steering Committee involving of all key Government and donor stakeholders. The indicators were used to monitor the overall management of the health worker payroll in terms of enforcing workplace attendance policies and executing accurate salary payments; at the outset targets were set to ensure timely roll out of new systems.

Lessons learnt from pooled funds in FCAS

Research by Commins et al, 2013, was commissioned by DFID to better understand experience of pooled funds to support service delivery in fragile and conflict affected states (FCAS). There are useful lessons from this work which apply to the Malawian context (even though it is not classified as an FCAS), particularly given the current levels of confidence in Government financial systems, and fragmentation of NSSP donors, as well as the high levels of chronic poverty and vulnerability.

The researchers summarised that pooled funds, although often comprising a relatively small proportion of aid flows into a country, can be extremely important mechanisms of donor-government dialogue, trust building and cooperation and, as such, can become 'flagship instruments'. They also cite lower transaction costs, risk pooling between donors and harmonisation between stakeholders as frequent advantages. However, they caution that slow disbursement and unsatisfactory results can hinder their progress if not properly implemented.

The research included 16 pooled funds in sub-Saharan Africa and MENA, from 1997 to the time of writing. Some of the relevant key lessons learnt are:

- *"The importance of context and the ubiquity of trade-offs mean that there is no generic blue-print for a successful pooled fund;*
- *Effective pooled fund governance requires a clear system of authority, accountability, and transparency. More often than not the World Bank or the UN act as the fund manager, but there are cases where private companies or NGOs have managed pooled fund .... Donors need to understand at the outset how much flexibility the chosen agency can exercise and tailor the design accordingly;*
- *The importance of building from existing systems and administrative structures, even when they are seriously flawed or weakened*
- *Complementarity with other instruments should be factored into the design…… There is rarely enough attention to monitoring and evaluation (M&E) at the outset when the initial focus is rapid service delivery;* and
- *The design of a pooled fund should include a flexible but clear goal on what is intended when the fund's mandate ends."*

TABLE 12: SUMMARY OF FUNDING MODELS AND LESSONS LEARNED

Country	Fund / Program	Funded by	Financial management	Monitoring and oversight	Relevant lessons for SSF
Malawi	The Roads Fund	GoM: fuel levy, international transit fees	On budget and on treasury MRA manages funds on behalf of RFA	Road Fund Authority	Quality control and better accountability could have been provided with an MIS
Malawi	Local Development Fund	GoM, World Bank, AfDB, KfW	On budget and on treasury Supervising fund manager in place	World Bank conducts Performance Audits for MASAF IV	Non govn't fund manager can support reporting and reduce risk as required by donors
Malawi	Health Services Joint Fund	DFID, Norway, Flanders, Germany	Not on budget nor on treasury Funds held in commercial bank accounts Fiduciary Agent and Procurement Oversight Agent are involved, both embedded in MoH	Bi-annual performance reviews to measure and assess overall sector progress	Funds can be held in non-govn't account but should still be 'on budget'
Malawi	Africa Risk Capacity *(not funded but operational plan drafted)*	African Union	MoFEPD	Office of the President and Cabinet/DoDMA is focal point reporting to ARC	n/a
Ethiopia	Productive Safety Net Programme	Government plus 11 donors	Plan for funds to be on budget MoFEPD dedicated PSNP account	Joint Assessment Missions, MoUs between govn't and development partners, implementation manual, regional legislative bodies empowered to scrutinize programme expenditure	Clear implementation plans, joint assessments, and MoUs with responsible bodies promotes good governance
Somalia	Special	Norway	On budget and on	Oversight Board	Funds can be

Country	Fund / Program	Funded by	Financial management	Monitoring and oversight	Relevant lessons for SSF
	Financing Facility (now transitioned to a World Bank Multi-partner fund)		treasury Funds released in arrears based on reports by Monitoring Agent		released in arrears based on monitoring reports
Sierra Leone	Free Health Care support to health worker salaries	DFID, Global Fund (not pooled fund)	On budget and on treasury Funds released in arrears to MoF based on Steering Committee decision	MoH HR Directorate reports to Health Payroll Steering Committee (meeting every two months) with all responsible ministries and donors	Regular meetings of oversight body can help monitor progress on operational issues and decision making

