



Government of Malawi

Public Sector Investment Programme (PSIP) Preparation Handbook

The Ministry of Finance, Economic Planning and Development
Department of Economic Planning and Development
P. O. Box 30136
Lilongwe 3, Malawi

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ACRONYMS

AG	Accountant General
AGD	Accountant General's Department
BD	Budget Division
DAD	Debt and Aid Management Division
DD	Development Planning Division
EP&D	Economic Planning and Development
ERP	Economic Recovery Plan
GoM	Government of Malawi
MDAs	Ministries, Departments, and Agencies
MDGs	Millennium Development Goals
M&ED	Monitoring and Evaluation Division
MGDS	Malawi Growth and Development Strategy
MPRS	Malawi Poverty Reduction Strategy
MTEF	Medium Term Economic Framework
NDS	National Development Strategy
OPC	Office of President and Cabinet
PAP	Poverty Alleviation Programme
PPP	Public Private Partnership
PSIP	Public Sector Investment Programme
PSs	Principal Secretaries

FOREWORD

The Public Sector Investment Programme (PSIP) translates national aspirations and plans in the Vision 2020 and MGDS into projectised activities implemented through the development component of the national budget. As a product, the PSIP is a five year rolling plan that provides details of Government's development projects with their estimated resource requirements.

The responsibility of managing the PSIP is, therefore, central in ensuring that publicly funded national development projects are not only effective and efficient but also in line with national development goals of the country. In fulfilling this role, the Department of Economic Planning and Development ensures that all project proposals submitted by ministries, departments and other implementing agencies are screened, verified and programmed for implementation through the PSIP system.

In a quest to improve and standardize the project preparation process, this Preparation Handbook has been developed to guide ministries, departments, and agencies (MDAs) to prepare sound development projects for appraisal and subsequent inclusion in the PSIP. The handbook sets out a standard for the PSIP formulation processes, primarily for MDAs of the Malawi Government. With the annual guidelines, which will be drafted and circulated annually, the handbook will facilitate a uniform approach in the formulation of projects throughout the public sector. The handbook further spells out the roles and responsibilities of the entities involved in the various stages of development planning and project cycle in line with the PSIP process.

I trust that this handbook will benefit all stakeholders involved in the PSIP formulation process.



Peter K. Simbani

Acting Chief Director for Economic Planning and Development
Department of Economic Planning and Development

CHAPTER 1. INTRODUCTION

1-1. Malawi's Key Development Planning Instruments

National Development Planning Frameworks in the country can be classified as long-term, medium-term, and short-term, based on the execution time horizon. The Vision 2020, Malawi Growth and Development Strategy II (MGDS II), and the National Annual Budget are examples of long-term, medium-term and short-term national development frameworks respectively. The PSIP serves as a planning, implementing as well as coordinating tool for the national development projects under Development Budget frameworks. The PSIP interfaces budgeting, implementation and evaluation phases of the entire development management cycle as illustrated in Figure 1.

Long Term Development Strategies

Long term development strategies give the long-run aspirations for Malawi and they provide broad guide into the direction of development and what has to be done. Vision 2020 is the current Malawi's long term development plan. It stipulates that *"By the Year 2020, Malawi, as a God-fearing nation will be secure, democratically mature, environmentally sustainable, self-reliant with equal opportunities for and active participation by all, having social services, vibrant cultural and religious values and a technology driven middle-income economy"*. It expresses both hope and determination in ridding the nation of poverty and attaining a middle-income status by World standards. The Vision 2020 proposes that investment should be made in addressing challenges in the following areas: good governance; achieving economic growth and development; achieving a vibrant culture; developing economic infrastructure; food security and nutrition; human resource development and management; achieving science and technology led-development; fair and equitable distribution of income; and natural resource and environmental management.

Medium Term Development Strategies - PAP, MPRS, MGDS I & II, ERP

In the medium term, typically of three or five years planning horizon, the Government of Malawi (GoM) puts up strategies and programs that have to be pursued in order to meet specific goals and objectives. This is presented in systematic pillars of themes

and priority areas of focus. Examples of Medium term strategies include the Malawi Poverty Reduction Strategy (MPRS), MGDS I, MGDS II and the Economic Recovery Plan (ERP). Medium term strategies prescribe the development trajectory for a given period and define the primary eligibility of programs, projects and activities that the GoM will undertake or support.

Public Sector Investment Programme (PSIP)

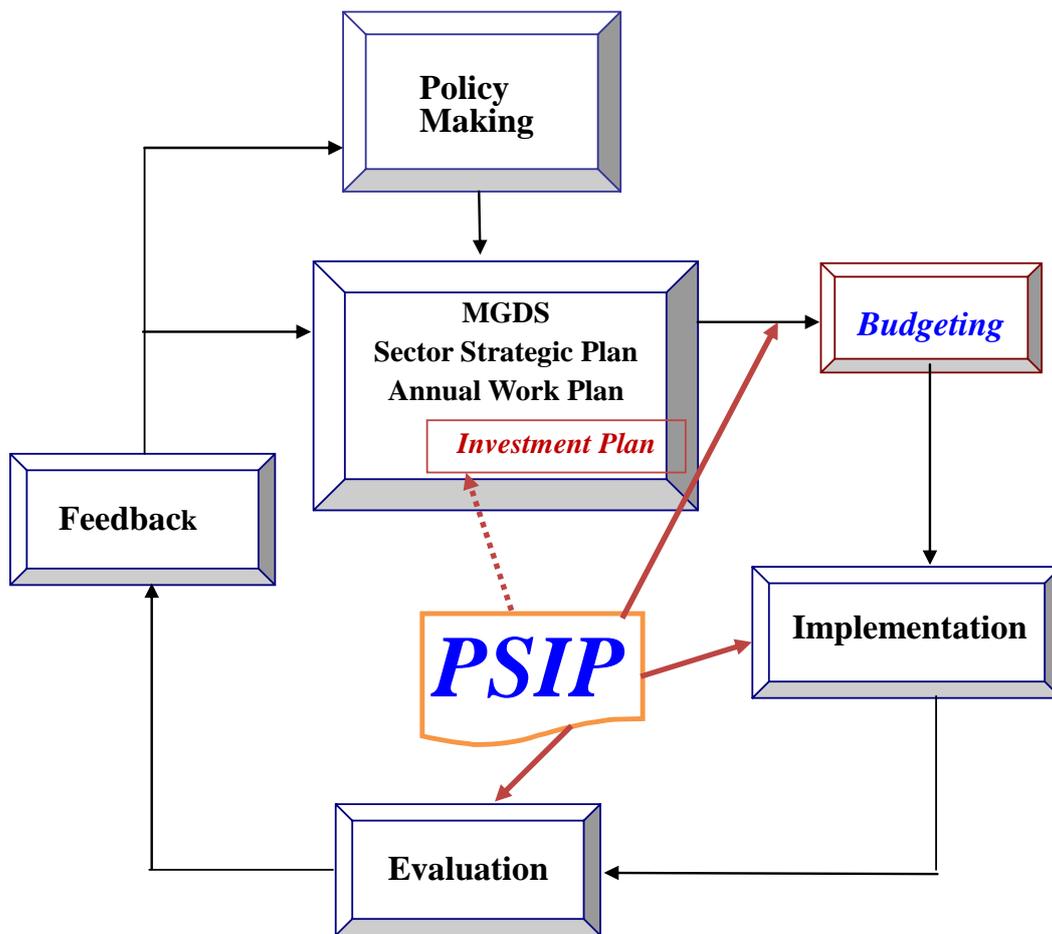
The development pathway as outlined in long term and medium term strategies are further translated into specific actions through the PSIP. The Medium Term Plan sets themes and priorities define the focus of planning and programming. The logical structure of the plan is to ensure that each development project which PSIP deals with is set to achieve goals under thematic areas in various sectors and/or priorities within national plan. In this regard, the PSIP serves as an implementing as well as coordinating tool for National Development Strategy. It provides details of the government's investment programme in a transparent form. It presents a statement of estimated financial resource requirements for new, ongoing and pipeline public sector projects. This supports Government to make the best utilisation of its domestic and externally provided development assistance resources in a cost effective way to attain optimum benefits to support the sustainable development of Malawi.

