Budget Document No. 3

Government of Malawi

2011/12 Draft Financial Statement

Ministry of Finance

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Lilongwe

2011/12 Draft Financial Statement

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Abbreviations and Acronyms

AfDB	African Development Bank
ART	Anti-Retroviral Therapy
DfID	Department for International Development
EU	European Union
ETR	Electronic Tax Registers
FISP	Farm Input Subsidy Programme
GDP	Gross Domestic Product
IMF	International Monetary Fund
ITAS	Integrated Tax Administration System
KPA	Key Priority Area
LDF	Local Development Fund
LUANA	Lilongwe University of Agriculture and Natural Resources
MDG	Millennium Development Goal
MGDS	Malawi Growth and Development Strategy
MRA	Malawi Revenue Authority
MTEF	Medium-Term Expenditure Framework
MUST	Malawi University of Science and Technology
NAC	National AIDS Commission
ORT	Other Recurrent Transactions
PE	Personal Emoluments
PFMA	Public Financial Management Act
SWAP	Sector Wide Approach
USAID	United States Agency for International Development

1. Introduction

As part of the Budget documentation to the National Assembly, and in accordance with the relevant provisions of the Public Finance Management Act (PFMA) of 2003, the Ministry of Finance is required to prepare and submit to the National Assembly the Budget Document Number 3 known as the Financial Statement. This document summarizes the Recurrent and Capital expenditures of Government for the previous financial years as well as projections for the present Budget and future Budgets. The Document also presents details of inflows into the national budget in form of Revenues, Grants and Loans used to finance expenditures of Government in a particular fiscal year.

This particular Financial Statement summarises the estimates of Government expenditures and inflows in the 2009/10 and 2010/11 Fiscal Years. It also outlines planned expenditures and inflows to the 2011/12 through to 2013/14 Budgets. This is the case because the 2011/12 Budget is a Medium Term Expenditure Framework (MTEF) type of Budgeting which has a three year rolling expenditure plan. Details of historical expenditures and inflows for fiscal years before the 2009/10 fiscal year have also been included in some cases for purposes of comparisons and analysis of patterns and trends. This Financial Statement has also briefly discussed the relationship between the expenditures of Government and the Malawi Growth and Development Strategy (MGDS), the Government's overarching Policy Statement. It must be pointed out though that a more detailed and elaborate discussion on this relationship has been made in the Budget Document Number 4, the Output Based Budget Document.

This Financial Statement has also specifically presented estimates of expenditures in 2011/12 into their functional classifications. The main objective of this classification is to help readers of the Malawi Budget Documents easily understand how expenditures of Governments are allocated to different expenditure categories known as functional classes such as social and economic classifications. This is extremely useful to the General Public, Members of Parliament and Practitioners as they will find it easy to make comparisons between allocations to different functional classes including a better understanding of the patterns and trends in these functional classes. This classification is also in line with the International Best practices, as such, Development Partners will find this classification user friendly and ideal for comparisons with other regional and international budgets. This classification is part and parcel of the broader reform program of Government aimed at further improving transparency and accountability in Government expenditure estimates.

In terms of structure of the report, the next section discusses the overall macroeconomic outlook of the global, regional and national economies and explains their relationship to the national budget. This section is followed by a discussion on the financial performance of the 2009/10 financial year, comparing actual revenues and expenditures with corresponding budget estimates. The next section discusses estimates of the 2011/12 Budget with references to the outer years of 2012/13 and 2013/14, being a Medium Term Expenditure Framework. The final section discusses how the Budget is aligned to the Malawi Growth and Development Strategy. A sector-by-sector analysis is also presented in this section focussing on past and present performances and planned expenditures.

2. Macro-economic underpinnings of the 2011/12 Budget

Summary

- Malawi will continue to register strong and impressive growth rates in the short to medium term but future growth is likely to moderate on account of diminishing agricultural productivity;

- Inflation is projected to remain in single digit, continuing the remarkable record of long period of price stability;

- The Bank Rate will remain at the low level of at 13 per cent with prospects of further reductions in the near future;

- Government is committed to reducing public debt as a percentage of GDP, in the short and medium term, and has finalised a Debt and Aid Management Strategy that will support its goals.