TABLE 13: OVERVIEW OF MECHANISMS FOR GOVERNMENT OWNERSHIP AND LIMITING RISK

Lowest **Govn't ownership and partner coordination** *Highest*

Monitoring and Oversight	Donors contract own monitoring agent/ implementing agencies using donor guidelines	Regular meetings used to monitor performance Monitoring agent is used, working alongside govn't to build capacity	Use govn't reporting and audit structures according to MoU between govn't and donors
Financial Management	Donors hold funds in separate accounts	Donor funds are 'on budget' but kept in a non-govn't account (commercial or via monitoring agent)	Donors fund govn't program directly and funds are 'on treasury' and 'on budget'

Highest **Acceptability of risk to donors** *Lowest*

1.13 The importance of reliable data management: monitoring programme implementation and guiding financial disbursement

Current availability of data on beneficiaries across the five programmes is insufficient to reliably monitor and assess programme impact and therefore to allocate funds most efficiently. There are ongoing plans to develop a Unified Beneficiaries Register (which does not yet exist) of potential and actual beneficiaries, of which programme MIS should be a subset. This is overseen by the UBR taskforce, chaired by LDF, with TA from GIZ[xxxiv].

A beneficiaries register, which provides **timely (real time), accurate and disaggregated data down to individually identifiable recipients and encompasses all five programmes** (plus potentially the MVAC and FISP) is key to developing the confidence of partners in the efficacy of NSSP programme delivery and use of funds. A robust **web-based platform** can enable real-time updates of information from local to national level, to ensure **synchronised, accurate and timely data is available to all stakeholders. This will guide robust decision making, particularly resource allocations**.

Mobile technologies, particularly mobile networks' own 'Know Your Customer' (KYC) procedures can be an efficient and reliable entry point to both register and track beneficiaries, reducing transaction costs for implementers. In Somalia, for example, Dahabshiil uses an approach whereby a group of KYC-validated customers can jointly validate new customers. This could be developed to compliment local authority structures.

Similarly, biometric indicators such as photographs and fingerprints can be recorded relatively inexpensively and quickly and provide reliable identification, which is required for any pay outs/participation in programmes.

Mobile technologies and KYC procedures have the advantage or interfacing simply with payment processes, reducing transaction costs and fiduciary risk. In terms of financial inclusion, M-money, or the use of other methods such as bank accounts, can provide spill over benefits beyond the programmes' main aims. However, **network coverage and agency networks, as well as beneficiaries' familiarity with and ability to use any new technology must be built into programme design to ensure its success.**

However beneficiaries are individually identified and registered into the UBR, putting a beneficiaries registry online, with suitable protections about personal data – in particular, only showing public data that does not allow the identification of an individual – can be a **driver of public scrutiny, and a valuable demonstration of transparency and assurance: an example of this approach can be in seen in the Girls' Education South Sudan Cash Transfers online database, which CGA developed 2014-2015:** http://www.sssams.org/ct/profile.php?year=2015&view=country&id. Similar approaches can also be seen in the work of GiveDirectly and Segovia.

Such registration and data management processes can be rolled out extremely quickly, given the right level of support. **Tools with the necessary functionality are already in service in other contexts: the timeline is therefore just for customisation and roll-out – we estimate one and six months respectively.**

[xxxiv] The LDF's Mthandazi programme comprises MIS for the SCT and PW programmes in Dedza and Nkhata Bay.

In summary, a real-time data collection and monitoring system for the NSSP could drive assurances for partners, and ensure efficient programme implementation and monitoring.

Conclusions: Feasibility of and Rationale for a Social Support Fund

1.14 Rationale for a Social Support Fund

Of the four criteria by which the rationale for a Social Support Fund is being assessed, stakeholders expressed their expectations of gains from (in order of highest to lowest expected gains):

1. **Coordination and subsequent reduction in transaction costs**
2. **Predictability in resource flows**
3. **Harmonisation and strategic alignment of activities to GoM policy**
4. **Flexibility in implementation** (within an agreed framework)

In addition to this, the other advantages cited included:

- **Enabling stronger government leadership** through good quality, up to date information on programmatic activities and issues under each line ministry
- **Reducing the burden on** districts to deliver financial accountability and manage funds
- **Creating an incentive for joint management of programmatic tools**, particularly the UBR or a similar beneficiaries register to provide reliable, disaggregated data to monitor programme impact and links, and guide rational allocation of funds
- **Strengthening trust among key stakeholders** through more transparency around budgets, expenditure and impact

1.15 Current Appetite for a Social Support Fund

Donors did not express an appetite to enter into an NSSP common funding mechanism in the short term. Amongst Government, a slightly higher level of interest was observed but there was a strong recognition of donors' positions during consultations.