The National Budget

All public expenditures are planned, authorized and controlled through the national budget in line with the Public Finance Management Act. The national budget consists of two components: (i) the Revenue and Grants which includes domestic revenue and grants, and (ii) the Expenditure which covers recurrent and development expenditures. The recurrent budget finances routine tasks to maintain the status quo, while the development budget finances development activities carried out to contribute toward specific progress or improvement on present status. The Development Budget is in two parts. Part I of the Development Budget reflects financing from foreign grants and loans. Part II comprises local counterpart funds to Part 1, and projects funded wholly from local resources.

The national budget is formulated within the context of the Medium Term Expenditure Framework (MTEF). MTEF is a multi-year approach to budgeting, typically covering a three-year period, that attempts to strengthen the links between planning, policy-making, and budgets. A well prepared Public Sector Investment Programme is an intermediate stage for MTEF.

Figure 1: PSIP in the Development Management Cycle



1-2. Purpose and Target Users of This Handbook

1-2-1. Purpose

This handbook has been prepared to help individuals responsible for PSIP in different institutions and sectors, design and successfully manage implementation of development projects.

The Handbook facilitates a uniform approach in planning, scheduling and presentation of projects by the various agencies of the government and thereby improving the quality of PSIP and its management. It further spells out the roles and responsibilities of the entities involved in the various stages of the project management cycle vis-à-vis the PSIP process. The handbook is a reference document, an instruction to be kept close at hand and referred to when necessary.

Specifically, the handbook should help in achieving the following objectives:

- To guide MDAs to crystallize their intended development activities into projects and to properly present the content and report progress to the PSIP management.
- To clarify roles and responsibilities within the PSIP management process so as to eliminate the duplication of activities and ensure involvement of all relevant participants.
- To streamline PSIP preparation processes to make them more effective and efficient.
- To ensure that the projects being proposed are aligned to national priorities.
- To provide guidance on appropriate techniques for use at different stages of the PSIP cycle.

1-2-2. Target users

The handbook provides standard guidelines for the entire PSIP formulation processes, including information production and collection processes of development projects, for MDAs and the Ministry responsible for the PSIP. It can essentially be useful to all stakeholders in the PSIP process with a focus on the following:

- Planning officers in MDAs responsible for the formulation and implementation of development projects;
- Project Managers in MDAs responsible for managing projects;
- Government institutions responsible for preparing PSIP and the Development Budget.

1-2-3. Structure of the Handbook

The rest of the document is structured as follows: principles, scope and coverage of the PSIP follow in Chapter 2. Chapter 3 presents the different stages of the PSIP and how they should be carried out. Chapter 4 summarises institutional roles of different stakeholders in the PSIP process formulation and management.

The Handbook is supported by PSIP Annual Guidelines explaining how to fill in the proposals using special proposal and reporting formats.

CHAPTER 2. PRINCIPLES, SCOPE AND COVERAGE OF THE PSIP

2-1. Definition of PSIP

The PSIP can be defined from the perspective of either a system or a product. As a system, the PSIP is a multi-functional and multi-stakeholder management device that translates development strategies and plans into implementation through approval of development projects for execution in the national budget. It also monitors and supervises performance of ongoing projects to track and guide their implementation. In this system, stakeholders have different roles and interests. The PSIP is useful in reconciling these often diverging interests in order to meet the overall national development objectives.

As a product, the PSIP is a rolling plan that provides details of Government's new, ongoing, and pipeline development projects, with estimated financial resource requirements for each project. It is thus reviewed annually, making provision for the first year and estimates for the subsequent four years. As a product the PSIP informs the development budget.

2-2. PSIP Objectives and Functions

Drawing from both perspectives, the PSIP is a multi-faceted tool that fulfils the following objectives and functions:

- **A screening mechanism:** to verify that proposed projects conform to Government priorities; and meet design standards.
- **A programming tool:** to facilitate the scheduling of investments for consistency with overall institutional expenditure ceilings and its absorptive capacity
- **A recording system:** providing data on past and projected levels of public investments by the public sector and on project-related donor assistance.
- **A planning framework** that helps formulate the development budget.

- **A planning tool:** to facilitate project preparation and implementation for harmonised and complementary investments; and – allows adequate lead-times for project design and funding.
- **A resource mobilisation tool:** It indicates the gap between investment needs and available financing.
- **A monitoring tool:** PSIP Database contains project progress information collected every quarter from MDAs undertaking Projects.

2-3. PSIP Scope and Coverage

The basic tenet of the PSIP is to facilitate the implementation of Government's development strategies as outlined in vision statement, medium term development strategy, sector strategies and programmes of work. The PSIP, in this respect, governs the procedures and processes for approving development initiatives proposed for implementation through the development budget and management of such initiatives.

