



DEVELOPMENT FUND FOR LOCAL AUTHORITIES
(D.F.L.A.)

STRATEGIC PLAN
2023 – 2028

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FOREWORD

Strategic planning in the public sector is mandatory and it seeks to improve efficiency and effectiveness in the delivery of services to the general public and other stakeholders. The Strategic Plan that has been developed is giving a roadmap that DFLA is geared to take in the coming five years. The 2023 – 2028 DFLA Strategic Plan presents key result-areas (KRAs) of focus and strategies to be applied in the process of implementation. This Strategic Plan builds on the achievements of the previous Strategic Plan and aims to address the challenges experienced as revealed during the assessment of the last Strategic Plan.

In developing this Strategic Plan and determining KRAs, the DFLA took cognizance of the Malawi 2063 and its First 10-Year Implementation Plan (MIP-1). Through disbursement of loans for infrastructure development, DFLA is committed to contribute to transforming Malawi into a lower middle-income country by implementing this Strategic Plan. Also, with this Strategic Plan, we renew our commitment to being a vibrant and efficient provider of loans to Local Authorities to finance infrastructure development and maintenance of existing infrastructure.

The current revised KRAs are more challenging in nature and requires professionalism, integrity and high standard that will create an environment of quality service delivery in provision of loans. Let me point out that implementation of this Strategic Plan will require enough resources both financial and competent human resource. It is my hope that the Board of Directors and Management will collaborate to timely facilitate mobilization of the required resources.

This Strategic Plan also gives the Fund an opportunity to learn from mistakes in the 2018 - 2022 Strategic Plan implementation and to harness strategic opportunities to rebuild and reposition DFLA as a modern, sustainable and efficient institution. It is also necessary to note that this Strategic Plan will be implemented in an environment which is not predictable due to constant changes in the global economy and politics. As such, the DFLA needs to approach the implementation of this Strategic Plan with resilience and an attitude of embracing changes.

I cannot go without thanking the consultants of Centre for Local Governance for the professional work and the integrity displayed during the production of this Strategic Plan. I know this was made possible because of tireless support provided by the Chief Executive Officer and his team. The Board of Directors deserve to receive my appreciation for providing strategic direction. Your work, Board of Directors and Management, does not end here. Planning is one issue and implementation is yet another issue. I appeal to you to ensure that this Strategic Plan is implemented successfully.

James M.K. Chiusiwa
BOARD CHAIRPERSON
SECRETARY FOR LOCAL GOVERNMENT

PREFACE

The 2023 – 2028 DFLA Strategic Plan is unique in nature in the sense that its KRAs are meant to bring the desired efficiency and effectiveness in the operations and business of the Fund by being proactive and client-centered. The development process for this Strategic Plan took a rigorous process that involved literature review of several relevant documents, consultations with different key stakeholders and analysis of information obtained. The SWOT analysis conducted revealed weaknesses and threats that would impede operations and performance of DFLA. On the other hand, the SWOT analysis also revealed strengths and opportunities that the Fund should grab and focus its efforts to forge ahead in the implementation of its mandate to realize the vision. It was a critical self-examination process where personal and functional experiences were shared to help DFLA leadership to challenge the status quo and extract useful insights.

The 2023 - 2028 DFLA Strategic Plan has three KRAs, which are (i) Fund Growth and Sustainability; Loan Portfolio Management; and Institutional Strengthening and Business Development. These strategic priority areas were identified based upon the mandate, vision and accomplishments of previous Strategic Plan and the current situation analysis.

For effective and efficient implementation of this Strategic Plan, the focus should be on ensuring that activities are properly integrated and coordinated in various departments and sections. Further, the Strategic Plan should be used in setting out annual goals, budgets and alignment of DFLA portfolios. It is also essential to recognize that Monitoring and Evaluation is an integral part of strategic planning and implementation. As such, this third generation Strategic Plan has M&E framework imbedded in it.

The Strategic Plan is a very important tool in the management of the organization as it provides broad variables for measuring the performance of its employees. Hence providing the basis for rewarding and identification of shortfalls.

The Strategic Plan will remain a dynamic document. As such, it will be reviewed periodically to be in tandem with emerging social-economic and technological developments in the country and the region. However, the major review is expected to take place midway of the implementation period of the plan.

Cydex Makunje
CHIEF EXECUTIVE OFFICER

ABBREVIATIONS AND ACRONYMS

CEO	: Chief Executive Officer
CLG	: Centre for Local Governance
CPSR	: Client Perception Survey Report
CONGOMA	: Council for Non-Governmental Organizations
DC	: District Commissioner
DFLA	: Development Fund for Local Authorities
ED	: Executive Director
Fund	: Development Fund for Local Authorities
IEC	: Information, Education and Communication
KRAs	: Key Result Areas
LGA	: Local Government Authority
LGDP	: Local Government Development Project
MIP-1	: Malawi First 10-Year Implementation Plan
MALGA	: Malawi Local Government Association
MFEA	: Ministry of Finance and Economic Affairs
MW2063	: Malawi 2063
M&E	: Monitoring and Evaluation
PFMA	: Public Finance Management Act
PPDAA	: Public Procurement and Disposal of Assets Act
SWOT	: Strength, Weakness, Opportunity and Threat

EXECUTIVE SUMMARY

This is the third generation Strategic Plan that the Development Fund for Local Authorities (DFLA) has developed to provide an operational guidance for the Fund in the implementation of its mandate for the next five years from 2023 – 2028. The Plan translates the aspirations of the country as encapsulated in the Malawi 2063 (MW2063) under Enabler 6: Economic Infrastructure into achievable actions in terms of providing finances to Local Authorities as a way of accessing infrastructure development financing which for long has been a big challenge to Local Authorities that has constrained investment in commercial capital infrastructure development. This Strategic Plan further identifies challenges that were encountered in the implementation of the previous strategy and builds on the achievements that were realized and lessons learnt during its implementation.

The development of this Strategy follows the expiry of the 2018 – 2022 Strategic Plan in June, 2022. The development of the Plan, apart from drawing guidance from the Trust Deed, was guided and is aligned to the Malawi 2063 and its First 10-Year Implementation Plan (MIP-1) 2021 – 2030 as an overarching government socio-economic development agenda. This revised Plan has also considered the new government fiscal calendar and all other relevant acts and policies that subscribe to trust funds and micro finance institutions that provide financial solutions.

The Strategy identifies and is anchored on three key result areas (KRAs) (as revised from the previous Strategic Plan which had five KRAs). These are: (i) Fund Growth and Sustainability; (ii) Loan Portfolio Management; and (iii) Institutional Strengthening and Business Development. The revision and identification of these key result areas has provided a clearer direction and strategic focus in the achievement of the Fund's desired results as the KRAs anchored the envisioning and development of the Plan.

The Fund's strategic framework is as outlined below:

Mandate of DFLA

DFLA is a revolving fund whose main objective is to encourage Local Authorities to become more commercial in their thinking and approach in the provision of local services. Based on this objective, its mandate is to:

- Provide loans to Local Authorities to meet capital expenditure to enable them to provide and maintain municipal services and infrastructure at the level consistent with the affordability, size and growth rate of the population;
- Acquire, administer, control, maintain and operate any premises, including the fittings, machinery, equipment, fixtures and stocks included therein or necessary thereof to be used for the administration and management of financial assistance to Local Authorities;

- To ensure an effective, efficient, economical and sustainable micro-finance management system that caters for Local Authorities’ developmental needs;
- To ensure the availability and accessibility of adequate financial resources to Local Authorities at all times;
- To develop and maintain an information system and policy that promotes transparency and accountability in the provision of financial resources to Local Authorities; and
- Any other purposes decided upon by the Trustees as being appropriate to the advancement of Local Authorities to manage urban growth and development.

The DFLA Vision

The DFLA Vision crystallizes the mandates which are explicit in the key result areas that in a way are microfinance in nature and approach. The Vision of DFLA is:

Local Authorities lender of first resort.

Mission

The mission of the DFLA is:

To provide competitive financial services to Local Authorities for the promotion of socio-economic development.