The main obstacles to a fund cited at present were:

- **There is little consensus between stakeholders on the preferred mechanism** for a common fund;
- **Donors' low appetite for fiduciary risk** and weakness of Government financial management systems resulting in the current broad mix of funding models designed to limit exposure. (Each donors' preference for a particular financing model at present would limit potential to establish one common financing mechanism with in-built flexibility on the use of funds);

- **The NSSP policy framework is perceived to be immature,** with some programmes lacking enforceable guidelines for implementation or a lead ministry to oversee stakeholders' activities;
- **Links (intended or ad hoc) between programmes are unclear**, meaning rationale for selecting programmes to be part of a common fund is also unclear;
- **Service delivery gaps and overlaps between programmes (and programme financing) are not understood** within or between the five NSSP programmes and MVAC response; this analysis and understanding would be a necessary precondition to fund planning negotiations, and
- **Programmatic coordination (within and between programmes) is not currently perceived to be strong enough to scale up for the management of a pooled fund.** Many stakeholders are not well-informed of activities outside of their own funding mechanism.

In addition to these, the following programmatic coordination issues have been observed:

- **There is a lack of clarity among stakeholders, including government, donors and implementing agencies, on the aim of the programmes** e.g.
    - Graduation is a controversial and, as yet, undefined initiative
    - There are many unresolved debates about the potential for overlap and coordination between the MVAC response and SCTP
    - It is not clear if Public Works is a cash transfer mechanism first, or should equally be creating quality and durable public assets
    - Since the MoIT has not engaged in VSL, it is unclear which ministry leads this area and there is no policy framework to standardise and monitor implementation
    - Whilst some programmes are national in scope and take place year round, others are not which complicates coordination efforts
    - There is still a relatively high level of scepticism relating to the potential impact of microfinance, exacerbated by microfinance stakeholders' limited participation in coordinating forums
    - An Apex Fund for the microfinance sector is under discussion and it is unclear how this would be coordinated under a common fund
- **The efficacy of current targeting mechanisms has been brought into question**, which impacts directly on value for money. **Without a systematic targeting and data management system, harmonised across programmes and districts, it is extremely difficult to implement harmonised or common reporting and M&E**
- **District Councils currently have no systematic way to identify gaps** in their districts and, as such, cannot ensure rationale distribution of resources

The following financial coordination issues were also identified:

- **The NSSP isn't costed beyond 2015/16**, meaning that gaps are currently unknown[xxxv]
- **Current funding models for donors are largely based on their appetite for fiduciary risk.** Moreover, each donor programme is underpinned by a corresponding Financing Agreement with Government. For some donors, it would be easier to wait for the current Agreement to expire rather than change it to allow for participation in a fund.
- **There is a lack of timely and disaggregated data** that could enable, justify or guide flexibility in development partner funding (i.e. such as in the HSJF)
- **Government contribution is very low**, which raises concerns over willingness to support the programmes, their sustainability and Government's leadership in this area. (Furthermore, where line ministries have not executed their budget for an NSSP programme in a given year, it undermines their ability to lobby for funding increases in future years)
- **Delays in disbursement of funds** which impact on programme delivery are seen most in the LDF's funding of PWP, and MoGCSW's funding of SCTP

1.16 Potential Impact of a Social Support Fund

Stakeholders were asked under which of the four criteria they saw potential for gains through a common funding mechanism. The results are summarised in the table below:

TABLE 14: POTENTIAL GAINS FROM AN SSF AS REPORTED BY STAKEHOLDERS

Criteria	SCTP	PW	VSL	MF	SF	MVAC
Predictability in funds	x		x	x		x
Reduced transaction costs	x	x	x			x
Harmonising to policy		x	x	x		
Flexibility in funding						

The most commonly cited advantage to a fund, as reported by stakeholders, would be a more systematic and reliable way to signal gaps in current and future programme funding. Secondly, stakeholders expressed the view that an SSF

[xxxv] A national level costing for each of the five NSSP programmes is provided in the 2014 SSF Concept Note

would improve coordination between NSSP actors, and therefore reduce transaction costs.

1.17 Feasibility Assessment of a Social Support Fund

It was agreed by all stakeholders interviewed for this work that greater coordination, including programmatic and financial coordination, is needed to improve:

1. Coordination and subsequent reduction in transaction costs
2. Predictability in resource flows
3. Harmonisation and strategic alignment of activities to GoM policy
4. Flexibility in implementation (within an agreed framework)

However, the severe lack of programmatic and financial coordination is considered to undermine desires for an SSF at present – **the foundations on which to develop a fund are currently too weak.**

There was also a widespread **recognition that addressing programmatic and financial coordination, as well as fiduciary risk, could provide the required building blocks for a Social Support Fund,** and would in the process contribute towards the four aims listed above (i.e. a fund in itself is not necessarily needed to tackle the reported challenges; rather, tackling these challenges could lay the foundations for an SSF).