2-3-1. Eligibility of projects

Eligibility of projects for the PSIP is determined by four basic factors namely; alignment to the overarching National Development Strategy (NDS), Development nature of the intervention, magnitude (size) of the intervention and source of the project.

Clear and direct linkage between a proposed project and NDS defines the relevance of the proposed intervention to Malawi's development agenda and is paramount in establishing the suitability of a project. In this regard the PSIP will dwell exclusively on the Government/ NDS based prioritised projects. Projects with inadequate or no linkage to the Government/ NDS priorities will be rejected. Project proposal should fall within the framework of established government and sector objectives. It must be clearly demonstrated that the objectives of the proposed projects are in line with these priorities, which are presented in the medium term strategy, macroeconomic framework and sector strategy documents.

Having been Government priority-compliant, the proposed intervention should be

judged development in nature as opposed to being recurrent, and projectised. A project is deemed development in nature if it aims at increasing future productivity or capacity. A development project intends to make improvements on quality or quantity or both of delivered public goods and services, referred to as “raising the bar”. To the contrast, recurrent intervention is intended to maintain the status quo, referred to as “maintaining the bar”.

The third eligibility factor is the size (scale) of intervention. In order to avoid proliferation to too many small-scale, unrelated projects, the PSIP will enrol only development activities with an total estimated cost of not less than an equivalent of **USD 1,000,000 for infrastructure projects and USD 500,000 for service projects**.

Eligibility will also be on the grounds of the source of the proposed project. The PSIP will accept projects submitted by a MDA mandated to fulfil the objectives in the proposed project. In this regard the PSIP does not include private sector projects (except for PPP projects). The controlling officer or his/her designate will make a formal submission of a proposal if a proposal has to meet this eligibility criterion.

Emergency relief projects which satisfies above definition shall also be included in PSIP as long as they are of development in nature such as disaster preparedness and resilience building¹.

2-3-2. Key PSIP Principles

Further to the eligibility factors laid out above, the following principles need to be followed when undertaking PSIP processes:

- Project identification will be characterised by high levels of consultation, making sure that those who are to be the targeted beneficiaries and who will be involved in the implementation of the project should be participants in the development of the project idea and its planning. Failure to ensure this significantly increases the chances of inappropriate or ill-conceived projects

¹ This does not include emergency response activities such as food distribution, which shall not be included in PSIP.

being initiated.

- The proposed projects should clearly address identified needs or seek to capitalize on identified new opportunities. Adequate supporting data and analysis are needed to verify either the problem or the opportunity in question and presented in appropriate formats as directed the responsible ministry.
- Projects should have firm logical structure in which activities clearly link to respective outputs as well as outcomes.
- The nature of the project must be clearly within the government's domain of interventions and not an activity better undertaken by the private sector. However, Government is promoting the use of Public-Private Partnership (PPP) as one of the means of procuring and financing infrastructure projects and service delivery, in the public sector.
- The availability of finance from a donor for a particular project should not be a determining factor in project identification.
- No project will be funded unless it has been duly appraised and approved through the PSIP process. The appraisal of projects will follow a systematic format, guided by the PSIP Appraisal Manual based on information as made available by the proposing MDAs.

2-4. "Project" in relation to "Program"

PSIP deals with projects. Where several projects are parts under a program, there must be a clear logical link between a project and a program. A project is an individual investment plan with a set of related activities to be implemented within a specific period and limited input to achieve a specific goal. It is not a routine task.

A program, on the other hand, is supposed to be a comprehensive scheme within a sector or geographic area, being comprised of related projects and other development activities that share the same goal. A program has a target within a certain scale of time, normally in medium-term or long-term and usually relate to upper strategies. A project is considered as an important means to fulfil the program objective. Since FY 2016-17, Program-based Budget (PBB) is adopted for whole central government; each

project should fall under a certain program under PBB structure.

2-5. PSIP - Budget Link

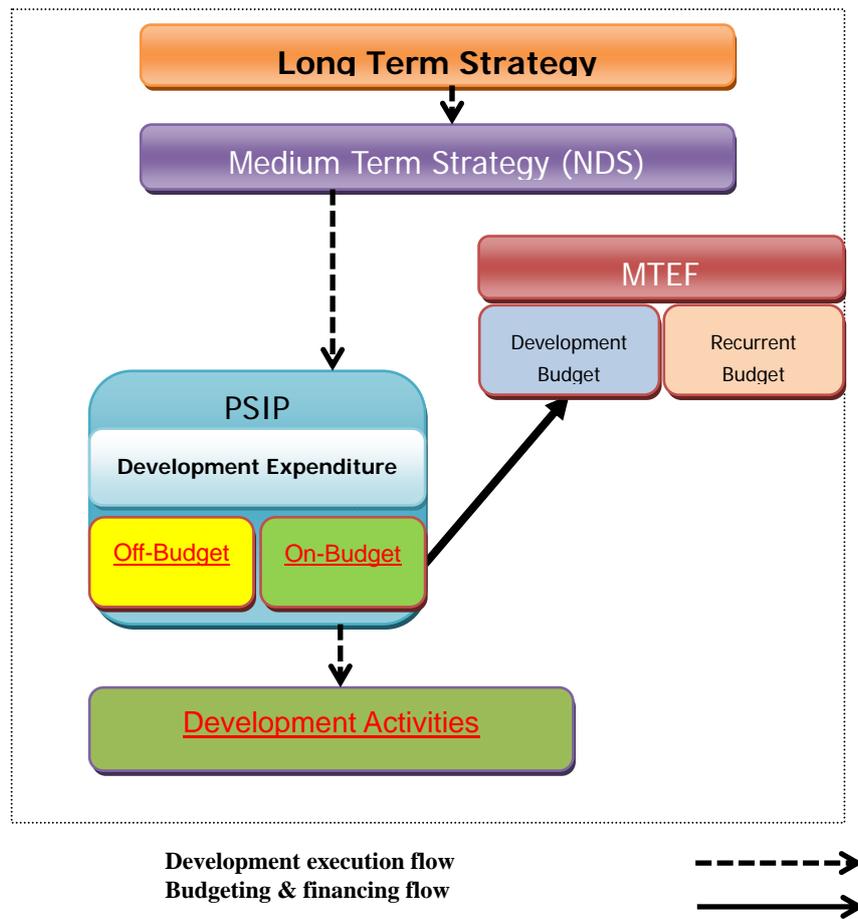
Figure 2 shows how the PSIP is used in informing the national budget. Drawing from the vision statement and the NDS, the MDAs identify project interventions as well as recurrent interventions that would be carried out over a given period. The PSIP facilitates the consolidation and programming of all project interventions to annual development expenditure. The Development activities as outlined by the PSIP may have donor support which could be on or off budget. The off-budget donor support refers to those projects whose financial management and reporting procedures are done outside Government of Malawi's own systems. Some projects will not have donor support thus fully funded by the Government of Malawi. The whole of Government of Malawi financing is obviously on-budget.