The DFLA Core Values

The implementation of the Fund’s Strategic Plan will be guided by the following Core Values or guiding principles:

- *Professionalism*
- *Integrity*
- *Transparency and Accountability*
- *Creativity and Innovation*
- *Teamwork*

DFLA KRAs and Strategic Outcomes

The primary purpose of this revised Strategic Plan for the Fund is to specify priority areas and determine a clear and focused direction from which it will be able to identify activities that, if implemented in the coming five years to 2028, will contribute significantly to the creation of an enabling environment for the growth of Local Authorities and improvement in the provision of socio-economic services at grassroots level. Based on its KRAs outlined

above, three strategic outcomes have been determined which are tangible reflections of its vision and reflect the desired future state that its stakeholders would like to see achieved on the ground by 2028. These are: (i) Improved capital portfolio and financial sustainability of the Fund; (ii) Improved portfolio management; and (iii) Improved organizational operational efficiency and effectiveness. These strategic outcomes and their expected targets constitute the strategic direction that the Fund will take.

In ensuring that the above outcomes are followed through and achieved, the Fund has determined outcome targets that will act as milestones in the implementation process and annual output targets that will achieve the outcome targets.

DFLA Implementation Arrangements

Given that the implementation of the Strategic Plan cannot happen in a vacuum, various tools and institutional arrangements will be put in place to ensure that the Strategic Plan is effectively implemented.

For successful implementation of the Plan, the Fund will utilize the corporate structure which has three tiers, namely, the Board of Trustees, Management and Staff as an institutional arrangement where the Trustees and Management of the Secretariat will have shared responsibilities.

The tools include an Implementation Plan Framework, an M&E Framework which will be supported by Annual Work Plans.

Performance Monitoring and Evaluation

The Strategic Plan implementation performance will be monitored and measured through specific and objectively verifiable indicators. Collectively, the Fund Management will be for defining the output indicators that will assist the achievement outcome and impact indicators. The implementation of the Strategy will be monitored, and deviations addressed regularly through institutional arrangements that have been put in place.

Critical Success Factors

In implementing this Strategic Plan, a number of critical elements as enablers to the successful implementation of the Strategy will be assumed to be put in place. These include but not limited to the following: Strategic leadership; Stable political environment; Conducive Socio-economic environment; Adequate human resource capacity; and Adequate and sustainable financial resources.

Resource Requirements

The implementation of the Strategic Plan requires adequate financial, material, equipment and human resources. The total estimated cost for implementing the strategy is **MK1.6 billion** (see Appendix 1) and is based on the total indicative cost of achieving the annual

output targets set for the entire five years of implementing the strategy to 2028. Annually, the cost will be based on the Annual Approved Budget Estimates. The cost will be met through the Fund's own finances generated through new innovative products and services that will be provided to its clientele and not forgetting financial support in the form of grants that it will get from development partners and Treasury.

1.0 INTRODUCTION AND BACKGROUND

1.1 Introduction

This third Strategic Plan of the Development Fund for Local Authorities (DFLA) is aimed at providing direction for the overall operations and implementation of DFLA's programs which are aligned to the Malawi2063. This Strategic Plan also takes cognizance of the reforms taking place in the Malawi Public Service. This Strategic Plan covers a five-year period from 2023 to 2028.

This Strategic Plan was developed through a consultative and participatory process which involved various internal and external key stakeholders of the Fund. The contents of the 2023 – 2028 Strategic Plan therefore represent the consensus that was reached during the entire strategic planning process.

The Development Fund for Local Authorities Second Strategic Plan for the period 2018 – 2022 created and laid down a defined, clear and focused roadmap in the implementation of its mandate. The Strategic Plan was aligned to the Malawi Growth and Development Strategy III (MGDS III) which has now been replaced by the First 10 –Year Implementation Plan (MIP-1) of the Malawi2063 (MW2063). The Plan established a number of priorities to be implemented and achieved. Since not all areas prioritized in the 2018 - 2022 Strategic Plan were fully achieved, the current Strategic Plan has taken on board such areas as they were seen still important.

1.2 Background

In order to accelerate development in Local Authorities, the Malawi Government established the Development Fund for Local Authorities (DFLA) on 15th October, 1993 as a Trust Fund under the Trustees Incorporation Act of 1962 to provide loans to Local Authorities to finance infrastructure development and maintenance of existing infrastructure. The DFLA is an autonomous corporate public institution. This is a Fund which adapts to the realities and which offers a funding easily managed according to mechanisms of decentralized management. In other words, DFLA is a special entity set up for small and low-cost loans to Local Authorities in Malawi. It has a Board of Trustees chaired by the Secretary for Local Government. The day - to - day business for DFLA is steered by a Secretariat under the charge of the CEO.

The DFLA has since 1993 provided loan finance for Local Authorities' capital investments. DFLA has lent or granted funds to about 35 Local Authorities for a range of investments including construction of roads, market facilities, and other infrastructure and purchase of

commercial vehicles. Currently, the Development Fund for Local Authorities is the only public institution in Malawi that lends investment finance to Local Authorities.

It is also worth to note that the development of credit system through DFLA has assumed special importance because this system stands at the crossroads of the most fundamental development trends in the country. The rapid rate of urbanization has escalated the scale of infrastructure investment requirements. At the same time that investment needs are mounting, and decentralization initiatives are transferring greater responsibility for investment choices and investment financing.

The general objective of the Fund as a revolving fund is to encourage Local Authorities to become more commercial in their approach of their responsibilities and in the provision of socio-economic services to the communities which they serve. DFLA as a Trust Fund has the following members:

- The Secretary for Local Government who is the Chairperson
- The CEO, National Bank of Malawi
- The Secretary for Transport and Public Works
- The Secretary to Treasury
- Council for Non-Governmental Organizations in Malawi (CONGOMA)
- The Department of Economic Planning and Development
- The Secretary for Lands
- The Representative of DCs and CEOs
- Malawi Local Government Association (MALGA)
- National Local Government Finance Committee

1.3 Approach Applied in the Development of This Strategic Plan

The development of this Strategic Plan took a rigorous process. First, a thorough literature review of all relevant documents was done. This helped consultants to be familiar with the processes, functions and general environment of DFLA. Another key approach taken was stakeholder consultation. Key stakeholders were identified from both internal and external. Such stakeholders were a key source of vital information.

CLG kept internal members of staff fully engaged in the process including interviewing some key players who are very conversant with the operations of the Fund. One internal stakeholders' workshop was conducted with staff members for purposes of getting firsthand and additional information in order to enhance the validity and credibility of findings and creating a sense of ownership and commitment to the process on the part of the various participants in the review of the Plan.

The approach used both qualitative and quantitative methods using primary and secondary data. The methodology was based on an interactive design to capture the perspectives of

all key stakeholders. The assessment methodology that was employed comprised desk reviews of the expired 2018 – 2022 Strategic Plan, progress reports on the implementation of the Plan; the recently produced Client Perception Survey Report (CPSR) and other policy documents, key informant interviews and focus groups.

2.0 DFLA MANDATE

2.1 The Trustees Incorporation Act, 1962

The Development Fund for Local Authorities (DFLA) is a public institution that was established and incorporated on 15th October, 1993 as a Trust Fund under the Trustees Incorporation Act of 1962; Chapter 165 of the Laws of Malawi. DFLA is a development Fund established by the Ministry of Local Government (MoLG) to provide financing to Local Authorities for capital investment.

DFLA is a revolving Fund whose main objective is to encourage Local Authorities to become more commercial in their thinking and approach in the provision of local services. The Fund provides loans at very competitive interest rates so that Local Authorities should be able to repay and at the same time finance infrastructure development and manage the maintenance of existing infrastructure of commercial projects.

The foregoing mandate of DFLA is summarized as follows:

- Provide loans to Local Authorities to meet capital expenditure to enable them to provide and maintain municipal services and infrastructure at the level consistent with the affordability, size and growth rate of the population
- Acquire, administer, control, maintain and operate any premises, including the fittings, machinery, equipment, fixtures and stocks included therein or necessary thereof to be used for the administration and management of financial assistance to Local Authorities,
- To ensure an effective, efficient, economical and sustainable micro-finance management system that caters for Local Authorities' developmental needs;
- To ensure the availability and accessibility of adequate financial resources to Local Authorities at all times;
- To develop and maintain an information system and policy that promotes transparency and accountability in the provision of financial resources to Local Authorities; and

- Any other purposes decided upon by the Trustees as being appropriate to the advancement of Local Authorities to manage urban growth and development but so, however, that in no circumstances shall the Trust acquire and operate any business for its own satisfaction or profit.

