

■ April 2022

LGA Fiscal Transfers – PE

Reform discussion note



Introduction

LGAs need adequate, competent, and motivated staff to properly handle the increased financial resources for improved service delivery. This matters not just for LGA expenditure, but for the overall effectiveness of salary expenditure as transfers to LGAs for personnel emoluments made up nearly half of the total wages and salaries budget in 2021/22.

In Malawi LGAs, there are broadly two categories of staff:

- a. **Staff recruited by LASCOM¹, posted in LGAs and paid using PE transferred from Central Government:** These are staff from Grade K and above that include: District secretariat staff, primary school teachers, health workers, extension workers as well as health workers and teachers posted in urban councils but paid under the District².
- b. **Staff directly employed and paid by the LGAs using the Local Government Revenues (LGRs) or General Resource Fund (GRF).** These are staff in Cities which include those in the secretariat, additional teachers and health workers as well as staff in districts from Grades L and below.

This note highlights the main findings identified during the stock take and makes proposals on how to improve the fiscal transfer system by PE which constitutes the highest component of fiscal transfers.

1 Note that most of the existing staff were recruited by Central Government and transferred across LGAs until 2017 when they started to be recruited by LASCOM.

2 For a detailed discussion of teachers and health workers deployed in urban councils but paid from the district PE refer to the Urban Financing Options Reform Discussion Note.

■ Main findings from the Stocktake

- a. **Sometimes, staff on LGA payroll differ from staff in post:** There are cases where: (i) staff are seconded to the center but remain on LGA payroll; (ii) staff transferred are not deleted from their previous payroll, particularly when there is no vacant positions in the district where they are going; (iii) Human Resource Officers does not take action to delete the staff from payroll.
- b. **PE and staff are inequitably distributed across and within Districts:** This is mainly because: (i) some LGAs are not proactive enough to request for additional budget lines for vacant positions; (ii) MDAs do not support the LGAs with low staffing levels to fill the vacant positions for example by supporting them to prepare recruitment plans and requesting for budget line and deploying new staff where they are needed even if not demanded by the LGAs; and (iii) there are cases where the Districts and service delivery facilities which are attractive as a place of work (with amenities, proximity to urban areas) are better staffed, a manifestation that staff are deployed to the LGAs and service delivery facilities they prefer instead of where they are most needed.
- c. **Payroll management:** The PE data on HRMIS is incomplete and does not provide historical trends. The Malawi Civil Service Personnel Audit Report 2020 also found that poor management of records and weak internal controls have adversely affected the integrity and accuracy of the HRMIS database leading to incomplete data relating to Human Resource Management. The Audit also acknowledges that the HRMIS needs to be redesigned and upgraded. Lack of quality data does not facilitate objective allocation of staff and PE which maintains inequities and affect service delivery. There were also claims by LGAs that procedures for LGAs processing of payroll are complex and expensive as some of the rights were retained at the centre.³ However, it was noted that this is being done to ensure fiduciary safeguards.

■ Proposals for Reform

Proposals for improving the inter and intra LGA PE and staff allocation

- a. **Strengthen the demand-side by effectively disseminating HR guidelines to LGAs.** For example, disseminate the procedures for staff recruitment and transfer including both requests for authorization/ clearance from DHRMD and the required submissions to LASCOM.
- b. **Complement the demand-side with supply-driven support:** DHRMD and sector ministries to analyze the staffing gaps and provide tailor made hands-on support to LGAs with low staffing levels even if they have not requested. This will involve for example supporting LGAs to prepare recruitment plans and requesting for budget line and deployment of new staff where they are needed even if not demanded by the LGAs.
- c. **Provide financial incentives to staff working in remote districts and remote facilities within a district.** The financial incentives should be allocated to a LGA and/or facility rather than individual staff in order for the incentives not to be transferred with staff. Lessons for other sectors can be taken from the Malawi Education Reform Program (MERP) which involves: the Hardship Schools Support scheme to reward teachers who accept postings in the most remote schools; refinement and re-circulation of tools to guide district-level officials in allocation of teachers to the schools with the highest pupil to teacher ratio; and conducting of capacitation activities to ensure correct utilization of the tools. DHRMD should coordinate and ensure the consistence of initiatives undertaken across sectors and categories of staff.

³ For example, adding and deleting employees from the payroll requiring the LGAs to go to Lilongwe every month to effect changes on the payroll

Proposals for improving the management of staff payroll

- a. **Allocate PE to positions in a LGA.** In case a staff is transferred, HR staff in the LGA should delete staff from the LGA payroll, so that the budget is maintained to fill the vacant position. DHRMD should carry-out payroll audits to make sure staff are effectively deleted from their previous payroll.
- b. **Improve PE data on HRMIS:** DHRMD should ensure that PE data on HRMIS is desegregated per staff category; coded by sector, complete and accurate. The HRMIS should be able to produce monthly consolidated reports being to facilitate the analysis of

staffing gaps by MDAs. At the moment the system is only producing reports for each district individually, making analysis and comparisons between districts very cumbersome.

- c. **DHRMD should publicize data on staffing and PE allocation** in a simple format to inform the LGAs on their staffing status in comparison with others in order to stimulate demand.
- d. **Clarify and limit LASCOP's role** to recruiting, promoting and handling disciplinary cases of employees in District Councils. LGAs should be solely responsible for the deployment and transfer of staff within the LGAs.



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