2.1 Global and Regional Economic Outlooks

The 2011/12 Budget is formulated against a background of various fundamentals including macroeconomic underpinnings of the global, regional and domestic economy. At the global level, the world economy continues to recover from the worst economic recession since the 1930's, as is expected to grow by 4.4 per cent of Gross Domestic Product (GDP) in 2011. Growth in World economy is expected to be driven by growth in emerging economies such as Brazil, India and China and developing economies such as Malawi which are projected to grow at an average rate of 6.5 per cent. Developed countries are expected to grow by an average of 2.5 per cent with the UK expected to grow at 2.0 per cent and the USA at 3.0 per cent. The Japanese economy is obviously affected by the devastating effects of the earthquake and Tsunami disaster and as such, it is expected to decline from the earlier projection of 1.6 per cent growth. China is expected to grow by 9.6 per cent while growth in the Euro Zone countries is projected at 3.6 per cent.

In the Sub Sahara African region, the economies are projected to have grown by an average of 5 per cent in 2010, and in 2011 the economies are expected to perform better at an average growth rate of 5.5 per cent. Growth in the medium term is expected to be driven mainly by oil and mineral rich countries in the continent such as Botswana, Angola, the Democratic Republic of Congo and other fast growing economies such as Mozambique and Malawi.

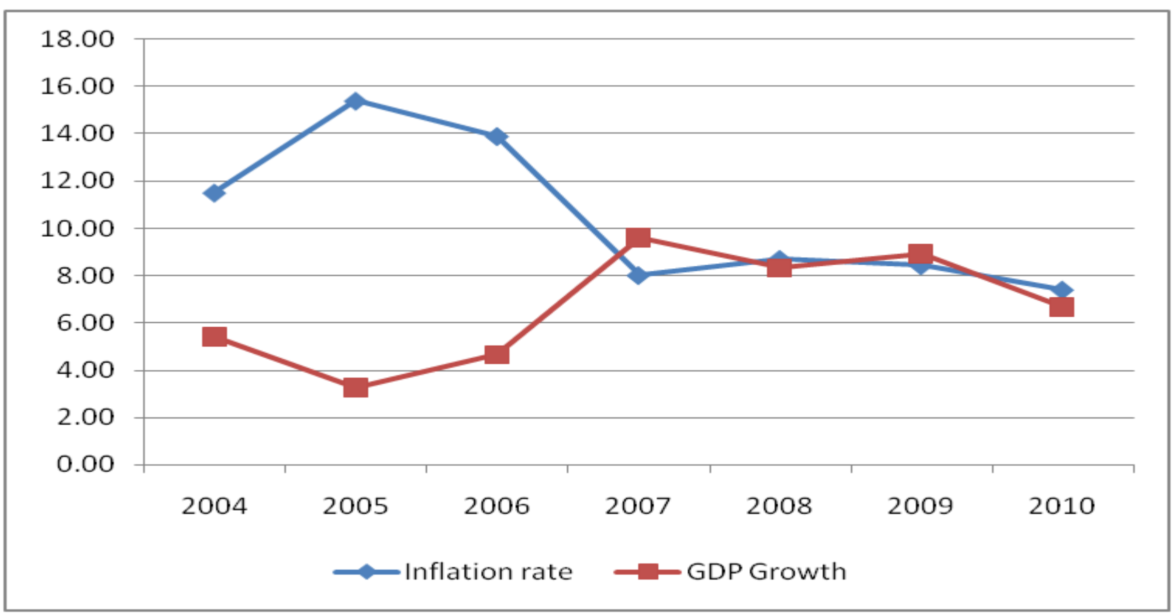
2.2 Economic Outlook for Malawi

The Malawi economy is expected to maintain its robust and impeccable record of sustained strong growth which averaged 7.0 per cent between 2005 and 2010. In 2010, the economy registered a strong growth of 6.7 per cent which was underpinned mainly by good performances in the manufacturing, mining and quarrying, wholesale and retail, and information and communication subsectors. The agriculture sector however experienced a slowdown in growth due to localized dry spells in some parts of the country. In the mining and quarrying subsectors, growth was anchored by the attainment of the maximum production levels at the Kayelekera Uranium Mine in Karonga. In addition, there was remarkable growth in coal production due to high demand of the product which was driven by a growing demand in the industrial subsectors of Tobacco, Brewery and Cement production. Further, rock aggregate production increased due to increased activities in road construction and rehabilitation initiatives and also in housing infrastructure developments across the country.

In 2011, the economy is expected to grow by 6.9 per cent, while in 2012 the economy is expected to grow by 6.6 per cent. In both years, economic growth is much higher than the minimum threshold growth rate of 6 per cent necessary for meaningful poverty reduction.