2.2 Alignment and Support of the DFLA Strategic Plan to Other Acts and MW2063

2.2.1 Local Government Act

The policy objective of the Local Government Act chapter 22:01 of the Laws of Malawi is to further the constitutional order based on democratic principles, accountability, transparency and participation of the people in decision-making and development processes. Section 6(1) (c) of the Act provides that one of the functions of Local Authorities is to promote infrastructure and economic development through the formulation, approval and execution of district development plans within its jurisdiction. The DFLA's mandate and this revised Strategic Plan conveniently responds to the legislative mandate to be realized.

2.2.2 The Public Finance Management Act of 2022

The Public Finance Management Act (PFMA) (Cap. 37:02) of 2003 was enacted in order to foster and enhance effective and responsible economic and financial management by Government, including adherence to policy objectives; to provide accountability arrangements and compliance to those arrangements; to obligate Government to produce statements of proposed budget policy, confirmation of adherence to fiscal discipline, economic and fiscal statements, including economic and fiscal forecast and updates, and performance information. The PFMA is considered as the basis for transforming public sector institutions to enhance financial prudence and accountability. Each DFLA implementing unit will thus ensure adherence to the provisions of this Act as it endeavors to generate adequate financial resources for the implementation of the provision of loans to Local Authorities.

2.2.3 The Public Procurement and Disposal of Assets Act of 2017

The Public Procurement and Disposal of Assets Act (PPDAA) of 2017 replaced the Public Procurement Act of 2003 and was enacted to provide for the establishment of the Public Procurement and Disposal of Assets Authority which regulates, monitors, and provides oversight over public procurement and disposal of public assets. The PPDAA also aims to "maximize economy and efficiency in public procurement and disposal of public assets to improve value for money." Part VIII of the Act focuses on the integrity of public servants in procurement processes and calls for, among other things, impartiality, avoiding conflict of interest, avoiding any corrupt and fraudulent activities, and keeping information

regarding procurement processes confidential. The Act, therefore is instrumental in preventing loss of public resources through unsystematic and unregulated procurement, poor decision-making, fraud and corruption by public servants. DFLA recognizes the PPDA as an essential instrument for enhancing public sector governance and utilization of public assets. It will therefore ensure that the provisions of this Act are adhered to.

2.2.4 The Malawi 2063

The Malawi 2063 (MW2063) is a new long-term strategy for the country which was launched on 19th January, 2021 as a successor of the Vision 2020. The MW2063 triggers change of mindset for Malawians towards development and provides an opportunity for the country to chart a new development trajectory aimed at achieving an upper-middle income status by the year 2063. The MW2063 reflects the collective aspirations of the people of Malawi to achieve inclusive wealth creation and self-reliance for economic independence.

The MW2063 is anchored on three (3) pillars and seven (7) enablers. The three pillars are: (i) Agricultural Productivity and Commercialization; (ii) Industrialization; and (iii) Urbanization. DFLA operationally subscribes more to Pillar 3: Urbanization supported by Enablers 5-Human Capital Development and Enabler 6-Economic Infrastructure development specifically focusing on few impactful capital investment/infrastructure projects as game changers respectively.

The effective implementation of the Urbanization Pillar of the MW2063 focuses on four priority areas in which the game changers are embedded and the two of them which are more relevant to DFLA are:

- Infrastructure Development Planning and Investment in cities and towns: that is regulated and controlled, providing economic opportunities, easy communication and closer connectivity to socio-economic amenities;
- Sustainable Municipal Self-financing Mechanisms: enhancing their own revenue generation and management capacities for city, town and district councils.

The DFLA's 2023 – 2028 Strategic Plan will complement the achievement of the MW2063 Urbanization Pillar outcomes because it is effectively designed to contribute to the Vision through the various programs outlined in the KRAs that largely feed into the following outcomes of the MIP-1:

- Increased urbanization
- Enhanced planned urban development
- Improved revenue collection

Although the 2023 – 2028 Strategic Plan has been drawn based on its mandate to provide financing to Local Authorities for capital investments, it has also been adequately informed by the MW2063 as a National Vision and its First 10-Year Implementation Plan (the MIP-1 2021 – 2030) thereby ensuring its alignment. Thus, through this Strategic Plan, DFLA has ensured that its programs on loan disbursement to Local Authorities are aligned with the MW2063 and adequately domesticated to effectively contribute to the achievement of the aspirations of MW2063 on urbanization.

3.0 PERFORMANCE REVIEW OF THE 2018 – 2022 STRATEGIC PLAN

This part of the report reflects on the review of the 2018 – 2022 Strategic Plan and highlights the achievements and challenges as well as lessons learnt during the implementation period. Further, it considers data collected from both internal and external situation analysis and analyzed.

3.1 Overview of the Implementation of the 2018 – 2022 Strategic Plan

The Fund achieved a number of planned targets during the implementation of its 2018 – 2022 Strategic Plan. Some notable achievements during the period include an increase in loan disbursement both in terms of value and number of beneficiaries/clients. Below is a summary of some key achievements.

3.2 Achievements

Table 1: Milestones achieved against Strategic Outcomes

S/N	Strategic Outcome	Achievements
1.	Improved asset base	<ul style="list-style-type: none"> Managed to raise MK2.7bn against target of MK2.5bn as part of recapitalization from Treasury 25% plus organic growth was achieved
2.	Improved portfolio management	<p>Portfolio at risk had been reduced from 61% to 22%</p> <p>No collaterals were confiscated but defaulting clients were persuaded to honor repayments. Basically, loan recoveries had improved so much</p> <p>Loan recoveries efforts were enhanced to increase the revolving fund</p> <p>Due diligence was conducted before disbursing funds to avoid defaulting clients</p>
3.	Effective and efficient fund management and administration	<p>The Fund moved out from the Scheme Administrator to operate independently</p> <p>The Fund managed to fill one third of its authorized staff establishment</p>

		Managed to maintain the 10% annual portfolio administration cost with the inflow of the grants
4.	Improved visibility and awareness of Fund operations amongst stakeholders	100% awareness achieved through district council forums and workshops
5.	Enhanced compliance by beneficiary councils to loan conditions	Local Authorities were sensitized and as a result default rates on loans had reduced tremendously <ul style="list-style-type: none"> The Fund is now able to give out big loans because councils are now able to manage their finances and repay loan recoveries

3.3 Challenges and Lessons Learnt

The implementation of the 2018 – 2022 Strategic Plan was fairly successful although the operations were beset by various operational challenges which included low liquidity to meet the Local Authorities’ demand for loan infrastructure. The challenges include:

Table 2: Challenges and Lessons Learnt

S/N	Strategic Outcome	Challenges	Lessons Learnt
1.	Improved asset base	<ul style="list-style-type: none"> Low liquidity Lack of diversification Competition from banks and other microfinance lending institutions 	<ul style="list-style-type: none"> There is need for the Fund to diversify its products and services to generate additional financial resources Reliance on one source of financial stream is dangerous
2.	Loan portfolio management	<ul style="list-style-type: none"> Defaulting clients Provision of loans limited to Local Authorities Devaluation of the Malawi Kwacha which erodes the loan value 	<ul style="list-style-type: none"> Due diligence at appraisal stage is key to loan disbursement and recovery
3.	Effective and efficient fund management and administration	<ul style="list-style-type: none"> Lean staff on the ground 	<ul style="list-style-type: none"> Adequate HR capacity is imperative to effective implementation of the Strategic Plan
4.	Improved visibility and awareness of Fund operations amongst stakeholders	<ul style="list-style-type: none"> Lack of adequate awareness about the Fund to some Local Authorities 	<ul style="list-style-type: none"> The Fund needs a strong ground presence and visibility. This will allow easy accessibility by its clients
5.	Enhanced compliance by beneficiary councils to loan conditions	<ul style="list-style-type: none"> Local Authorities’ unwillingness to comply 	<ul style="list-style-type: none"> Constant stakeholder engagement and sensitization could address these bottlenecks

4.0 THE STRATEGIC ANALYSIS

4.1 Overview

Development Fund for Local Authorities is one of the key institutions whose main mandate is to provide loans to Local Authorities to meet capital expenditure so as to facilitate the efficient and effective delivery of services for the socio-economic development of the Local Authorities. It is a strategic direction which is need based as the Fund considers the increasing demand for Local Authorities to address communities' needs so as to improve their socio-economic status.