Recommendations: Roadmap Towards a Social Support Fund

There is support in principle for a Social Support Fund, and an understanding that it would contribute to all four of the main criteria:

1. Coordination and subsequent reduction in transaction costs
2. Predictability in resource flows
3. Harmonisation and strategic alignment of activities to GoM policy
4. Flexibility in implementation (within an agreed framework)

However, in the immediate term (i.e. the next year at least), the sector is not coordinated nor organised enough to support such a transition. Therefore, **we recommend here a roadmap, comprising incremental improvements, particularly increasing financial coordination, that will enable the sector to move towards the ultimate goal of establishing a Social Support Fund in the medium term** (potentially within 5 years, depending on progress towards agreed milestones).

1.18 Interim steps in the short term

The following can be completed, or at least started within a year:

1. **A high level, National Financial Coordination Forum (NFCF) should be formed**, with a mandate to share information on funding and value for money for the NSSP programme areas; develop joint financing plans to ensure rationale allocation of funds, and monitor progress against an agreed Implementation Plan (see point six for more detail) to establish the SSF. Rather than create a separate forum, this could be a sub-committee or even part of the NSSTC, which already has the necessary membership to engage in substantive, technical discussions.

   The mapping above gives an example of the sort of information that may be useful for such Financial Coordination. This forum should also be used to share financial reporting including, but not limited to:

   i. Timeliness of disbursement of funds
   ii. Use of funds (numbers and locations of beneficiaries and how these are monitored)
   iii. Financial and performance audits
   iv. Planned responses to audit findings

   This forum should produce actionable information and make operational decisions (or, where appropriate, recommendations to the NSSSC for approval) that can ultimately guide the sector towards the most appropriate funding model and implementation mechanisms for a common funding mechanism. It will require the NSSCT to meet regularly, with consistent and active attendance from stakeholders.

2. **Ongoing attention should be paid to plans to merge the LDF and NLGFC, particularly by the NFCF membership and, once complete, the NSSTC and programmatic coordination forums should monitor its impact on NSSP programme delivery for those sources of funds currently channelled through the LDF.**

   As the LDF was the preferred vehicle for the 2014 SSF, and is still the MoFEPD's preferred modality, its feasibility should be independently reassessed once its status is clarified and stable. This is not expected to be complete within the timeframe of these 'Interim Step' and therefore more details are provided below in the 'Longer Term' recommendation #10.

3. **Purpose of and linkages between programmes should be clarified through the NSSP review process, under the leadership of MoFEPD and responsible line ministries. This should include intentions for a graduation strategy** and is expected to be completed by the end of 2016.

   It should also consider formalising links to the MVAC response. This may encompass more closely coordinated targeting, top ups to SCTP beneficiaries during the MVAC response period, and other mechanisms to overcome exclusion errors that are said to undermine either programmes' core aims.

   This exercise will provide a common understanding of which areas of the NSSP will need increased (or decreased) financing, for Government and donors to react accordingly. It should consider projections for population growth, given that the SCTP and PWP target percentages of local populations.

   This information should be used to inform common work plans and budgets for each programme.

4. Whilst a common funding mechanism is not considered immediately feasible, **common auditing and financial management mechanisms,** such as those used by Irish Aid (common auditing only) and EU and KfW for the SCTP, could harmonise financing within programmes, whilst providing donors with sufficient protection from fiduciary risk.

   With many of the largest programmes due to end in 2016, 2017 and 2018, **there is currently a window to build such reforms into the design of follow-on programmes.**

   The **early plans for these new programmes should be shared and discussed** at the 6-monthly meetings of the Financial Coordination Forum, so that opportunities for such harmonisation of funding modalities can be considered, supported and perhaps realised.

   The results of and responses to these should be shared and discussed at the 6-monthly meetings of the NSSTC's financial coordination forums.

5. **Intensify efforts to develop a nationwide NSSP beneficiaries register** which includes timely, disaggregated data on uniquely identifiable beneficiaries.

   This will ensure programme impact can be monitored in a harmonised and systematic way, it will address current targeting problems between the five

programmes, and inform rational allocation of funds under current and future financing arrangements.

