

■ April 2022

# Expenditure Assignments for Basic Service Delivery

Reform discussion note



# Introduction and Key Findings of the Stocktake

There is a stable local government system characterised by: (i) legitimate Councils that have the potential to oversee the operation of the LGA administration and account to the citizens; and (ii) administrative structures that can implement council decisions.

A number of services that were planned to be devolved to LGAs as per Decentralization Policy have actually been devolved. These include: primary education; primary health care, water supply and agriculture extension. However, there are a number of services planned to be financed by LGAs that have not been devolved notably nursery and kindergarten as well as Secondary Distance Education Centres. There are also services that were not intended to be devolved that have been actually devolved, notably secondary health care. Some of the stipulated functions are being performed by the ministries to support the implementation of the devolved services. For example, ministries developed Guidelines for the Management of Functions Devolved to LGA and monitor and inspect service delivery at the LGA level. However, the ministries did not properly disseminate the guidelines to the potential users and did not develop nor issue grant, budget and implementation guidelines. MoLG did not provide continuous support, guidance and coordination during the devolution processes. Finally, Service Delivery Standards that are measurable in terms of quantity, quality and time; costed and disseminated are not in place.

There are functions as per devolution guidelines that were supposed to be devolved to LGAs but are still financed and performed by the Ministries. These include construction of basic infrastructure for service delivery; recruitment, deployment and transfer of staff which is done by the Local Authorities Service Commission (LASCOM) and procurement of essential supplies (for example, drugs and text books).

The foregoing notwithstanding, there are some of the abovementioned functions that are being performed by LGAs. These include construction of water infrastructure and service delivery infrastructure across the sectors using the existing discretionary development grants; salary payments; supervision and disciplining of staff; financing the operations for service delivery<sup>1</sup>; and inspection of service delivery.

The basic problem that Malawi faces is one of poor service delivery despite over twenty years of implementing decentralization reforms. Although the division of responsibilities between central government and LGAs appear to be clear in the formal legislation and policy (de-jure), in practice the actual situation on the ground is quite different with some functions that were meant for the LGAs being performed by the central government. In addition, very little attention has been given towards clarifying the link between the actual devolution of the functions and service delivery and how those services can be optimally financed to ensure improvement in service delivery.

This Note proposes options for reform focussing on review and upgrading of the current devolution plans and guidelines to the development and implementation of Service Delivery Frameworks (SDF) which among others discuss the division of functions amongst actors as a basis of ensuring that all functions for the devolved services are effectively clarified, financed and delivered. This note should be read together with the note on Urban Financing Options, which discuss the current inconsistencies in urban functions and financing and sets out options for reform; the note on Intergovernmental Fiscal Transfers for Improved Local Governance and Service Delivery, which covers the need to ensure the adequacy of local government transfers, and ensure they are equitably allocated; and the note on Institutional

Arrangements, which proposes strategies for strengthening the processes and structures for effective service delivery.

## ■ Development and implementation of Service Delivery Frameworks (SDF)

### Rationale and content of Service Delivery Frameworks

The service delivery frameworks aim at improving the policy design, financing, planning and implementation, coverage/quantity and quality of basic services. The SDF discusses and identifies the appropriate institutional and financing arrangements required for the effective provision of services and infrastructure. This includes discussing and detailing:

- a. The institutional and financing framework for service delivery that among others: outlines the services that are to be provided; sets out the service delivery chain; the roles and responsibilities of different levels of government and non-government organisations in providing these services; the systems and capacity required for service delivery; and the key accountability relationships in service delivery;
- b. The financing framework, looking both at the funding levels for service delivery between different levels of government, and across the same level, and the funding channels and modalities that can best deliver the service;
- c. The institutional and organisations blockages to service delivery
- d. A plan for implementing the framework for service delivery and addressing the challenges to improving service delivery by making proposals for strengthening the service delivery chain, establishing coherent financing plans and addressing the blockages to improving service delivery that were identified.