Inflation is expected to remain in single digit in 2011/12 fiscal year. From an annual average of 15.5 per cent and 13.9 per cent in 2005 and 2006 respectively, inflation hovered in single digits and below 8 per cent in the past four years as can be seen in figure 1 below. In 2010, end of period inflation stood at 6.3 per cent and annual average inflation was 7.4 per cent. Factoring food and non food prices, end of period inflation rate for 2011 is projected to be 6.6 per cent while annual average inflation is projected at 7.1 per cent. The increase is mainly expected to emanate from the increases in world oil prices. In 2011/12, inflation is expected to decline further to 6.2 per cent as at the end of the period and will average 7.0 per cent for the fiscal year.

Figure 1: Inflation has remained in single digits for the past four years, while economic growth has been above 6 per cent over the same period.



Food inflation is expected to be moderate in 2011/12 fiscal year on account of bountiful food production from the 2010/11 growing season due to good weather conditions and continued

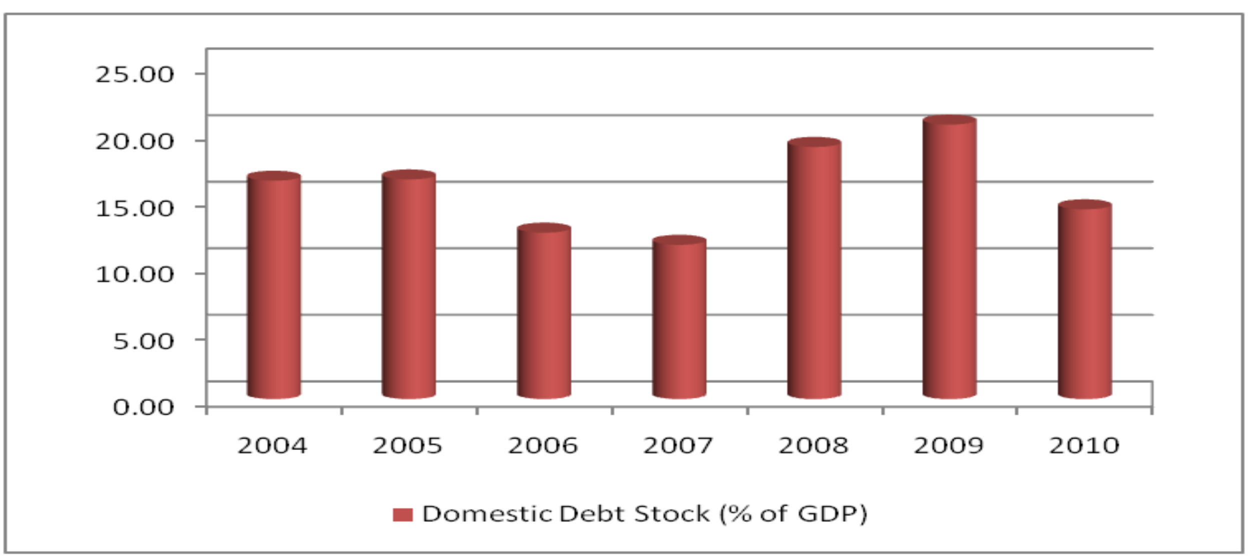
Farm Input Subsidy Program (FISP). Further, Government is expected to continue with a tight fiscal policy regime which will complement its efforts to repay domestic debt and ultimately will limit the push on aggregate demand and therefore limit any upward effects on price movement.

Bank lending rate and exchange rates are both expected to be stable. Specifically, the bank lending rate is expected to be maintained at 13 per cent with prospects of further reductions so as to drive down interest rates for the benefit of credit market. Over time, it is also expected that the spread between deposit and lending rates will also continue to narrow down so that the cost of finance continue to improve. With regard to the exchange rate, the target will be to maintain an exchange rate regime that maintains a healthy internal and external equilibrium. In this regard, measures both on the supply side and demand side of foreign exchange will be applied to ensure this healthy balance.

2.3 Public Debt Measures

Government remains vigilant in containing and controlling public expenditure to avoid build up of debts, domestic and external. As a proportion of GDP, public debt continues to fall as a result of the Government's policy and commitment towards domestic debt repayment over the past six to seven years. Government will continue with this policy in the short to medium term and this is expected to eventually reduce the interest burden which is currently substantial. In addition, Government will restructure its debt from the currently predominantly short term domestic debts to medium to long term papers. Both these measures are expected to reduce interest payments on debts which, in turn, will create the fiscal space necessary for allocating more expenditures on Government priority areas and pro poor expenditures of health, education and agriculture and food security. As is depicted in figure 2, domestic debt as a percentage of GDP is falling following concerted government efforts to create fiscal space and to ensure that credit to the private sector continues to grow.