At the time of writing, a decision is still pending on where the planned UBR will be housed and who will be responsible for managing it, which should be resolved as soon as possible. From that point, a decision can be made as to whether (and how) a UBR could be developed and scaled to meet this need. **A pilot system with the characteristics described in section 1.13, would be a good initial step.**

Tools with the necessary functionality are already in service in other contexts, e.g. Girls' Education South Sudan: http://www.sssams.org/ct/profile.php?year=2015&view=country&id. The timeline is therefore just for customisation and roll-out – we estimate one and six months respectively.

6. **Design, in detail, an Implementation Plan outlining the activities and areas for decision making required to progress to the next stages of establishing the SSF, and the expected responsibilities of key stakeholders.** This would include a timeline for the immediate to longer term, and should be built upon this strategic document while also taking advantage of the momentum built amongst stakeholders by this assignment.

1.19 Longer term vision for a fund

Depending on progress towards lowering fiduciary risk in particular, these activities have a 1-5 year time frame:

7. **Any fund should aim to be on budget**, as defined by CABRI (2009):

   > *"External financing, including programme and project financing, and its intended use are reported in the budget documentation"*

   regardless of whether it is on treasury[xxxvi]. This will help develop Government responsibility and accountability to citizens for NSSP funding, as well as contribute towards two of the four criteria defined in the initial ToR, namely predictability in resource flows and harmonisation of activities to GoM policy.

8. Depending on progress towards the interim steps, it may be most practical and achievable to **develop the fund initially for one or two programmes** which are

   a. **strongly coordinated** (regular, well attended meetings, producing actionable information and ensuring adherence to policy);

   b. **have clear and systematic targeting**, based on Government policy;

[xxxvi] *"External financing is disbursed into the main revenue funds of government and managed through government systems" (CABRI, 2009)*

c. have reliable monitoring systems (ideally **based on timely data for individually identifiable beneficiaries, harmonised between programmes**), and
d. are **active participants of the Financial Coordination Forum**, with joint work plans and budgets.

.

9. Whilst it is difficult at this point to propose the details of a funding model which may not be implemented in the short term, it will be **essential to have effective management of fiduciary risk, based on learning from pooled funds in similar contexts**. For example:

- Expansion of a model which already works within the NSSP, e.g. through development cooperation agreements under which a donor(s) provides funds to another donor, to be disbursed through an existing 'tried and tested' mechanism;
- A new pooled fund in which donors contract a fund manager/monitoring agent who would release funds in arrears based on satisfactory reporting;
- An existing fund, which may also engage a monitoring agent specifically to oversee disbursement and accountability of NSSP funds within a broader portfolio;
- Another example proven to work within a Malawian or similar context.
- In all cases, the roles of trustee for funds and programme management should be clearly defined and may or may not sit with the same actor.

Of those currently or potentially showing positive results in terms of limiting fiduciary risk, ensuring timely programme delivery and robust programme monitoring are:

a. HSJF
b. KfW / EU's funding of SCTP

The use of a combined fiduciary and implementing agency, such as Ayala, is seen by some as disempowering to Government (MoGCSW in particular), whereas the FA under the HSJF is a measure to reduce fiduciary risk for donors (and includes some capacity building elements), but leaves programme implementation to Government to promote ownership and responsibility. The choice of how closely an SSF would follow either of these is largely dependent on donors' appetite for risk and government's capacity for programmatic delivery and financial management.

10. Whilst the LDF is not currently considered a strong enough institution to manage an SSF, following its merger with NLGFC, this could be reviewed by an independent agency with oversight of the Financial Coordination Forum.

In particular, a question to be answered will be whether the combined entity will have sufficient independence to be perceived as being equivalent to a fiscal/monitoring agent (such as with the HSJF model), so that DPs have sufficient assurance on their funds? Or, would an FA-type agency still be required, potentially housed within the merged institution. Three key issues which would need to be addressed are:

a. **Strengthen PFM systems and transparency in financial reporting** to a level satisfactory for all potential funders;
b. **Resourcing**, particularly human resources and at the district level, to manage a programme of this size effectively;
c. **Clear parameters and guidelines** for how responsibilities and reporting structures are established between the LDF to line ministries and other stakeholders.

11. **At District level, every effort should be made by NSSP donors to limit the reporting burden** through harmonised financing and programme monitoring. Districts also require significant support to build their capacity for such roles, which both donors and line ministries can contribute to.
12. **The fund should not be housed in a line ministry responsible for any single NSSP programme.** This is likely to create tensions and raise concerns of bias among stakeholders and, crucially, donors have stated that they would not be able to engage with such a mechanism due to fiduciary risks. If a neutral institution, such as the LDF/NLGFC was considered appropriate and acceptable by all, it still may require an embedded fiduciary/monitoring agent that would be responsible for the disbursement of funds and provide financial assurances to development partners, whilst ensuring activities are harmonised with Government policy.
13. **A joint fund could include a recommended contribution from all donors, to maintain common tools that are essential to ensuring accountability, monitoring of programmes and rational allocation of funds,** such as the UBR (specifications described in Interim Step #5, above and Section 1.13 of the main report). Even without such a contribution, a beneficiaries register, which provides timely and disaggregated data (to individual level), covering all NSSP programmes, will be essential to monitor programme delivery and impact.