A situational analysis of the Fund was conducted to assess the implementation of the 2018 - 2022 Strategic Plan as well as conducting a scan of the current operating environment with a view of establishing the envisaged strategic direction of the Fund. The environmental scan used the SWOT analysis as a tool of assessing the strengths, weaknesses, opportunities, and threats of the current and future key result areas.

4.2 SWOT Analysis

A SWOT analysis tool was used to understand the current capacity in implementing the mandate of the Development Fund for Local Authorities. Each issue identified by the SWOT analysis has been incorporated and aligned with the identified key result area (KRA). The table below presents a summary of the internal and external analysis of issues that formed the evidence on which the Fund's strategic direction has been crafted.

Table 3: Strengths, Weaknesses, Opportunities and Threats

KRA	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS/CHALLENGES
1 Fund Growth and Sustainability				
	<ul style="list-style-type: none"> • Has qualified and experienced staff • Govt commitment to recapitalize the Fund • Has a Trust Deed as a legal instrument that gives its mandate • Availability of seed money • Has financial resources to lend to Local Authorities • Positive product recognition by Local Authorities • Infrastructural development loans are very accessible to Local Authorities 	<ul style="list-style-type: none"> • Dependence on Treasury on the Fund recapitalization (financial resources) • Low resource base • Inadequate institutional capacity • Provision of loans is limited to Local Authorities only • Inadequate awareness of the Fund’s products and services provided 	<ul style="list-style-type: none"> • Available market with high demand • Broadening the client and resource generation base • Growing demand for big capital investment loans • Introduction of new products and services • Advanced ICT on the market • Strong goodwill and confidence in the Fund’s products and services • Broadening the Fund business scope and adopting a development financial institution model which open doors to access various lines of credit for project financing and infrastructure development 	<ul style="list-style-type: none"> • Political influence • Competition from banks and other microfinance lending institutions • Lack of an investment culture and track record of Local Authorities • Potential negative influence from some Development Partners on the commercial operations of the Fund – opposed to charging an interest on loans disbursed as business • Potential loan repayment defaults by Local Authorities with low revenue
2 Loan Portfolio Management				
	<ul style="list-style-type: none"> • Fund personnel knowledge in its administration • Government trust in the Fund management 	<ul style="list-style-type: none"> • Limited income generating activities • Low liquidity • Limited access to new technologies for managing loan portfolio 	<ul style="list-style-type: none"> • Building new client relationships • Strong goodwill and confidence in the Fund’s products and services • Modern technology available on the market 	<ul style="list-style-type: none"> • The regulatory environment under RBM control • New competitors entering the market

	<ul style="list-style-type: none"> • Loyal customer base – the Local Authorities 	<ul style="list-style-type: none"> • Reliance on sufficient collateral provided by Local Authorities 	<ul style="list-style-type: none"> • Government support • Availability of E-banking services • High demand for capital investment loans by Local Authorities 	<ul style="list-style-type: none"> • Competitor pricing strategies that are more attractive • Macroeconomic instability • Lack of an investment culture and track record of councils • Poor repayment/credit culture • Devaluation of the Malawi Kwacha
3 Institutional Strengthening and Business Development				
	<ul style="list-style-type: none"> • Availability of skilled workforce • Availability of a strong governance structure, i.e. has a diverse team of skilled and experienced Board Members • Availability of legal instruments to support the Fund's operations • Availability of a recommended functional organizational structure 	<ul style="list-style-type: none"> • Underdeveloped Management Information System • Use of manual systems and processes • Use of rented offices • Inadequate infrastructural capacity 	<ul style="list-style-type: none"> • Advanced ICT on the market for automating its systems and processes • High expectations from the Local Authorities • Strong goodwill and confidence in the Fund's products and services • Skilled human resource on the market • Availability of training institutions 	<ul style="list-style-type: none"> • Potential negative partisan political interference • Corruption • Donor conditionalities and apathy

4.3 Best Practice Insights on Strategic Development Implementation

A literature review and partial research was undertaken in pursuit of further enhancing credibility of the successor Strategic Plan. As a process, it was imperative to benchmark DFLA services with institutions of similar nature including microfinance institutions for the purpose of identifying, understanding and adapting outstanding practices and processes with the aim of improving DFLA's organizational performance through the implementation of this Strategic Plan. The rationale was:

- To see practices from a different perspective
- To find breakthroughs and innovations
- To create a sense of urgency for change
- To overcome complacency and/or overconfidence

CLG thus undertook the benchmarking study of some institutions and available literature in order to make informed decisions on the strategy development and enhancement. The ultimate importance of the exercise was to:

- Benchmark the strategic focus of this strategy with at least universal/global best practice
- Consider the successes and shortcomings of the previous efforts made in institutions with similar operations, in an attempt to learn from, and
- Interrogate the strategic thinking of previous efforts of the Fund in order to discover growth and sustainability solutions that can be adapted and improved on to suit our situation.

The insights and lessons from the reviewed best practice literature are taken from two different perspectives which are:

- Those relating to the strategic approach; and
- Those related to the operations of DFLA as a development fund on specific interventions that could be adopted.

The Table below highlights some insights relating to strategic areas of focus in terms of products and services offered:

Table 4: Some Insights on Best Practices on Development and Implementation of A Strategic Plan

Institution/Literature Reviewed	Insights on Diversity of Products Offered
Best performing microfinance institutions	Literature consulted lists a number of products, key among them include: <ul style="list-style-type: none"> • Group loans • Individual business loans • Savings accounts • Agriculture loans • Money transfers • Soft loans (bearing below the market rate of interest)
Municipal Development Fund and Intermediaries (World Bank Working Papers)	<ul style="list-style-type: none"> • Lending of monies to councils • Donor support/aid
Namibia Association of Local Authorities	<ul style="list-style-type: none"> • Loans to Local Authorities • Individual loans

The lessons learned from the benchmarking exercise have been used to focus on determining proposed and realistic strategic outcomes and targets and the introduction of other viable sustainable resource mobilization initiatives.

5.0 REVISED KEY RESULT AREAS OF THE STRATEGY

The strategic planning process has identified three Key Result Areas (KRAs) to focus in the period 2023 - 2028. The KRAs that will be the main pillars in the delivery of the mandate for the Development Fund for Local Authorities are outlined below.

Based on its mandate, DFLA's KRAs on which it will be held accountable in five years' period are as follows:

- Fund Growth and Sustainability
- Loan Portfolio Management
- Institutional Strengthening and Business Development

5.1 Fund Growth and Sustainability

The lifeline for DFLA is having a perpetual revenue stream that is sufficient in magnitude to satisfy loan demands from its clients (Local Authorities) at the same time the Fund's base should have a cash flow that is able to meet the operations for the Fund. Thus, striving for the fund's base to be growing while at the same time be able to operate without experiencing any cash flow problems.

An analysis of the financial statements of DFLA for a period of five years in the course of implementing the 2018/2022 Strategic Plan indicate an improvement in the Fund growth from K558,768,242 in 2017/18 to K2, 606,933, 796 in 2021/2022, a percentage increase of 366.6 %. Refer Table 5 below:

Table 5: Trust Funds Movement in the Past Five Years (2017/18-2021/22)

FINACIAL YEAR	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
TRUST FUNDS	K558,768,242	K884,067,708	K1,205,426,686	K1,996,407,109	K2,606,933,796

During the five-year period, Treasury provided a recapitalization sum of K2.7billion against the provision of K2.5 billion. This amount plus interest from loans and investments contributed to a significant Fund growth in the period under review.

Based on the performance of 2018 - 2022, it is imperative that the Fund could grow further if other revenue generating strategies are implored. Some of the proposed strategies include; product diversification, such as investing in rental property; extending the loan facility to council staff, councilors and other members of the local government family and proposal development for submission to funding agencies.

5.2 Loan Portfolio Management

Lending is the principal business of the loans fund. Loan portfolio management is the critical path of outlining the methods of controlling risk in individual loans. In the DFLAs context, the control hinges on the risks that the Fund needs to mitigate on the loans provided to Local Authorities. In the 2018 – 2022 Strategic Plan, the Fund reduced loan portfolio at risk from 61% - 22%.