All on-budget expenditure of the PSIP will inform the Development Budget component of the MTEF hence providing the relationship between PSIP and the Budget.

In this framework, setting targets for the PSIP and the budget is done simultaneously guided by appropriate circulars. The draft PSIP recommends projects requiring financing and forms the basis of the development budget. Thus, appropriations as detailed in the development budget correspond directly with the allocations for the first year of the PSIP, while the first three years of the PSIP will inform the development component of the MTEF. The exceptions to this are the off-budget projects or partly off-budget projects which are funded by donors and in case of PPP projects funded by private sectors.

The interrelation between the development plans and budgets surrounding the PSIP is illustrated in Figure 2.

Figure 2: Relational Flow of Development Execution & National Budgets



CHAPTER 3. PSIP PROJECT PROPOSAL FORMULATION

3-1. PSIP Calendar

The PSIP calendar is a list of sequenced activities conducted by different stakeholders in a year on planning and management of the PSIP. The calendar activities relate to both the PSIP under implementation as well as one being planned for. With respect to PSIP under implementation the focus is on progress monitoring and reporting while the quality of submission and requirement for inclusion in the budget is the focus for the planning year activities.

Efficient coordination of different PSIP-related activities requires that they should all be planned according to a single consolidated schedule in line with the Government business calendar. Table 1 below presents a detailed working calendar for the PSIP process.

The calendar is critical in ensuring that activities by the various stakeholders smoothly feed into each other. Of particular importance in this regard is ensuring that planning activities of the PSIP smoothly feed into the national budgeting process.

The PSIP calendar in Table 1 isolates events and activities which MDAs directly work on are highlighted in dark colour. Also highlighted are the budgeting process activities which are beyond control of PSIP Unit. Note that these events and activities undertaken by MDAs (which deal primarily with sector activities) are integrated into the single consolidated schedule. The MDAs ought to undertake such activities taken into consideration of their timeline and their relation with all other events and activities in the flow of PSIP Calendar schedule.

Table 1: PSIP Working Calendar

F= PSIP formulation for the following fiscal year

I= PSIP implementation for this fiscal year

No	Month	Event	Initiator	Institutions	Purpose	Activities	Output
1	End-Jul.	I Uploading approved budget to DB and updating project status	AG, DD	AG, DD	To update information in PSIP Database	Update approved budget and project status to PSIP Database	Update of DB
2	July.	F Pre-Circular 1 Meeting between DD and Budget Division	DD	BD, DAD	To discuss and agree on any emerging issues to be included in Circular No. 1	<ul style="list-style-type: none"> - Review PSIP performance of previous FY - Review the previous appraisal process - Update /verify Part 1 Figures for current FY - Discuss guidelines, contents of Circular No. 1 	<ul style="list-style-type: none"> - Meeting Minutes (PSIP preparation guidelines and basic principles/policy)
3	Aug.	F PSIP Circular No. 1	DD	MDAs	Requesting & guiding MDAs on submission of PSIP project proposal	<ul style="list-style-type: none"> - Prepare and circulate Circular No. 1 which highlights concepts and principles with guidelines and templates (Note: Preparation of new project proposals can be started far in advance, and ongoing project proposals can be prepared by submitting quarterly performance report) 	<ul style="list-style-type: none"> - PSIP Circular No. 1 - PSIP Guideline for the next FY

No	Month	Event	Initiator	Institutions	Purpose	Activities	Output
4	Aug.	F PSIP Circular No. 1 Orientation and Hands-on Guidance to individual MDAs	DD	MDAs, BD, DAD	To orient MDAs on the improvement of PSIP project profiling and proposals	<ul style="list-style-type: none"> - DD PSIP Desk officers to visit MDAs if MDAs organize internal meeting to revisit development projects to prepare for submission - Explain contents of Circular No. 1 and PSIP Guidelines - Training using PSIP Preparation Handbook - Training on PSIP Database and prepare and submit proposals using excel template and quarterly reports 	<ul style="list-style-type: none"> - PSIP Project proposal templates for submission drafts - PSIP Desk Officers and other relevant officers from MDAs are mainly oriented for finalizing Proposals (templates)
5	End-Aug.	F Proposal Submission Deadline	MDAs	DD	To submit proposals to PSIP Unit for appraisal	<ul style="list-style-type: none"> - MDAs submit all the proposals with necessary information - Projects can be submitted any time of the year but this deadline is for projects to be considered for the upcoming FY. 	<ul style="list-style-type: none"> - Proposals submitted using right template, and with sufficient information.
6	Sep.	F Initial Appraisal	DD	(MDAs)	To appraise all new and ongoing project proposals	<ul style="list-style-type: none"> - Appraise all the submissions in an appraisal template (used for Ministerial Meetings) with preliminary rating and feedback points to be given to MDAs at Ministerial Meetings 	<ul style="list-style-type: none"> - Project proposals are appraised. - Appraisal rating matrix filled in the template

No	Month	Event	Initiator	Institutions	Purpose	Activities	Output
7	Oct.	1Q Performance Report (Each Project)	MDAs	DD	To access and analyse progress of PSIP implementation	- Analyse the quarterly financial disbursement, physical progress, and challenges and good practices of each PSIP project and produce a report	- 1st Quarter PSIP project progress report
8	Oct.	Ministerial Meetings with MDAs	DD	MDAs, BD, DAD	To clarify issues arising from 1 st appraisal as the 1 st feedback to submission	- Based on Initial appraisal (in a form of appraisal template), clarify unclear parts of all the projects and update information on ongoing projects - Mid-Year PSIP Implementation Review	- Meeting Minutes
9	Nov	Budget Strategic Meeting	BD	MDAs, DD,	To discuss with MDAs for budget issues for coming fiscal year	- Discuss budget with MDAs and DD to prepare budget ceiling	- Indicative Budget ceiling
10	Dec.	PSIP final appraisal	DD		Dev. Budget planning	- Screen eligible projects and allocate Dev. Budget for the coming year	Appraisal results
11	Jan	Donor-funded project funding info updates	Jan.	DAD, MDAs	To update the disbursement information of donor funded projects	- Desk Officers collect funding information from implementing agencies and AMP Reflect the funding information to PSIP Database	Disbursement information of Part 1 and Off-Budget of PSIP Database is updated