Annex 1: Bibliography

CABRI, 2009, Putting Aid on Budget. Good Practice Note: Using Country Budget Systems

Charlie Goldsmith Associates, 2015, A Rapid Review of Education Monitoring Techniques and Methodologies in High Risk Territories

Commins, S et al, 2013, Pooled Funding to Support Service Delivery Lessons of Experience from Fragile and Conflict-Affected States

DFID, 2010, Business Case Summary Sheet: Enhancing Community Resilience Programme

GMAH Management and Consulting, 2016, Strategic Review, Management Strengthening, Institutional Transformation & Legalization of the Local Development Fund Report

GoM, 2007, A Framework of Principles and Guidelines for Social Protection in Malawi

GoM, 2010, Joint Financing Arrangement Concerning Joint Financing of the Malawi National Education Sector Plan 2008-2017

GoM, 2015, Common Fiduciary Oversight of the Malawi Health Sector, Referred to as the Common Fiduciary Oversight Arrangement (CFOA)

GoM, 2016, Joint Declaration of Intent by Malawi Government and Development Partners for Common Fiduciary Oversight of the Malawi Education Sector Referred to as the Common Fiduciary Oversight Arrangement (CFOA)
Joint Declaration of Intent by Malawi Government and Development Partners for

International Labour Organisation, 2013, Social Protection in Malawi: Summary of the Assessment Based National Dialogue Report

Meller, C & Stahl, A, 2016, Components of the Malawian National Social Support Programme

MoFEPD, 2012, National Social Support Policy

MoFEPD, 2012, National Social Support Programme Final Report

MoFEPD, 2014, The Malawi Social Support Fund (Draft)

MoFEPD, 2014, The Social Support Systems Strengthening Programme

MoFEPD, 2015, Malawi Development Cooperation Atlas 2012/13FY, 2013/14FY, and 2014/15FY

MoFEPD, 2015, Programme Requirements Document: The Unified Beneficiary Registry (UBR) – A common database for social support programmes

MoFEPD, 2016, Press Statement: Results of the 2016 Food Security Assessment, Available online at: http://reliefweb.int/report/malawi/press-statement-results-2016-food-security-assessment

MoH, 2012, Health Sector Strategic Plan Joint Financing Arrangement

MoH, 2015, A comprehensive review of literature on international and local experiences of Health Fund and Proposed Malawi Health Fund

MoLGRD, 2015, Integrated Rural Development Strategy

ODI, 2014, Options for a graduation strategy from Malawi's Social Cash Transfer Programme

Stahl, A, 2016, Activities under the Malawian National Social Support Programme

The Nation, 31st May 2016, K21bn Eludes Malawi, Available online at: http://mwnation.com/k21bn-insurance-eludes-malawi/

UNICEF, 2016, Rapid Assessment of the Eligibility of SCTP Beneficiaries for Emergency Interventions in the Scope of the Malawi Vulnerability Assessment Committee (MVAC) Response

UNRCO / DFID, 2016, Giving Voice to Disaster Affected Communities in Malawi
WFP, 8th June 2016, Resource Situation - Malawi

WFP, April 2016, WFP Malawi Country Brief

World Bank, 2016, Malawi Economic Monitor: Absorbing Shocks, Building Resilience, Available online at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2016/06/21/090224b0843e8e77/1_0/Rendered/PDF/Malawi0Economi00building0resilience.pdf