<sup>1</sup> However, financing the operations for service delivery differ between: districts and urban LGAs; as well as between the different sectors within a LGA

**Steps for Developing Service Delivery Frameworks**

- a. **Step 1:** Based on the provisions in the devolution guidelines, outline the functions that have to be performed for each of the devolved services. For example, for primary education, some of the functions could be: (i) developing, issuing, disseminating and monitoring compliance to standards and guidelines; (ii) construction of school infrastructure and procurement of furniture; (iii) recruitment; deployment; payment, development and disciplining of teachers; (iv) procurement of textbooks and scholastic materials; (v) school inspection; and (vi) engagement/mobilization of parents and/or community members to send pupils to school.
- b. **Step 2:** Develop Service Delivery Standards (SDS) for each of the devolved services: The SDS should provide: (i) a prioritised, affordable/achievable/realistic and measurable levels of services that LGAs should provide covering among others capital and operational infrastructure, staffing, accessibility and governance criteria; and (ii) phased estimated costs for providing the mandated LGA services.
- c. **Step 3:** Proposing the main roles and responsibilities of the different stakeholders (institutions/ organisations) in the delivery chain of the devolved services noting the key differences from the current situation. The institutions/ organisations should be at all levels of Governance. Refer to Annex A where the indicative division of functions between Ministries and LGAs for devolved services is provided.

Institution/ organization	Proposed main roles and responsibilities	Key differences from current situation
Ministry (e.g. MoH)		
LGAs (specify differences between District and Urban LGAs)		
Service Provider (e.g. Health unit)		
Citizens		

- d. **Step 4:** Analysing the systems and capacities required by the different stakeholders to perform the devolved functions in comparison with the current situation as illustrated in the table below.

Institution/ organization	Institutional Systems and Capacity Requirements	Key differences from current situation
Ministry (e.g. MOEST)		
LGAs (specify differences between District and Urban LGAs)		
Service Provider (e.g. School)		
Citizens		

- e. **Step 5: Proposing accountability relationships** required to ensure that stakeholders (institutions and organisations) responsible for performing the functions have incentives to perform and how the situation differs from the current situation as depicted in the table below.

Example of Relationship	Proposals	Key differences from current situation
Citizens and Service Providers		
Citizens and LGAs		
Citizens and MoEST		
Service Providers & LGAs		
LGAs and MoEST		

- f. **Step 6: Assessing the current levels of funding** for different levels of government relative to the proposed responsibilities and making proposals to align funding levels with responsibilities<sup>2</sup>

Institution/organization	Funding Levels (e.g. outturn for the previous FY)	Assessment of Funding vs. Responsibilities	Proposals to align Funding Levels with responsibilities
Ministry (e.g., MOEST)			
LGAs (District and Urban LGAs)			
Service Provider (School)			

- g. **Step 7: Proposing the main funding channels** for different levels of government to fulfil their roles and responsibilities and key differences from current situation

Institution/organization	Proposed Modalities	Key differences from current situation
Ministry (e.g. MOEST)		
LGAs (specify differences between District and Urban LGAs)		
Service Provider (School)		

<sup>2</sup> Refer to IGFT Reform Discussion Note for detailed guidance.

- h. **Step 8: Analysing the main institutional and organizational blockages** hindering the performance of functions and delivery of services, makes proposals about how current blockages can be addressed and potential blockages mitigated to improve the quality of service delivery.

Blockage (Constraint) - causes, manifestations and effects	Recommendation to address the blockage
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- i. **Step 9: Preparing a Plan** based on the foregoing assessment, with a list of priority actions (addressing specific blockages and building on opportunities) that the respective stakeholders should implement in collaboration with the other key stakeholders to implement the service delivery reforms:

- Priority Actions to improve the effectiveness of the delivery chain by clarifying key roles and responsibilities and building systems and capacities.

Recommended Action	Responsible Institution/ Organization	Date to be Implemented
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- Priority actions to establish more coherent, equitable financing for the devolved functions<sup>3</sup>

Recommended Action	Responsible Institution/ Organization	Date to be Implemented
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<sup>3</sup> Refer to recommendations made under the IGFT Reform Discussion Note