Figure 2: Domestic debt as a percentage of GDP.



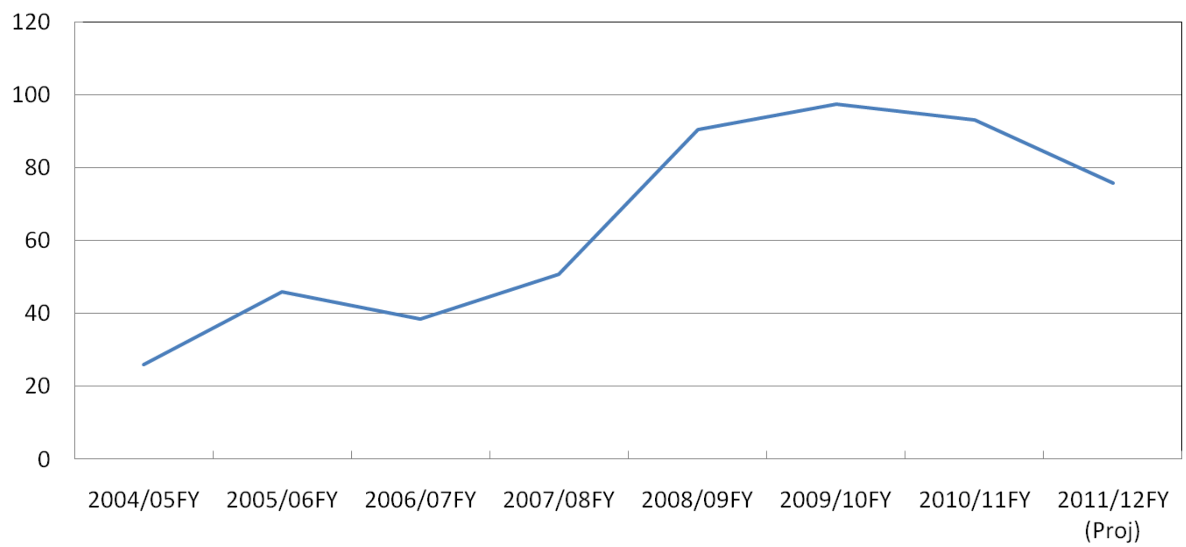
The Ministry of Finance, through the Debt and Aid Management Division, finalised the Debt and Aid Management Policy that will provide guidelines on the contraction and management of public and private sector debt. The debt policy will aim at ensuring that the financing needs and the payment obligations of the Government are met adequately and at the lowest possible cost and reasonable level of risk.

2.4 Aid Management and Donor Support

Malawi attracts a substantial amount of assistance from development partners, which is used to implement its growth and development strategies. These inflows reflect the confidence that the international community has in the policies of the Government. The resources from development partners enable greater development progress to be made compared to a situation of relying on domestic revenues alone.

For the 2011/12 financial year, overall grants from development partners are expected to be lower than in the previous year, in part due to fiscal consolidation that development partner governments are undertaking. Figures remain high compared to the historical trend, as is shown in figure 3 below.

Figure 3: On-budget donor inflows (K, billions).



3. Financial Performance in 2009/10 Financial Year

Summary

- Domestic Revenues over-performed in 2009/10 on account of efficiencies in the Malawi Revenue Authority (MRA) and Revenue Collecting Departments;

- Grants, in particular Dedicated and Project Grants, under-performed mainly on account of reduced NAC and Health Sector SWAP Grants;

- Expenditures, especially Development Budget Expenditures, were correspondingly below target, largely on account of shortfalls in Project Grants;

- Government reduced Domestic Debt Stock by K6.8 billion from K116.9 billion at the beginning of the Fiscal Year to K110.1 billion as at the end of the financial year.