Annex 2: Consultation List

#	Organisation	Name	Position
1	Ayala	Chantal Elmont	Resident Consultant - SCTP
2	Ayala	Liliana Alareon	Senior Consulant
3	Care	Clement Bisai	Senior Technical Advisor- Monitoring & Evaluation
4	CONGOMA	Simekinala Kaluzi	Programme Manager
5	Dedza District Council	James Kanyangalazi	District Commissioner
6	Dedza District Council	Smart Gwedemula	D/Admin
7	Dedza District Council	Fyson Zidana	Accountant
8	Dedza District Council	Monica Kapachuka	DEM
9	Dedza District Council		D/PWP
10	Dedza District Council	Dalitso Mndinda	Assistant Com Dev Officer (COMSIP)
11	Dedza District Council	Maria Gama	DCDO
12	DFID	Senard Mwale	Resilience Advisor
13	DFID	Paul Ohagen	Humanitarian Advisor
14	DFID	Fuma Munthali	Social Development Advisor
15	DoDMA	Scholastica Chidyaonga	D/Disaster Response and Recovery
16	EU	Chipo Msowoya	Programme Manager (Economic Governance & Social Protection)
17	GIZ	Ralf Radermacher	Team Leader - Social Protection Programme
18	GIZ - Dedza District	Katharina Diekmann	Development Advisor - Social Prot Prog
19	Irish Aid	Lovely Chizimba	Senior Advisor
20	Irish Aid	Phina Rocha	Vulnerability Advisor
21	Irish Aid	Aiden Fitzpatrick	Senior Development Specialist
22	KfW	Patience Kanjere	Project Coordinator
23	LDF	Paul Chipeta	D/ Operations
24	LDF	Steve Mchenga	D/ Financial Management Services
25	MAMN	Duncan Phulusa	Executive Director
26	Microloan Foundation	Mateo Zanetic *(reponse by email)*	D/ Operations
27	MoFEPD	Ronald Mangani	Secretary to the Treasury
28	MoFEPD	Madalo Nyambose	D/Debt and Aid
29	MoFEPD	Betty Ngoma	Debt and Aid
30	MoFEPD	Harry Mwamlima	D/ PRSP
31	MoGCSW	Dr Esmie Kainja	Chief Director
32	MoGCSW	Brighton Ndambo	Budget/Planning
33	MoLGRD	Sphiwe Mauwa	Director
34	MoTPW	Kelvin Mphonda	Deputy Director
35	Save the Children	James Lwanda	Senior Manager - Humanitarian
36	Save the Children	Matthew Pickard	Country Director
37	UNDP	Macoswald Jumali	JPGE coordinator
38	UNICEF	Lisa Marie Ouedrago	Social Protection Specialist
39	USAID	Emmanuel Ngulube	Food for Peace Officer
40	WFP	Daniel Longhurst	Programme Policy Officer - Resilience & Social Protection
41	World Bank	Ivan Drabek	Project Lead

Attempts were also made to contact:
- NLGFC
- AfDB
- UNCDF
- MoEST
- MCCCI

Annex 3: Validation Workshop Agenda

Monday 11th July 2016
Ufulu Gardens, Lilongwe

Chair: Mr Harry Mwamlima (MoFEPD)
Facilitator: Dr. Masanjala (University of Malawi)

Time	Activity	Lead
8.30	Registration	
8.45	Opening remarks	Harry Mwamlima (MoFEPD) Tom Mtenje (GIZ) Dr Masanjala (UoM)
9.00	Presentation: Findings, Conclusions and Recommendations of Feasibility Study	Liz O'Neill & Nick Hall
9.30	Q&A	Dr Masanjala Liz O'Neill & Nick Hall
10.15	Break	
10.30	Break-out groups: Discussion on roadmap	
11.10	Feedback from all groups	Dr Masanjala
11.50	Break	
12.10`	Summary of stakeholder contributions & next steps	Liz O'Neill
12.40	Closing comments	Dr Masanjala Harry Mwamlima
13.00	Lunch	

Annex 4: Workplan

Project Activities	Team Members	May									June											July		
		5th	16th				26th													20th		11th		31st
Inception and Data Collection																								
Inception meeting with Steering Group	LO	0.5																						
	NH	0.5																						
Develop and submit Inception Report	LO	0.5	0.5																					
Literature Review	LO		0.5	1	0.5	0.5																		
Stakeholder Interviews	LO				0.5	0.5	1	0.5	0.5															
Map existing and potential funding channels including levels of support	LO							0.5	0.5	1														
	NH									0.5														
Developing Viable SSF Options																								
Develop SSF options, with SWOT analysis of each	LO										1	1	0.5											
	NH												1											
Develop implementation path, timeline, governance structures and policy requirements, and potential impact on service delivery of viable SSF options	LO												0.5	1	1	0.5								
	NH															1								
Develop draft report (Word Doc and PowerPoint)	LO															0.5	1	1	0.5					
	NH																		0.5					
Stakeholder Validation and Workshop																								
Present draft report to GIZ and MoEFPD, and Steering Group	LO																		0.5					
Refine report based on presentation feedback and prepare workshop presentations	LO																			1	1			
Stakeholder validation workshop	LO																					1		
	NH																					1		
Finalising Report and Recommendations for SSF																								
Refine and submit final report and PowerPoint presentation based on workshop feedback	LO																						1	1
	NH																							0.5
Liz O'Neill (LO) - Total Consulting Days: 23																								
Nick Hall (NH) - Total Consulting Days: 5																								