Institutional strengthening is a reference for organizations that wish to develop or improve the existing institutional systems and processes. It presents principles, minimum standards, best practices, business processes, references and tools for effective, efficient and sustainable organizations. The Development Fund for Local Authorities aims at strengthening its human and financial capacity to justify its quest to attain a status of a going concern.

For an institution to operate optimally, there are some organizational reforms that DFLA has to undertake in the next five years. Such changes should target: fund marketing and visibility, automation of the systems and processes, mainly on loan management and human resource; office infrastructure and filling of key vacant positions.

6.0 DFLA 2023 – 2028 STRATEGIC DIRECTION

6.1 Vision

Local Authorities Lender of First Resort

6.2 Mission

To provide competitive financial services to Local Authorities for the promotion of socio-economic development

6.3 Core Values

6.3.1 Professionalism

We always ensure adherence to professional code of conduct when discharging our duties and exhibit high degree of competence and best practices as prescribed by the Public Finance Management Act and other relevant Acts.

6.3.2 Integrity

We always seek to:

- **Act in good faith in all our day-to-day activities with our clients**
- **Have a commitment to ethical behavior and focus on justice, honesty, and fairness**
- **Exercise care not to disclose confidential information or any information before it is ready for sharing**

6.3.3 Transparency and Accountability

We discharge our duties in a transparent and accountable manner and take full responsibility for our decisions and actions.

6.3.4 Creativity and Innovativeness

We promote creativity and innovation by encouraging our staff and stakeholders to develop and submit innovative ideas that would promote alternative sources of generating additional financial and other resources in a form of new products and services.

6.3.5 Teamwork

We always encourage members of staff to work as a team in order to establish a performance culture.

7.0 THE STRATEGIC RESULTS FRAMEWORK

Key Focus Areas, Strategic Objectives, Strategic Outcomes, Outcome Targets and Related Outputs

KEY FOCUS AREA 1		FUND GROWTH AND SUSTAINABILITY							
Strategic Objective		To generate adequate financial resources in order to improve the Fund’s cash flow to sustain operations							
MW2063 Pillar		Urbanization (Develop and implement products that facilitate urban development)							
MW2063 Enabler		Economic Infrastructure (Proving Local Authorities access to financing)							
No	Strategic Outcome	Outcome Target	Related Output	Annual Output Targets					
				2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	
1.0	Improved capital portfolio and financial sustainability of the Fund	1.1 Improve organic growth by 141.7% from MK1.2bn – MK2.9bn by 2028	1.1.1 Organic loan portfolio to improve by MK1.7 billion	MK1.7 billion loans to be disbursed through investments and interest generated from the disbursed loans					
			1.1.2 New products developed and rolled out ¹	Individual business loans and soft loans introduced	Individual business loans and soft loans rolled out	Individual business loans and soft loans rolled out	Individual business loans and soft loans rolled out	Individual business loans and soft loans rolled out	Products performance reviewed
			1.1.3 Interest rate adjusted based on RBM prime lending rate	1.5% above RBM prime lending rate	3% above RBM prime lending rate	3% above RBM prime lending rate	3% above RBM prime lending rate for	3% above RBM prime lending rate for	3% above RBM prime lending rate for

¹ The proposed products will be rolled out upon review of the Trust Deed

			for commercial loans	for commercial loans	for commercial loans	commercial loans	commercial loans
			1% below RBM lending rate for infrastructure loans	1% below RBM lending rate for infrastructure loans	1% below RBM lending rate for infrastructure loans	1% below RBM lending rate for infrastructure loans	1% below RBM lending rate for infrastructure loans
		1.1.4 DFLA products and services diversified to increase resource mobilization		New products and services introduced and rolled to new clients	New clients serviced	New clients serviced	Products performance reviewed
		1.1.5 Idle funds invested	100% idle funds invested	100% idle funds invested	100% idle funds invested	100% idle funds invested	100% idle funds invested
		1.1.6 Capital asset identified and implemented		Management information system identified	Identified capital asset effected	Identified capital asset effected	Identified capital asset effected
		1.1.7 Grants for Fund recapitalization secured from development partners		Grants for Fund recapitalization secured	Grants for Fund recapitalization secured	Grants for Fund recapitalization secured	

KEY FOCUS AREA 2		LOAN PORTFOLIO MANAGEMENT						
Strategic Objective		To reduce portfolio at risk in order to achieve Fund profitability						
MW2063 Pillar		Urbanization						
MW2063 Enablers		Effective Governance Systems and Institutions (That promotes sound Financial and Economic Management)						
No .	Strategic Outcome	Outcome Target	Related Output	Annual Output Targets				
				2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
2.0	Improved portfolio management	2.1 Portfolio at risk reduced to 15% (from 22% to 15%) by 2028	2.1.1 Loan applications vetted at appraisal stage	100% of approved loans vetted	100% of approved loans vetted	100% of approved loans vetted	100% of approved loans vetted	100% of approved loans vetted
			2.1.2 Debt servicing enforced as per agreed schedule	100% of debts serviced as scheduled	100% of debts serviced as scheduled	100% of debts serviced as scheduled	100% of debts serviced as scheduled	100% of debts serviced as scheduled
		2.2 More loans disbursed by 2028	2.2.1 Loan beneficiaries increased by 50% cumulatively	Loan beneficiaries increased by 10%	Loan beneficiaries increased by 10%	Loan beneficiaries increased by 10%	Loan beneficiaries increased by 10%	Loan beneficiaries increased by 10%
			2.2.2 Loan portfolio deconcentrated	Loan portfolio deconcentrated	Loan portfolio deconcentrated	Loan portfolio deconcentrated	Loan portfolio deconcentrated	Loan portfolio deconcentrated
		2.3 Annual administration costs improved	2.3.1 15% of loan portfolio charged as admin costs annually	15% charged on loan portfolio as admin costs annually	15% charged on loan portfolio as admin costs annually	15% charged on loan portfolio as admin costs annually	15% charged on loan portfolio as admin costs annually	15% charged on loan portfolio as admin costs annually

		2.4. Value of loans paid out increased by 60% by 2028	2.4.1. Loan portfolio increased by 60%	Loan portfolio increased by 12%	Loan portfolio increased by 12%	Loan portfolio increased by 12%	Loan portfolio increased by 12%	Loan portfolio increased by 12%
		2.5 Portfolio Management Information System automated	2.5.1 Manual system and processes automated		An Automated Integrated Information Management System procured and installed	Processes digitized	Automated system and processes maintained	Automated system and processes maintained
		2.6 Portfolio quality and delinquency management improved by 2028	2.6.1 Awareness and training of debt and delinquency management conducted		Debt and delinquency training conducted	Debt and delinquency training conducted		
KEY RESULT AREA		INSTITUTIONAL STRENGTHENING AND BUSINESS DEVELOPMENT						
Strategic Objective		To enhance organizational operational efficiency and effectiveness						
MW2063 Pillar		Urbanization						
Enabler 1		Human Capital Development (Develop Staff capacity)						
Enabler 2		Enhance Public Sector performance						
No.	Strategic Outcome	Outcome Target	Related Output	Annual Output Targets				
				2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
3.0	Enhanced organizational operational efficiency and effectiveness	3.1 Corporate governance of the Fund enhanced by 2028	3.1.1 Board of Directors trained on portfolio risk management	3.1.1.1 All Directors trained on the Fund's portfolio risk management		Directors oriented on various other disciplines regarding the		

						Fund's operations		
			3.1.2 Strategic Plan reviewed			Strategic Plan Mid-term Review conducted		Strategic Plan End-of-term Review conducted
		3.2 Institutional capacity of the Fund enhanced by 2028	3.2.1 5 Key recommended vacant posts filled		2 Key vacant posts filled	1 Key vacant post filled		2 Key vacant posts filled
			3.2.2 Relevant staff training and development interventions developed and implemented	Skills gaps analysis conducted	Comprehensive human resource development plan (HRD) developed	HRD Plan implemented	HRD Plan implemented	HRD Plan implemented
			3.2.3 Investment Policy approved for implementation	Investment Policy approved	Investment Policy implemented	Investment Policy implemented	Investment Policy implemented	Investment Policy implemented
			3.2.4 Systems, processes and procedures automated	Systems review and analysis conducted	Systems, processes and procedures automated & operational	Automated systems maintained	Automated systems maintained	Automated systems maintained
			3.2.5 Resource mobilization strategy developed and implemented	RMS developed and implemented	RMS implemented	RMS implemented	RMS implemented	RMS reviewed