No	Month	Event	Initiator	Institutions	Purpose	Activities	Output
12	Jan.	F Meeting with Treasury	DD	BD, DAD,	To share the results of final appraisal for indicative Dev. Budget to prepare	<ul style="list-style-type: none"> - To share appraisal results and indicative allocations reflecting updates from Ministerial Meetings - To present appraisal updates to PSIP Management and Treasury - Update on ongoing projects 	<ul style="list-style-type: none"> - Appraisal Note and Draft PSIP - Meeting Minutes
13	Mid-Jan.	I 2Q Performance Report	MDAs	DD, BD	To access and analyse progress of PSIP project implementation	<ul style="list-style-type: none"> - Analyse the quarterly financial disbursement, physical progress, and challenges and good practices of each PSIP project and produce a report 	<ul style="list-style-type: none"> - 2nd Quarter PSIP project progress report
14	Feb.	F Final Appraisal results feedback to MDAs	DD	MDAs	To share the results of final appraisal	<ul style="list-style-type: none"> - Allocate Dev. Budget and register recommended projects status on PSIP Database 	Letter to MDAs
15	End-Jan.	F Dev. Budget Allocation	BD	MDAs		<ul style="list-style-type: none"> - Circulation of indicative Dev. Budget to MDAs 	-
16	Feb.	F Budget Framework	BD, DAD, Revenue	--		<ul style="list-style-type: none"> - Budget framework is drafted 	Budget framework
17	Feb.	F Budget Circular	BD	MDAs	To provide Indicative Budget Ceiling to MDAs	<ul style="list-style-type: none"> - Together with PSIP appraisal results, the Budget Template is shared with MDAs\ 	Budget Circular with Budget Template

No	Month	Event	Initiator	Institutions	Purpose	Activities	Output
18	Mar.	Budget submission	MDAs	BD	To request budget proposal to BD	- Budget template is filled and submitted to BD by MDAs	Filled Budget Templates
19	Mar.-Apr.	<input type="checkbox"/> Budget Hearing	BD	MDAs (DD)	To understand MDAs' strategies and resource needs	- Participates in the meeting to check if PSIP and Non-PSIP projects are included in Development Budget portion and recurrent implication of donor projects	
20	Apr.	<input type="checkbox"/> Final Budget Ceilings	BD	DD		Adjustment of Final Ceiling to submit Cabinet	Final Budget Ceiling
21	Apr.	<input type="checkbox"/> Cabinet Paper	DD	Cabinet	To get cabinet approval for PSIP	- Submission of cabinet paper on the Draft PSIP - (i) Comprehensive PSIP - (ii) Resource gap analysis - (iii) Development Budget	PSIP Cabinet Paper
22	Apr.	<input type="checkbox"/> 3Q Performance Report	MDAs	DD	To access and analyse progress of PSIP project implementation	- Analyse the quarterly financial disbursement, physical progress, and challenges and good practices of each PSIP project and produce a report	- 3rd Quarter PSIP project progress report
23	End-Apr.	<input type="checkbox"/> Cabinet Approval	Cabinet	--	To approve PSIP	- Approve PSIP for budget estimates	- Final PSIP
24	Apr.	<input type="checkbox"/> Donor-funded project funding info updates	DD	DAD, MDAs	To update the disbursement information of donor funded projects	- Desk Officers collect funding information from implementing agencies and AMP - Reflect the funding information to PSIP Database	- Disbursement information of Part 1 and Off-Budget of PSIP Database is updated

No	Month	Event	Initiator	Institutions	Purpose	Activities	Output
25	Late-May	☐ Draft PSIP	DD	--	To distribute it as reference for budget session	- Print PSIP Booklet for presentation with Budget Documents at the Parliament	- Draft PSIP Documents
26	Late-May	☐ Budget Estimates Submission	BD	--		-	- Budget Document
27	End-Jun.	☐ Budget approval	Parliament	--			
28	Jul.	☐ Approved Budget	BD	--		Reflect discussion and adjustments made by Parliament and finalise the approved budget	- Approved Budget
29	Aug.	▮ 4Q/ Annual Performance Report	MDAs	DD	To access and analyse progress of PSIP project implementation	- Analyse the quarterly financial disbursement, physical progress, and challenges and good practices of each PSIP project and produce a report	- 4th Quarter PSIP project progress report
30	Aug.	☐ Printing of Final PSIP	DD	--	To disseminate PSIP	- Print PSIP with the approved Development Budget	- Printed PSIP Booklet
31	Aug.	▮ PSIP Annual Review Meeting	DD	MDAs , BD, DAD	To review previous FY's PSIP performance	- Review previous FY PSIP performance - Review previous PSIP process	- Meeting Minutes (PSIP Performance report) -
32	Aug.	▮ Donor-funded project funding info updates	DD	DAD, MDAs	To update the disbursement information of donor funded projects	- Desk Officers collect funding information from implementing agencies and AMP - Reflect the funding information to PSIP Database	- Disbursement information of Part 1 of PSIP Database is updated

3-2. Guidelines on undertaking key calendar events (for MDAs)

3-2-1. PSIP Circular No.1 (Calendar Events No.2 & No.3: September)

The PSIP Circular No.1 is an official communication through which the ministry responsible for the PSIP solicits project proposals from MDAs for consideration into the PSIP of each year. It may also contain PSIP indicative ceilings which give an indication to the MTEF (see Box 1).

BOX 1: PSIP indicative ceiling and the MTEF

The PSIP indicative ceilings give an indication of the expected resource allocation to sectors or ministries for a particular planning year. The efficacy of the ceiling is to prevent submission with unrealistic financial requirements that cannot be realised in a given financial year. The determination of ceilings for any institution is done by the Ministry responsible for PSIP based on financial resource projections in the PSIP database subject to the resource envelope and other policy directions at a given time. Furthermore, it should be noted that the first three years of the PSIP depicts the development component of the MTEF. In this case the ceilings will include projects whose implementation will start in the one or two years.