3.1 Introduction

The Budget for 2009/10 Financial Year was formulated against a backdrop of continuing global economic recovery from the worst ever world economic recession in over 70 years. In this regard, the Budget was a cautious one and was designed to ensure macroeconomic stability in the domestic economy. With the Extended Credit Facility program with the IMF, the other objectives of the 2009/10 Budget were to repay domestic debt to the tune of 1.5 per cent of GDP, rebuild foreign exchange reserves significantly and promote social development. As is traditionally the case and in accordance with the PFMA, details of the Budget were presented and approved by the National Assembly during the Budget Session of Parliament at the Approved Budget stage and Mid Term Review session. This section provides details of the Revised Budget and its outturn.

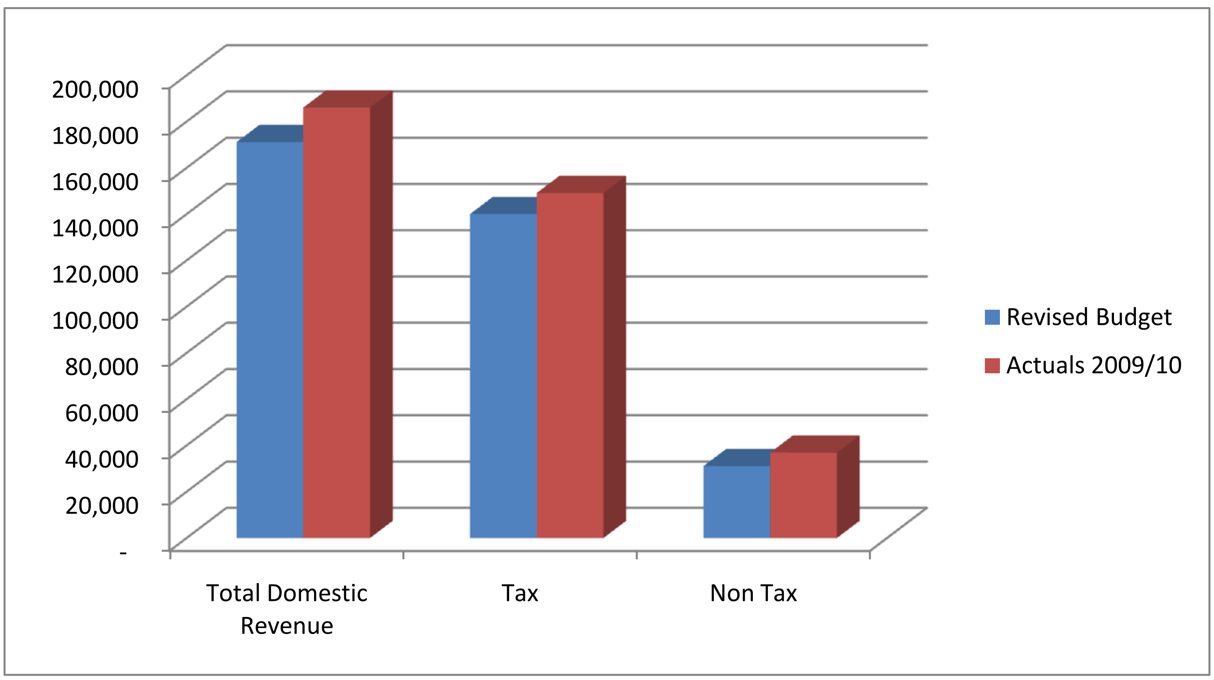
3.2 Performance of Revenues and Grants in 2009/10 FY

In 2009/10 Fiscal Year, total approved Revenues and Grants amounted to K244.3 billion. Of this sum, Domestic Revenues amounted to K163.2 billion, representing 67 per cent of total Revenues and Grants, while Grants amounted to K81.1 billion, or 33 per cent of the total resource envelope for the fiscal year. At the Mid Year, total Revenues and Grants were revised to K263.2 billion comprising Domestic Revenues amounting to K171.1 billion or 65 per cent and Grants totaling K92.1 billion or 35 per cent. The outturn was that Domestic Revenues over-performed by K9.5 billion from the Revised estimate of K171.1 billion to actual outturn of K180.7, while Grants underperformed by K13.6 billion from the Revised estimate of K92.1 billion to the actual outturn of K78.4 billion meaning that overall Domestic Revenues and Grants underperformed by K4.1 billion from a Revised estimate of K263.2 billion to a final outturn of K259.1 billion.