		3.3 Corporate image and visibility of the Fund promoted by 2028	3.3.1 Fund Marketing Strategy implemented	Fund Marketing Strategy implemented	Fund Marketing Strategy implemented	Fund Marketing Strategy implemented	Fund Marketing Strategy implemented	Fund Marketing Strategy reviewed
			3.3.2 Professional Website commissioned and operationalized	Developed Website approved by the Board	Website operational	Shareable content created and uploaded	Shareable content updated regularly	Content updated regularly

8.0 INSTITUTIONAL IMPLEMENTATION ARRANGEMENTS

The implementation of this Strategic Plan will largely be financed by the Fund through financial resources that it will generate as annual administration costs (15%) charged on the grants. However, other resources may be provided by the Ministry of Local Government (MoLG) as a parent institution including grants received from development partners. It is recognized that resources may not match the needs and as such prioritization of key interventions will be defined by the Board and Management.

For successful implementation of the Plan, the Fund will utilize the corporate structure which has three tiers, namely, the Board of Trustees, Management and Staff. The following institutional arrangements will be instituted for efficient and effective tracking and evaluation on implementation progress.

8.1 The Board of Trustees

The Board of Directors, as a policy making organ will be responsible for providing oversight role to ensure efficient and effective management of the Fund and implementation of the Strategic Plan. Fortunately, the Board composition takes into consideration representatives from the parent Ministry, and other key stakeholder institutions such as the Treasury, the Ministry of Lands, and a representation of the DCs and CEOs. The Board will receive regular reports and based on the outcomes, the Board will make decisions that must be taken by Management for implementation of the Strategic Plan.

8.2 Management

The Management team headed by the Chief Executive Officer who is backstopped by Directors will ensure that planned activities are implemented and periodic progress reports are prepared and submitted to the Board.

9.0 CRITICAL SUCCESS FACTORS

In determining strategic outcomes and targets, outputs and annual output targets to be achieved, DFLA is aware that there are certain critical elements that must be made available for the outcomes to be successfully attained and sustained. These are important assumptions which must be considered, put in place and observed in order to successfully realize the intended results from implementing the Strategic Plan.

Critical Success Factors (CSF) may change overtime, hence the need for DFLA to regularly observe them and make necessary adjustments to the set targets in relation to the CSFs depending upon the circumstances. The following are some CSFs that are assumed to be in place for DFLA to achieve the targets reflected above:

9.1 Strategic Leadership

Leadership is the driving force for the accomplishment of any organization's goals and objectives. It is therefore imperative that DFLA leadership is proactive, visionary, inspiring and accommodative of other people's views and be able to delegate responsibilities. This in addition includes commitment to see the implementation process through.

9.2 Political Environment

It is assumed that the current political environment will remain stable for the entire Strategic Plan implementation period and beyond. It also assumes that the political leadership will continue supporting the activities of DFLA, thereby contributing to the achievement and aspirations of the MW2063.

9.3 Socio-Economic Environment

The economic environment will be positive and stable for DFLA to effectively manage the migration process.

9.4 Human Resource Capacity

DFLA will have adequate number of personnel with sufficient and requisite knowledge, skills and competences for providing quality financial services and technical backstopping support to Local Authorities.

9.5 Sufficient Funding

DFLA will be able to generate adequate financial resources to match with the requirements of the planned targets and the sustainability of its services in general.

9.6 Information and Communication Technology (ICT)

DFLA will embrace ICT in its operations as an enabler and driver of its initiatives which will include but not limited to automation of systems and processes.

10.0 MONITORING, EVALUATION AND REPORTING

10.1 Overview

This part of the Strategic Plan provides a brief on the Monitoring and Evaluation System that DFLA will be using during the implementation of this Strategic Plan. Monitoring and Evaluation System is a management tool that is necessary for effective implementation of programs and projects. It reflects the Fund's results-based Strategic Plan which underscores the importance of monitoring and evaluation as a tool for tracking implementation of programs that are directed at enhancing Local Authorities' performance and improved service delivery.

10.2 Monitoring and Reporting

Monitoring and reporting are key to successful implementation of the Strategic Plan. Successful implementation of the Plan requires clear and timely decisions, improved information flow and strengthening the Fund operations. The Strategic Plan will inform the development of annual work plans and performance targets of individual employees assigned to implement various planned activities. Reporting will also ensure that a repository of knowledge is made available which is relevant in the growth and sustainability of programs as it provides a basis of problem solving and innovation. Monitoring as an ongoing process for tracking implementation progress on regular basis, will be used to assess if the Fund is achieving the set targets and desired results.

10.3 Strategies for Monitoring and Evaluation

It is worth noting that Monitoring and Evaluation is a participatory process involving all employees at all levels and the Fund's key stakeholders in collecting, collating, processing and communicating information that will help in decision making. Hence, effective implementation of this Strategic Plan will entail conducting quarterly performance reviews wherein managers responsible for particular result areas will present progress reports in line with the Fund budgetary cycles. Heads of sections will review internal progress at the end of every month and aggregate performance for the three months of each quarter. The cumulative quarterly reviews will translate into annual performance reviews.

The Board of Directors will track the progress, successes, and challenges encountered during the implementation of this Strategic Plan. Further, the Board, through management, will

ensure that strategies are being implemented, performance measured, progress reports made and discussed, and corrective action taken appropriately where necessary.

10.4 Annual Work Plans

Detailed Annual Work Plans with clear performance indicators and assigned responsibilities for their achievement will be developed and approved by the Board. The plans will include key performance indicators that will inform Management decision making and quarterly implementation reports will be reviewed and corrective action taken where necessary. The frequency of reporting on these indicators will form the foundation for the monitoring and evaluation system.

10.5 Evaluation Mechanisms

Continuous evaluation of results (outputs and outcomes) will be undertaken by the Directorate of Finance and Administration. The Directorate will continuously evaluate all the activities, outputs and outcomes with a view to advising management and the Board on any performance gap as well as offer feasible strategy alternatives. The evaluation will entail among other things the following:

- Measure actual performance against target levels and establish size of the gap or variance
- Conduct a root cause analysis to identify factors responsible for the variance.
- Identify and recommend appropriate remedial measures including a review of the outcomes and outputs
- Facilitate impact assessment for various initiated interventions.
- Long-term evaluation of result (Impact) will be conducted, particularly the mid-term review and end of term review impact assessment.

10.6 Review of the Strategic Plan

The Strategic Plan will be reviewed in the mid-term of its implementation period and at the end of the implementation period. The mid-term review will inform the necessary changes in the outcomes and outputs to be incorporated for the remainder of the Plan period. Any emerging issues from the operating environment affecting the Fund will be addressed at this point.

Six months prior to the end of the Plan implementation period, the Board will initiate the process of conducting the end of term review of the Strategic Plan. The objective will be

to enumerate results and document lessons learnt as well as informing the development of the successor Strategic Plan.