3-2-2. Proposal Submission (Calendar Event No.5: Submission Deadline is End-August)

(1) Proposal Templates²

There are two types of proposal templates that an MDA will have to use for making a submission to the ministry responsible for PSIP, for inclusion into the PSIP, depending on whether the project is new, ongoing or seeking extension. The proposal templates

² The design of project proposal templates may change from year to year depending on feedback from MDAs with regard to the user-friendliness of the templates and new information demand. The process of upgrading the database may also bring about a number of changes including the design of templates and MDAs should bear with these changes and comply where necessary.

will be revised every year and indicated in the annually circulated "PSIP Annual Guidelines". MDAs are expected to use the latest version of templates for their submission, not the ones from the previous years. The electronic files are made downloadable from PSIP Database (registered users can log in from PSIP Portal site <https://psip.malawi.gov.mw>).

MDAs are expected to update the information of projects every year using the template meant for PSIP for that particular fiscal year, if the project need to be considered for funding in that fiscal year. Without re-submission, even pipeline projects and ongoing projects will not be considered in the following year. This submission principle is applicable to all the projects including those which are financed by Part 1 funding.

Data as captured and presented in these templates are critical for a sound and fair appraisal of projects or submissions. Therefore, incomplete submission or templates giving erroneous information will not be processed. These will be referred back to the submitting authority for redress.

i) New Project Proposals (Template for New Project)

Projects being proposed for PSIP inclusion for the first time must use new project profile template. The new project template is designed to gather comprehensive project information for whole period of the project. Formerly submitted projects that have never received funding are supposed to be re-submitted every year if they are still relevant. This will be done by indicating that the project still forms the part of MDA submission in either its previous design or modified one.

ii) Ongoing Project Proposals (Template for Ongoing Project)

Projects that have ever been implemented through the PSIP must use the ongoing project template. These are referred to as Ongoing Projects and include: (a) "Project performance" sheet to indicate information of the previous fiscal year³, (b) "Annual

³ This can be aggregation data from quarterly performance progress reports submitted

cost matrix” information for proposed FY, and (c) other information to form the proposal details. The ongoing project template focuses on the project’s financial and physical performance to determine the need for continued inclusion of the projects in the national development budget.

(2) Guide on Preparation of Project Proposal Document

The following processes and steps are considered necessary and recommendable as MDAs are preparing the PSIP submissions.

i) Identification and Project Development

Identification is the earliest phase at which a development opportunity is conceived. Enough information must be contained in the submission documents for a decision to be made by the ministry responsible for the PSIP on whether or not the project should be included in the PSIP. The template must carry appraisable data (full and high quality data).

ii) Filling Templates

The submitting ministry must comply with appropriate templates for submission of their projects. These have to be filled in full and with correct and sufficient information. After internal approval within the implementing agency is granted, templates for new, ongoing projects (and project extension form if applicable) must be submitted by the deadline as indicated in the PSIP Circular No. 1 if they are to be considered for funding in the subsequent financial year.

New projects are submitted initially in the form of new project profile for pre-appraisal by the ministry responsible for the PSIP. This may occur at any time of the year, however, as mentioned above, must be submitted by the deadline indicated by the PSIP Circular No. 1 if they are to be funded in the subsequent financial year.

All submitted projects will be subjected to an appraisal process guided by the PSIP Appraisal Manual. The brief of appraisal criteria would be found in PSIP Guidelines

during the year (Note: This is obliged to submit every quarter during the year)

annually circulated (or on the PSIP portal site). It is advisable for MDAs to refer to it and undertake a self assessment once the templates are filled in.

iii) Prioritization/ reprioritization of the Project Proposals

Submitting MDAs will indicate on each project submission template the priority of the project in relation to all their submissions. This information is important in guiding resource allocation in view of limited resources. While projects can be ranked against each other, priority must be given to ongoing projects over new projects.

iv) Verifying Submission Compliance to PSIP Requirement

Quality assurance of proposal is a responsibility of MDAs. MDAs should refer to specific guidelines provided from time to time in order to meet the PSIP requirement.

v) Project Extension Request Form

If for some reasons the implementing agencies want to extend the project period of some ongoing projects, the MDA will have to ask for request for project extension using the format downloadable from the PSIP Database (registered users can log in from PSIP Portal <https://psip.malawi.gov.mw>). The project extension request form should be submitted early enough, at least one year before the end-date of the project, by August every year, before another PSIP submission process starts in September.

vi) Other Compulsory/ Supplementary information to accompany proposal

Besides the proposal templates, MDAs are required to provide supplementary information depending on nature of the project. The list of supplementary documents is as follows:

Table 2 : The supplementary documents for submission

Type of Projects	Supplementary information documents	Submission is required for
New	• Project Implementation Plan	• All new projects
	• Project Appraisal Report (Donor’s)	• All new projects supported by Donor(s)
	• Project document produced by MDA or Donor	• A new project which has a project document
	• Memorandum of Understanding for an ODA project (Donors)	• All new projects supported by donor(s)

	<ul style="list-style-type: none"> • Results of Environment Impact Assessment 	<ul style="list-style-type: none"> • All new projects which have construction components
Ongoing	<ul style="list-style-type: none"> • Quarterly Performance Report (required by PSIP) 	<ul style="list-style-type: none"> • All ongoing projects
	<ul style="list-style-type: none"> • Quarterly reviews by executing agencies (Agencies' own) 	<ul style="list-style-type: none"> • All ongoing projects which issue agencies' own quarterly reviews
	<ul style="list-style-type: none"> • Donor and supervision missions' reports 	<ul style="list-style-type: none"> • All ongoing projects which are supported by donor(s)

Once submitted, they will be saved with proposals in the PSIP Database.

vii) Submission methods and procedure

The Ministry responsible for PSIP will accept submissions of project proposals only in electronic excel version (PSIP proposal templates). However the rest of the documentation could be provided in any other format but electronically. The proposals should have internal approval before submission;

- a) The project profile templates in excel form should be properly named following the illustration indicated in PSIP proposal templates (if any changes, there will be a notification).
- b) Submission of PSIP template in excel format should be made by e-mail. The email address will be communicated by PSIP Circular No. 1 and/or PSIP Annual Guidelines.
- c) The electronic transmittal of submission will have to be accompanied by a signed letter of submission that simply lists all the projects submitted.

3-2-3. Quarterly Performance Reporting (Calendar Event No.7, 13, 22, and 29: October, January, April, and August)

MDAs are required to provide information with regard to implementation of projects on quarterly basis in line with calendar events number 5, 11, 18 and 27, in October, January, April, and August respectively. The performance reports for the first and second quarter will also form a basis for appraisal for the project inclusion in the following fiscal year. The quarterly reports will follow specially designed excel format which is downloadable from PSIP Database (registered users can log in from PSIP Portal <http://psip.malawi.gov.mw>) .