Annex 5: Stakeholders Cited in 2014 VSL Mapping by Care / MoFEPD

Sources of Funding	Implementers
1. A & CONSULTAND under KINDERNOT HEALTH	1. Action Aid 2. ADRA Malawi
2. Accenture	3. Africare
3. ActionAid	4. Association of Early Childhood Development in Malawi (AECDM)
4. ADRA Australia	
5. Banca Intesa - San Paulo (Italian Bank)	5. Better Life for All
6. BIG Lottery Fund through Progressio and ChristianAid	6. Blantyre Synod 7. CADECOM Blantyre
7. Canada Cooperation	8. Chikangawa
8. CARE International	9. Chikumayembe Women Forum
9. CARITAS Australia	10. Chinansi Foundation
10. Catholic Relief Services (CRS)	11. Church and Society
11. Christian Aid	12. Churches Action in Relief and Development (CARD)
12. Church of Sweden	
13. CLEAR	13. CISP
14. COMSIP Cooperative Union	14. Citomato Internationate svillupo Dei Poppoli
15. CORDAID	
16. DanChurch Aid	15. Community Partnership for Relief & Development (Copred)
17. Danish International Development Assistance	16. CARE Malawi
18. DFID	17. Concern Universal
19. ECHO	18. Concern Worldwide
20. Ecosolidar of Switzland	19. CRECCOM
21. ECRP Oxfam	20. CUMO Microfinance Ltd
22. ELCA	21. DAPP
23. Emmanuel International	22. Dedza Catholic Health Commission
24. EU	23. Discover (Self Help Africa)
25. Everychild	24. Eagles Relief and Development
26. Norad	25. ELDS
27. Feed the Children	26. Environment Africa – Malawi
28. Find your Feet	27. Evangelical Association Of Malawi
29. Flemish Government	28. Everychild
30. Global Sanitation Fund/ World bank	29. Farmers Forum for Trade (FAFOTRA)
31. HIVOS	30. Feed the Children Inc
32. Hope for a Child UK	31. Foundation for Community and Capacity Development
33. Hope for the People	
34. ICA	32. FUM
35. Church of Sweden	33. Future Planning for the Child
36. IFAO through RLEEP	34. Fwasani Local Organization
37. Irish Aid	35. Group Ideas for Community Development (GICOD)
38. IRISH AID PROJECT FUND	
39. Japanese Community	36. Hygien Village Project
40. KINDERNOTHILFE	37. Land o Lakes
41. KNA Germany	38. Life Concern Organisation
42. KNH	39. Lipangwe Organic Manure Demonsration

Sources of Funding	Implementers
43. USA Malawi Mission fund 44. NAC 45. NERCOS 46. Netherlands (Help a child) 47. NORAD 48. Norwegian Embassy 49. Norwegian Church Aid 50. OXFAM 51. Presbyterian Church of South America 52. Presbyterian Hunger Project and Positive Action for Children Fund 53. RLEEP 54. Save the Children 55. St. Peters 56. Swedish Aid 57. Swedish Cooperative 58. Swedish Organisation for individual Relief 59. TearFund Switzerland 60. Tilitonse 61. Trocaire 62. UNFPA 63. USAID 64. World Bank 65. World Relief 66. World Vision International 67. YONECO	Farm 40. Livingstonia Synod Aids Program (LISAP) 41. Lusubilo Orphan Care 42. Malawi Lake Basin Programme 43. Microloan Foundation 44. Mzimba Youth Organization 45. NAFAPHO CBO 46. NAPHAM 47. NAYORA 48. Ntchisi Evangelical Churches Consortium for Social Services 49. Plan International 50. Project Concern International 51. Rhema Institute for Development 52. Rumphi HIV and AIDS Education Awareness 53. Rumphi Women Forum 54. Rural Livelihoods Economic Enhancement Programme (RLEEP) 55. Save the Children 56. SEEED Malawi 57. SOS Children' Village Malawi 58. STEPHANOS Foundation 59. Study Circle 60. Tadzuka Women Forum 61. The Hunger Project Malawi 62. Total LandCare 63. Women's Legal Resource Centre 64. Word Alive Ministries 65. World Relief Malawi 66. World Vision Malawi – Machinga 67. YONECO 68. Youth Response for Social Change