11.0 APPENDICES

Appendix 1: Indicative Cost Estimates for Implementing the Strategic Plan for Five Years

KEY FOCUS AREA	FUND GROWTH AND SUSTAINABILITY					Total Estimated Cost (TEC)	Source of Funding
Strategic Objective	To generate adequate financial resources in order to improve the Fund's cash flow to sustain operations						
Strategic Outcome	Improved capital portfolio and financial sustainability of the Fund						
Outcome Target 1.1	Improve organic growth by 141.7% from MK1.2bn – MK2.9bn by 2028						
Related Output	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	Currency (MK)	Funding Agency
1.1.1 MK1.7 billion realized from interest on loans approved & disbursed and investments	6,480,000	6,480,000	6,480,000	6,480,000	6,480,000	32,400,000	DFLA
1.1.2 Develop and expand new products	5,625,000	5,625,000	6,735,000	7,290,000	6,300,000	31,575,000	DFLA
1.1.3 Loan application appraisal fees pegged at 1.5%	355,000	560,000	680,000	1,040,000	960,000	3,595,000	DFLA
1.1.4 Interest rate adjusted based on RBM prime lending rate	-	-	-	-	-	-	DFLA
1.1.5 DFLA products and services diversified to increase resource mobilization	7,480,000	5,080,000	5,380,000	1,180,000	6,376,000	25,496,000	DFLA

1.2 Inorganic growth improved by 25% by 2028 (from MK2.7bn – MK3.4bn)							
1.2.1 MK700,000,000 secured	620,000	620,000	720,000	620,000	650,000	3,230,000	DFLA
1.2.2 Grants for Fund recapitalization secured from development partners	8,760,000	540,000	540,000	600,000	600,000	11,040,000	DFLA
TOTAL SO 1	29,320,000	18,905,000	22,535,000	17,210,000	21,366,000	107,336,000	
KEY FOCUS AREA	LOAN PORTFOLIO MANAGEMENT						
Strategic Objective	To reduce portfolio at risk in order to achieve Fund profitability						
Strategic Outcome 2	Improved portfolio management						
Outcome Target 2.1	Portfolio at risk reduced to 15 percentage points (from 22% to 15%) by 2028						
Related Output	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	Currency (MK)	Funding Agency
2.1.1 Loan applications vetted at appraisal stage	54,165,000	43,222,500	43,882,500	45,010,000	85,800,000	272,080,000	
2.1.2 Debt servicing enforced as per agreed schedule	22,800,000	11,640,000	20,970,000	22,810,000	22,000,000	100,220,000	
2.2 More loans disbursed by 2028							
2.2.1 Loan beneficiaries increased by 50%	9,750,000	17,150,000	24,850,000	32,500,000	18,600,000	102,850,000	
2.2.2 Loan portfolio deconcentrated	21,126,000	26,800,000	40,100,000	41,500,000	103,750,000	233,276,000	
2.3 Annual administration costs improved							
2.3.1 15% of loan portfolio charged as	4,620,000	8,775,000	11,360,000	11,500,000	40,750,000	77,005,000	

admin costs annually								
2.4 Value of loans paid out increased by 2028								
2.4.1 Adequate financial resources mobilized and made available for loans	10,410,000	7,790,000	11,230,000	9,250,000	42,250,000	80,930,000		
2.5 Portfolio Management Information System automated								
2.5.1 Manual system and processes automated	2,180,000	1,350,000	6,730,000	3,000,000	5,000,000	18,260,000		
2.6 Portfolio quality and delinquency management improved by 2028								
2.6.1 Awareness and training of debt and delinquency management conducted	10,198,800-		10,198,800	-	-	20,397,600		
TOTAL SO 2	135,249,800	116,727,500	169,321,300	165,570,000	318,150,000	905,018,600		
KEY RESULT5 AREA 3	INSTITUTIONAL STRENGTHENING AND BUSINESS DEVELOPMENT							
Strategic Objective	To enhance organizational operational efficiency and effectiveness							
Strategic Outcome 3	Enhanced organizational operational efficiency and effectiveness							
Outcome Target 3.1	Corporate governance of the Fund enhanced by 2028							
Related Output	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	Currency (MK)	Funding Agency	
3.1.1 Board of Directors oriented on portfolio risk management	20,000,000	-	20,000,000	-	-	40,000,000	DFLA	
3.1.2 Fund Strategic Plan reviewed and revised	-	-	18,942,000	-	32,500,000	51,442,000	DFLA	

3.2 Institutional capacity of the Fund enhanced by 2028							
3.2.1 Key recommended vacant posts filled	-	3,710,000	-	3,710,000	3,710,000	11,130,000	DFLA
3.2.2 Relevant staff training and development interventions developed and implemented	20,757,600	36,879,000	22,893,300	4,893,300	22,893,300	108,316,500	DFLA
3.2.3 Directors and Management study tour conducted	44,180,000	-	41,900,000	41,900,000	-	127,980,000	DFLA
3.2.4 Investment Policy approved and implemented	4,393,300	4,393,300	4,393,300	4,393,300	4,393,000	21,966,200	DFLA
3.2.5 Systems, processes and procedures automated	9,905,000	53,351,000	15,000,000	15,000,000	15,000,000	108,256,000	DFLA
3.2.6 Resource mobilization strategy developed and implemented	8,850,000	4,513,300	4,293,300	4,293,300	4,293,300	26,242,900	DFLA
3.3 Corporate image and visibility of the Fund promoted by 2028							
3.3.1 Fund Marketing approved and implemented	10,000,000	6,500,000	6,500,000	6,500,000	6,500,000	36,000,000	DFLA
3.3.2 Professional Website operationalized	5,000,000	18,392,500	5,000,000	5,000,000	5,000,000	38,392,500	DFLA
TOTAL SO 3	123,085,900	127,739,100	138,921,900	85,689,900	94,289,600	569,726,400	
GRAND TOTAL	287,655,700	263,371,600	328,778,200	268,469,900	433,805,600	1,582,081,000	

Appendix 2: Implementation Plan Framework

KEY FOCUS AREA 1		FUND GROWTH AND SUSTAINABILITY		
Strategic Objective	To generate adequate financial resources in order to improve the Fund's cash flow to sustain operations			
Strategic Outcome 1	Improved capital portfolio and financial sustainability of the Fund			
Outcome Target	Output	Responsibility	Timeframe	
1.1 Improve organic growth by 141.7% from MK1.2bn – MK2.9bn by 2028	1.1.1 MK1.7 billion realized from interest on loans approved & disbursed and investments	CEO, DOP	2023 - 2025	
	1.1.2 Develop and expand new products	CEO, Director of Operations	2023 - 2028	
	1.1.3 Loan application appraisal fees pegged at 1.5%	DOP	2023 - 2028	
	1.1.4 Interest rate adjusted based on RBM prime lending rate	DOP	2023 - 2028	
	1.1.5 DFLA products and services diversified to increase resource mobilization	DOP	2023 - 2028	
1.2 Inorganic growth improved by 25% by 2028 (from MK2.7bn – MK3.4bn)	1.6 Idle funds invested	DoFA	2023 - 2028	
	1.7 Capital asset identified and implemented	DoFA	2023 - 2028	
	1.2.1 MK700,000,000 secured	CEO	2023 - 2024	
	1.2.2 Grants for Fund recapitalization secured from development partners	CEO	2024 - 2027	
	KEY FOCUS AREA 2			
	LOAN PORTFOLIO MANAGEMENT			
	Strategic Objective	To reduce portfolio at risk in order to achieve Fund profitability		
Strategic Outcome 2	Improved portfolio management			
Outcome Target	Output	Responsibility	Timeframe	
2.1 Portfolio at risk reduced to 15 percentage points (from 22% to 15%) by 2028	2.1.1 Loan applications vetted at appraisal stage	DOP	2023 - 2028	
	2.1.2 Debt servicing enforced as per agreed schedule	DOP	2023 - 2028	
2.2 More loans disbursed by 2028	2.2.1 Loan beneficiaries increased by 50%	DOP	2023 - 2028	
	2.2.2 Loan portfolio deconcentrated	DOP	2023 - 2028	
2.3 Annual administration costs improved	2.3 15% of loan portfolio charged as admin costs annually	DoFA	2023 - 2028	

2.4 Value of loans paid out increased by 60% by 2028	2.4.1 Adequate financial resources mobilized and made available for loans	DOFA	2023 - 2028
2.5 Portfolio Management Information System automated	2.5.1 Manual system and processes automated	DoFA	2023 - 2024
2.6 Portfolio quality and delinquency management improved by 2028	2.6.1 Comprehensive review of lending policy and procedures conducted	CEO	2023
KEY RESULT AREA 3	INSTITUTIONAL STRENGTHENING AND BUSINESS DEVELOPMENT		
Strategic Objective	To enhance organizational operational efficiency and effectiveness		
Strategic Outcome 3	Improved organizational operational efficiency and effectiveness		
Outcome Target	Output	Responsibility	Timeframe
3.1 Corporate governance of the Fund enhanced by 2028	3.1.1 Board of Directors oriented on portfolio risk management	CEO	2023 - 2025
3.2 Institutional capacity of the Fund enhanced by 2028	3.2.1 5 Key recommended vacant posts filled	CEO	2024 - 2025
	3.2.2 Relevant staff training and development interventions developed and implemented	CEO	2023 - 2028
	3.2.3 Investment Policy developed and implemented	DOFA	2024 - 2028
	3.2.4 Systems, processes and procedures automated	CEO	2023 - 2028
	3.2.5 Resource mobilization strategy developed and implemented	Board	2023 - 2028
3.3 Corporate image and visibility of the Fund promoted by 2028	3.3.1 Fund Marketing and Communication Strategy developed and implemented	Board	2023 – 2028
3.4	3.3.2 Professional Website commissioned and operationalized	DOFA	2024