3-2-4. Ministerial Meetings (Calendar Event No.8: December)

Ministerial meetings to discuss PSIP are held in December. They involve BD, DD, and the implementing agencies. The main agenda of the ministerial meetings is reflected in Table 2 below.

Table 2: Objectives and Expected Outputs of Ministerial Meetings

Objectives	<ul style="list-style-type: none">➤ Agree on the list of submitted projects and their priority➤ Enquiry on submitted project proposals➤ Discuss the submission results, along with the provision of updated project information➤ Discuss the project appraisal results for new projects.
Expected Outputs	<ul style="list-style-type: none">➤ The list of technically accepted projects as agreed with MDAs in which the total amount is ideally under the PSIP ceiling➤ Minutes of the meeting, including agreement on the follow-up requirements for both the Ministry responsible for PSIP and the MDAs

3-2-5. Feedback to MDAs (Calendar Event No.14: February)

PSIP Unit conducts two-fold appraisal, the initial appraisal for checking the eligibility to PSIP and the final appraisal for inclusion in PSIP of the following year. The latter depends much on the ceiling or the resource envelope and the priority and urgency of the project. The Ministry responsible for PSIP will give feedback on their submissions in terms of project status.

The status of project submitted by MDAs changes as the time flows as follows:

a) New project

After the appraisal by PSIP and the development budget approval by the Parliament, a project may assume the following status:

- (i) New to be funded (inclusion in PSIP for the following year)
- (ii) Pipeline (the eligibility of the project to PSIP is confirmed but the priority is not high enough given the limited ceiling, it can be marketed to DPs)
- (iii) Rejected the project does not satisfy PSIP eligibility conditions)

b) Ongoing project

After the appraisal by PSIP and the development budget approval by the Parliament, for each stage, the project status can change to:

- (i) Ongoing (inclusion in PSIP for the following year)
- (ii) Pended (the eligibility of the project to remain in PSIP is confirmed but the priority is not high enough given the limited ceiling)
- (iii) Terminated (the eligibility of the project to remain in PSIP is not confirmed.)
- (iv) Ending (the project is expected to end in the year of submission so it should not be continued in the applied year of submission.)

3-2-6. Final Budget Ceilings (Calendar Event No.20: April)

The Budget Division is expected to release the budget ceiling around April. The determination of ceilings on the development budget will be done in close consultation with the Development Division.

3-2-7. PSIP Annual Review Meeting (Calendar Event No.31: August)

Annual review meetings will be organized in August to review previous PSIP process and performance. These will be attended by all MDAs and other key stakeholders particularly the Treasury and OPC.

3-2-8. Donor-funded project funding information update (Calendar Event No.11 and No.32: May and August)

The PSIP Unit will update the database with confirmed Part I figures. These will be obtained from MDAs and confirmed with the Debt and Aid Division.

Chapter 4 PSIP Formulation Process and Role of Different Institutions

PSIP formulation and management is a multi stakeholder process. Government agencies interact not only in various capacities but also with different interests. The ability to coordinate and synergise the efforts by these players will have a significant influence of the formulation and performance of the PSIP.

This chapter gives out the role assignment to the main stakeholders and a coordination framework for the PSIP processes.

4-1. Project Identification and Preparation

The responsibility of identifying projects and developing them is for MDAs. In a normal scenario, the Planning Unit of MDAs will facilitate the formulation of project proposals. The Ministry responsible for the PSIP, nonetheless, provides guidance on development of a project to ensure that minimum standards for eligibility are met and formats for submission are adhered to.

MDAs will ensure that all requisite appropriate consultations and approvals are made before making a submission to the Ministry responsible for the PSIP.

4-2. Project Appraisal

The appraisal for a new project aims at establishing the suitability and feasibility of a proposed project. This responsibility is split into two phases. The first phase, pre-feasibility, will have to be conducted by MDAs. The prefeasibility phase will ensure that consultations are conducted and all necessary questions on the feasibility of the project have been addressed in the design of the project. The second phase, appraisal, will be done by the Ministry responsible for the PSIP. The phase will dwell on relevance, effectiveness, efficiency, impact and sustainability aspects of the proposed project. This process is guided by the PSIP Appraisal Manual. In the appraisal of projects, the responsible MDA will, where necessary, make consultations with relevant technical departments such as those in construction industry, judicial system, etc on a

case-by-case basis. On the other hand, the appraisal of an ongoing project aims at determining the need for continued inclusion of the project in the national development budget by checking the financial and physical performance.

4-3. Authorisation for Implementation

Based on appraisal results, the Ministry responsible for the PSIP will recommend a list of approved projects in the PSIP database that will form part of a five-year rolling plan. This list of projects will be deliberated upon by Management of the Ministry responsible for PSIP, which will be presented to the Cabinet for final decision and approval of the PSIP.

4-4. Project Financing (Disbursement)

Annual National Budget provides primary financing means for PSIP projects. In this case, financing is the responsibility of the Treasury, through the Budget Division. Disbursing of resources will be done by the Accountant General's Department (AGD). Treasury will provide monthly funding figures to the PSIP system as an input to the coordination role played by the PSIP Unit. As for the projects supported by the Development Partners, the Debt and Aid Management Division (DAD) facilitates resource mobilisation and compiles the commitment and disbursement information, which is shared with PSIP Unit.