## ■ **Process for Coordinating the development, implementation and review of service delivery frameworks**

- a. Establish a strong Secretariat (within MoLG) to facilitate and coordinate the process across ministries. The tasks of the Secretariat will include among others: formulation, dissemination and ensure compliance to the guidelines for developing service delivery frameworks; supporting and coordinating the different sectors; monitoring and following-up implementation to ensure that the devolution of functions remain on track etc.. The Secretariat will require dedicated staff (and/or technical support).
- b. Establish working teams/focal points in the respective ministries to spearhead the development of sector specific service delivery frameworks – with support from the Secretariat.
- c. Establish a multi-sectoral technical committee to: (i) discuss and vet the respective sector service delivery frameworks; and (ii) discern cross-cutting issues that need to be implemented jointly – e.g. LGA PFM, LG HRM, financing etc.
- d. A multi-sectoral Steering Committee to provide oversight and approve the respective Service Delivery Frameworks.
- e. Hold joint (annual) reviews to track progress, compare notes across sectors, draw lessons and make proposals for improvement.
- f. Establish a performance assessment and improvement framework to incentivise the respective levels of government to perform their respective functions: (i) incentive framework for the respective ministries; (ii) incentive framework for LGAs – consider broadening the LAPA to focus more on incentivising service delivery performance and outcomes; and (iii) incentive framework for service delivery units.

## ■ Annex A: Indicative Division of Functions between Ministries and LGAs for Devolved Services

The division of functions should build on the broad guidance provided in the Decentralization Policy (1998) regarding the functions that have to be performed by the Ministries and those that have to be devolved to LGAs as well as practical experiences and lessons learnt to-date.

During the development of the SDFs a number of issues should be discussed and resolved among others: (i) the form/nature of the guidelines to be issued; and (ii) whether it should be one comprehensive guideline issued by MoLG or sector specific guidelines.

**The Ministries, Departments and Agencies should be responsible for:**

### 1. Developing and disseminating standards and guidelines to the LGAs and service delivery units.

The guidelines should cover and specify procedures for carrying out a wide range of functions at the LGA level including planning, budgeting, technical designs, procurement, contract management, and reporting on human resource, operations and capital investments. To ensure consistency, the MoLG should provide continuous support, guidance and coordination during the elaboration of guidelines and they have to be jointly reviewed across sectors<sup>4</sup>. The guidelines must be properly disseminated to LGAs and a mechanism for checking compliance should be established with associated incentives and sanctions.

2. **Development, costing and dissemination of Service Delivery Standards that should be delivered by the LGA to the citizens.** The service delivery standards should be realistic, affordable and measurable in terms of quantity, quality and time; costed, disseminated and used as a basis to advocate for resource allocation to LGAs to enable them to deliver the devolved services (see details in IGFT Note)

3. **Monitoring, inspection, review and supporting LGAs to manage service delivery.** This need to be done routinely hence a need for adequate resource allocations (monetary, transport and personnel). There is also a need to broaden the scope of the Local Authority Performance Assessment (LAPA) and Performance Improvement Planning and Implementation initiated under Governance to Enable Service Delivery (GESD) towards incentivising more improvement in the management of service delivery by LGAs

4. In particular, given that it may not be feasible in the medium-term to devolve the recruitment and deployment of staff to LGAs, **LASCOM should continue to recruit, deploy and transfer staff across LGAs**<sup>5</sup>. However, LASCOM should consult with LGAs, the respective MDAs and DHRMD and ensure equitable distribution of staff especially in hard-to-reach areas. (for details refer to the PE Reform discussion note).

<sup>4</sup> For details refer to the Institutional Arrangement Reform Discussion Note.

<sup>5</sup> However, deployment of staff within a LGA should be managed by the respective LGAs



**The Local Government Authorities should be responsible for:**

- 1. Planning and financing of capital expenditure responsibilities.** Based on guidelines issued by the Ministries, LGAs should plan, budget, procure and implement basic service delivery infrastructure projects that are within their mandate (those that are not complex). This requires: (i) appropriation of funds (provided by both GoM and DPs) under LGAs instead of Central Government Votes (see IGFT Reform discussion note); and (ii) support, monitoring and value for money audits by the ministries.
- 2. Planning and financing of operational expenditure responsibilities of devolved service.** There is need to provide for financing the operations of service delivery in districts and cities (see details in urban financing reform note); and (ii) service delivery units/ direct facility financing (see details in IGFT Note).
- 3. Procurement of essential supplies** (e.g. drugs and text books). This requires further dialogue with MDAs on the pros and cons of devolving these budget lines – as part of the sector service delivery frameworks (see below).
- 4. Intra-LGA deployment, salary payments, supervision and disciplining of staff.** This is in line with the HR devolution which started in November 2017, enhances accountabilities, enable the LGAs to manage and ensure equitable intra-LGA distribution of staff.
- 5. Monitoring and inspection of service delivery. LGAs need resources to inspect service delivery units.** Consider establishing a system for assessing and incentivising the performance of service delivery units.



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