Appendix 3: Monitoring and Evaluation (M&E) Framework

Key Result Area	FUND GROWTH AND SUSTANABILITY						
Strategic Objective	To generate adequate financial resources in order to improve the Fund’s cash flow to sustain operations						
MW2063 Pillar	Urbanization (Develop and implement products that facilitate urban development)						
MW2063 Enabler	Economic Infrastructure (providing Local Authorities access to infrastructure development financing)						
Strategic Outcome 1	Improved capital portfolio and financial sustainability of the Fund						
Outcome Target	Output	Performance Indicators			Sources and Means of Verification	Risks	Mitigation Measures
		Objectively verifiable Indicator	Baseline 2023	Target 2028			
1.1 Improve organic growth by 141.7% from MK1.2bn – MK2.9bn by 2028	1.1.1 Organic portfolio to grow by MK1.7 billion disbursed through resources generated internally through investments and loan interest	Loan disbursements	MK1.2billion	MK1.7bn	Bank statements and financial reports	Unwillingness by councils to access loans	Continued and intensive Marketing of DFLA products and services
	1.1.2 Develop and expand new products	New products identified (Individual loans & Asset financing)	0	2	Number of products rolled out, Reports	Products may not be accepted	Vigorous marketing of the products
	1.1.3 Loan application appraisal fees pegged at 1.5%	% charged	1%	1.5%	Financial reports	Clients may reject/	Vigorous marketing
	1.1.4 Interest rate adjusted based	Base lending rate	1.5%	3%	Financial reports	Macroeconomic instability	

	on RBM prime lending rate						
	1.1.5 DFLA products and services diversified to increase resource mobilization	Diversified products (Individual business loans and Soft loans)	1	4	Product development reports	Products may not be accepted	Conduct market research
	1.6 Idle funds invested	Value of Funds invested	MK500 Million	MK875 Million	Investment reports	Low returns	Explore other investment windows
	1.7 Capital asset identified and implemented	No of capital asset identified	1	1	Capital assets reports	Inadequate financial resources	Prioritize the procurement of the asset
1.2 Inorganic growth improved by 25% by 2028 (from MK2.7bn – MK3.4bn)	1.2.1 MK700,000,000 secured	Amount secured	MK2.7 Billion	MK3.4 billion	Financial reports	Funds may not be available	
	1.2.2 Grants for Fund recapitalization secured from development partners	Grants secured	-	-	Reports	Development Partners may not be forthcoming	Develop proposals for submission to several prospective funders
KEY FOCUS AREA	LOAN PORTFOLIO MANAGEMENT						
Strategic Objective	To reduce portfolio at risk in order to achieve Fund profitability						
MW2063 Pillar	Urbanization						
MW2063 Enabler	Effective Governance Systems and Institutions (that promote sound financial and economic management)						
Strategic Outcome 2	Improved portfolio management						
Outcome Target	Output	Performance Indicators			Sources and Means of Verification	Risks	Mitigation Measures
		Objectively Verifiable Indicator	Baseline 2023	Target 2028			

2.1 Portfolio at risk reduced to 15 percentage points (from 22% to 15%) by 2028	2.1.1 Loan applications vetted at appraisal stage	No of loan applications vetted	22%	15%	Loan appraisal reports	Poor submissions	Reject substandard proposals
	2.1.2 Debt servicing enforced as per agreed schedule	Enforcement schedule/guidelines	1	1	Reports	Guidelines outdated	Review guidelines
2.2 More loans disbursed by 2028	2.2.1 Loan beneficiaries increased by 50%	No of beneficiaries	9	14	Loan disbursement reports	Competition from other financial service providers	Vigorous marketing drive
	2.2.2 Loan portfolio deconcentrated	% of loans given out to LAs	68%	50%	Reports on deconcentration	Some Local Authorities' unwilling to access loans	Sensitize
2.3 Annual administration costs improved	2.3.1 15% of loan portfolio charged as admin costs annually	% of administration costs	15%	20%	Reports	Rise in overhead costs	
2.4 Value of loans paid out increased by 60% by 2028	2.4.1 Adequate financial resources mobilized and made available for loans	Financial resources mobilized	MK2.1 billion	MK3.4 billion	Financial resources mobilization reports	Failure to raise the required financial resources	Develop and market project proposals
2.5 Portfolio Management Information System automated	2.5.1 2.5.1 Manual system and processes automated	Automated system and processes	1	1 IMS	Integrated system installation reports	Costly	Seek donor support

	2.5.2 Awareness and training on debt and delinquency management conducted	Debt and delinquency management training conducted	0	2	Training reports		
2.6 Portfolio quality and delinquency management improved by 2028	2.6.1 Comprehensive review of lending policy and procedures conducted	Revised lending policy	1	1	Lending policy review reports	Lack of expertise	Engage consultant for the review
KEY RESULT AREA	INSTITUTIONAL STRENGTHENING AND BUSINESS DEVELOPMENT						
Strategic Objective	To enhance organizational operational efficiency and effectiveness						
MW2063 Pillar	Urbanization						
MW2063 Enablers	(i) Human Capital Development (develop staff capacity) (ii) Enhanced Public Sector Performance (iii) Economic Infrastructure						
Strategic Outcome 3	Improved organizational operational efficiency and effectiveness						
Outcome Target	Output	Performance Indicators			Sources and Means of Verification	Risks	Mitigation Measures
		Objectively Verifiable Indicator	Baseline 2023	Target 2028			
3.1 Enhanced organizational operational efficiency and effectiveness	3.1.1 Board of Directors oriented on portfolio risk management	Number of Directors oriented	0	13	Orientation reports	Lack of finances for orientation sessions	Mobilize
	3.1.2 Strategic Plan reviewed	Revised Strategic Plan	1	1	Strategic document developed	Poor governance	Orient Board

3.2 Institutional capacity of the Fund enhanced by 2028	3.2.1 Key recommended vacant posts filled	No of posts filled	6	11	Recruitment reports	Inadequate resources to cater for new entrants	
	3.2.2 Relevant Staff training and development interventions developed and implemented	Training interventions planned	0	4	Staff development reports	Lack of Staff appraisal reports	Conduct training needs analysis to establish competency gaps
	3.2.3 Investment Policy developed and implemented	Investment policy in place	1	1	Policy development reports	Lack of expertise	Engage consultant
	3.2.4 Systems, processes and procedures automated	Automated systems	1	1	System analysis and development reports	Inadequate resources	Mobilize resources
	3.2.5 Resource mobilization strategy developed and implemented	Developed Resource Mobilization strategy document	0	1	Strategy development report	Lack of relevant support	Seek Board's intervention
3.3 Corporate image and visibility of the Fund promoted by 2028	3.3.1 Fund Marketing Strategy developed and implemented	Developed strategy document	1	1	Report on strategy development		

	3.4.2 Professional Website developed and operationalized	Website established & operational	1	1	Web development report		
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Appendix 4: List of DFLA Planning Team Members

No	Name	Designation	Institution	Cell Number	E-mail
1	Cydex Makunje	CEO	DFLA	+265 995 22 98 99	cmakunje@gmail.com
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Appendix 5: List of Stakeholders consulted

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22	Oswin Kasunda	Deputy Board Chairperson	National Bank of Malawi	+265 888 82 57 33	okasunda@natbankmw.com

Appendix 7: Reference materials consulted

1	DFLA 2018 – 2022 Strategic Plan
2	DFLA Trust Deed
3	DFLA Lending Policy
4	DFLA Operating Guidelines
5	Malawi2063
6	Public Procurement and Disposal of Assets Act of 2017
7	Local Government Act
8	Public Finance Management Act 2022
9	The Trustees Incorporation Act, 1962