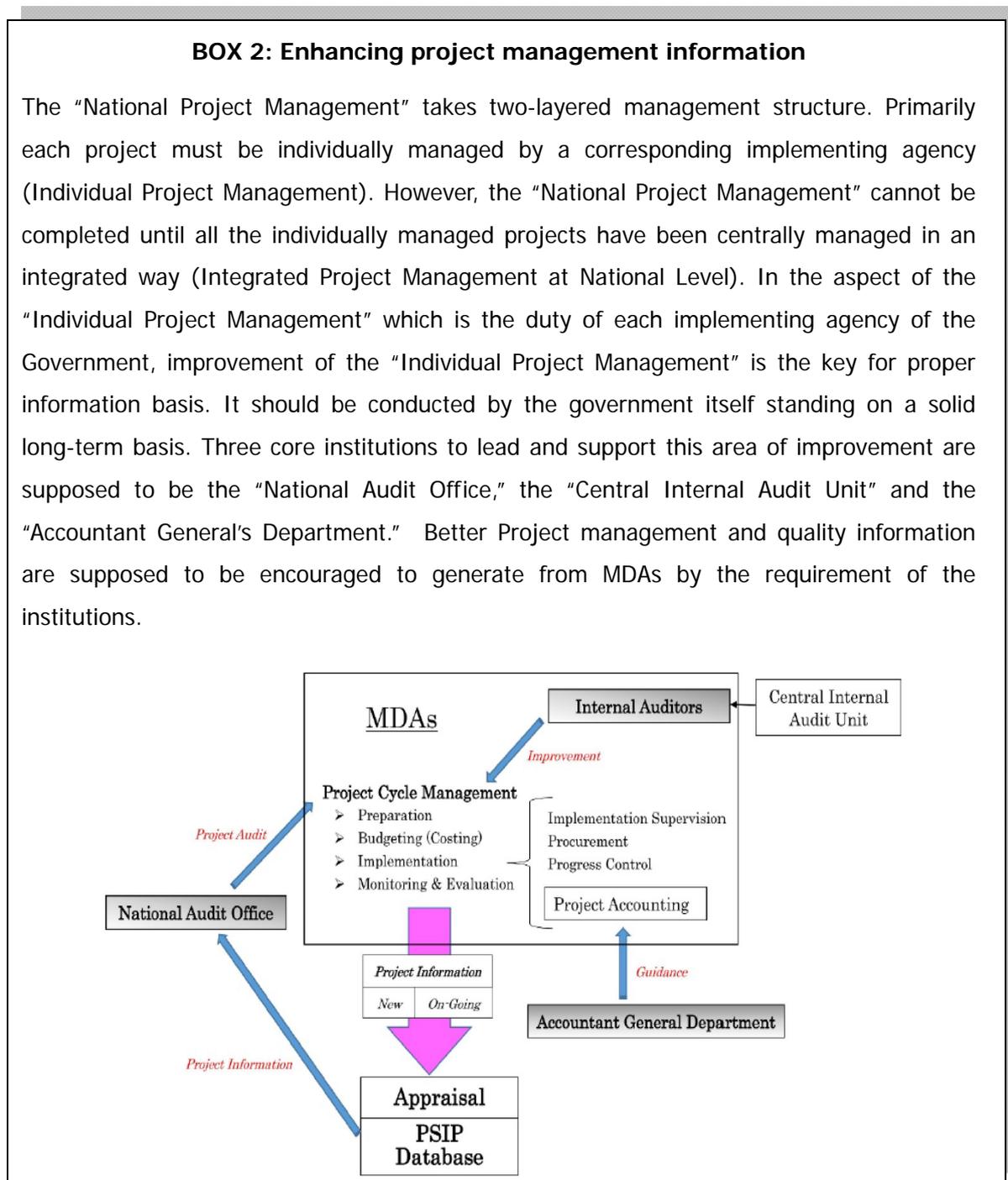
4-5. Project Implementation and Management

Implementation of a PSIP Project is the responsibility of MDAs. The submission of quarterly progress report is a way of quality assurance for proper and responsible project management. In particular, AGD can assist project accounting which enables MDAs to obtain accurate financial information of their projects⁴, and CIAU can assist through internal auditors stationed at MDAs to conduct project audit so that all aspect

⁴ PSIP Unit in collaboration with AGD developed an Excel based Project Financial Management Information Tool (PFM-IT), which will assist MDAs for project accounting and production of all the necessary financial information for project management. This tool is downloadable from the PSIP Database.

of project management can be corrected.

The importance of project information for management is presented in Box 2.



4-6. Monitoring and Evaluation

The MDAs are expected to establish functional monitoring and evaluation (M&E) systems for their projects for ease of management and reporting.

Overall responsibility for M&E rests on the Ministry responsible for M&E. However, all MDAs are expected to monitor and evaluate PSIP processes and to produce quarterly progress report in line with PSIP calendar. After that, PSIP Unit will analyse and produce consolidated quarterly progress report. While M&E Division has a mandate to conduct project monitoring mainly for impact assessment, PSIP Unit has a mandate to validate project implementation progress for programming purpose.

4-7. Coordination Framework

The overall coordination role of the PSIP, both in its formulation and management is by the Ministry responsible for PSIP. The Ministry will have in place a dedicated PSIP Unit within its establishment for all the secretarial services. In undertaking the coordination role, the ministry responsible for PSIP will:

- Receive and appraise the proposals for the PSIP
- Provide backstopping services to planning units in project formulation and management
- Organise PSIP planning and review meetings
- Provide regular updates on PSIP project implementation to OPC and the Cabinet
- Develop and maintain PSIP database for development projects

Based on the PSIP calendar, there will be meetings for fact finding, information sharing and validation, and decision making. These will be conducted in the spirit of coordination, mutual accountability and partnership building.

Table 3 below summarises roles and functions of key stakeholders in the formulation and management of the PSIP, by indicating PSIP project phase on the first column and stakeholders from the second to ninth columns.

Table 3: Roles and functions of key stakeholders in the formulation and management of the PSIP

PSIP project Phase	MDAs	Development Division	M&E Division	Budget Division	Debt and Aid Division	Accountant General's Department	NAO, CIAU	OPC and the Cabinet
Project Identification and Preparation	Identify project concept and formulate project design documents	Guides the formulation and project specification processes	Advises MDAs how to set indicators for project monitoring					
Project Appraisal	Conduct pre-feasibility assessments	Reviews submissions and conduct appraisals						
Authorisation for implementation		Produces project list for authorisation						Approve projects to include in the budget
Project Financing		Provides PSIP funding requirements for budget formulation Ensures that projects are funded to plan		Formulates the budget based on PSIP Ensures that projects are funded to plan	Facilitates mobilisation and disbursement of Part I funding	Accounts for resources made available and used		
Project Implementation and Management	Conducts all project management function including reporting	Identifies implementation bottleneck and facilitates consultations to addressing them	Flags out important implementation challenges and lessons			Establishing/enforcing project accounting procedure	Guidance on project management and accounting (Internal Audit)	
Monitoring and Evaluation	Compiles reports in required formats and reporting periods	Validates project performance reports for programming purpose Reviews reports in line with project objectives and on efficiency in implementation and reports to OPC	Validates consolidated report on PSIP performance Conducts field M&E Missions for impact assessment	Monitors Budget Performance	Facilitates donor missions on supervision, M&E	Facilitate the production of quality expenditure data	Project audit (NAO)	