3.2.1 Performance of Domestic Revenues in 2009/10

In the 2009/10 Fiscal Year, Total Domestic Revenues were projected to reach K163 billion comprising of K140 billion (or 85 %) as Tax Revenues and K23 billion (or 14 %) as Non Tax Revenues. At midyear, Domestic Revenues were revised upwards to K171 billion comprising K140 billion Tax Revenues and K31 billion Non Tax Revenues. Tax Revenues over performed by K3.4 billion with a collection of K143.4 billion while Non Tax Revenues over performed by K6.2 billion with a collection of K37.3 billion as compared to the revised projection, as is shown in figure 4 below. This over performance was largely on account of effective tax administration by the Malawi Revenue Authority (MRA) and improved tax compliance by the Tax Payers on the part of Tax Revenues and increased surveillance and monitoring of revenue collecting Departments, automation of revenue collection systems and general improvements in management and accountability for Non Tax Revenues.

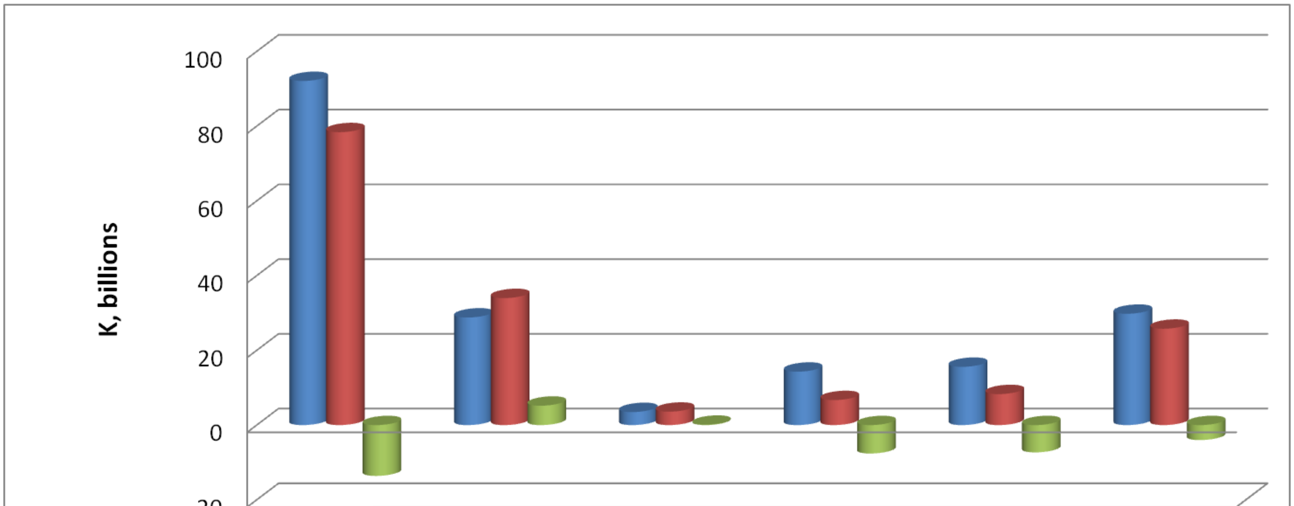
Figure 4: 2009/10 Domestic Revenue Collection



3.2.2 Performance of Grants

Grants were projected to amount to K81 billion at the approved Budget of 2009/10 Fiscal Year. At the Mid Year, Grants were revised upwards to K92.1 billion comprising K28.8 billion Program Grants, K33.4 billion Dedicated Grants and K29.8 billion Project Grants. The outturn was that Grants underperformed by K13.6 billion. Out of the Revised estimate of K92.1 billion, only about K78.4 billion was received. Dedicated Grants and Project Grants were the major cause of the underperformance. Dedicated Grants underperformed by K14.8 billion. Out of the revised projection of K33.4 billion, only about K18.6 billion was received. Project Grants underperformed by K4 billion as only K25.8 billion was received against a revised estimate of K29.8 billion. The shortfall in Dedicated and Project Grants was to some degree compensated by the over performance in Program Grants as they increased from a Revised estimate of K28.8 billion to K34 billion translating into an over performance of K5.2 billion. Overall therefore, Grants underperformed by K13.6 billion in 2009/10 Fiscal Year. The breakdown is shown in figure 5, below.

Figure 5: 2009/10 Grants Received



	Total Grants	Budget Support	Food Security Grants	NAC Grants	Health SWAP Grants	Part 1 Project Grants
Revised Budget	92.1	28.8	3.5	14.3	15.6	29.8
Actuals 2009/10	78.4	34.0	3.6	6.7	8.3	25.8
Variance	-13.6	5.2	0.1	-7.6	-7.3	-4.0

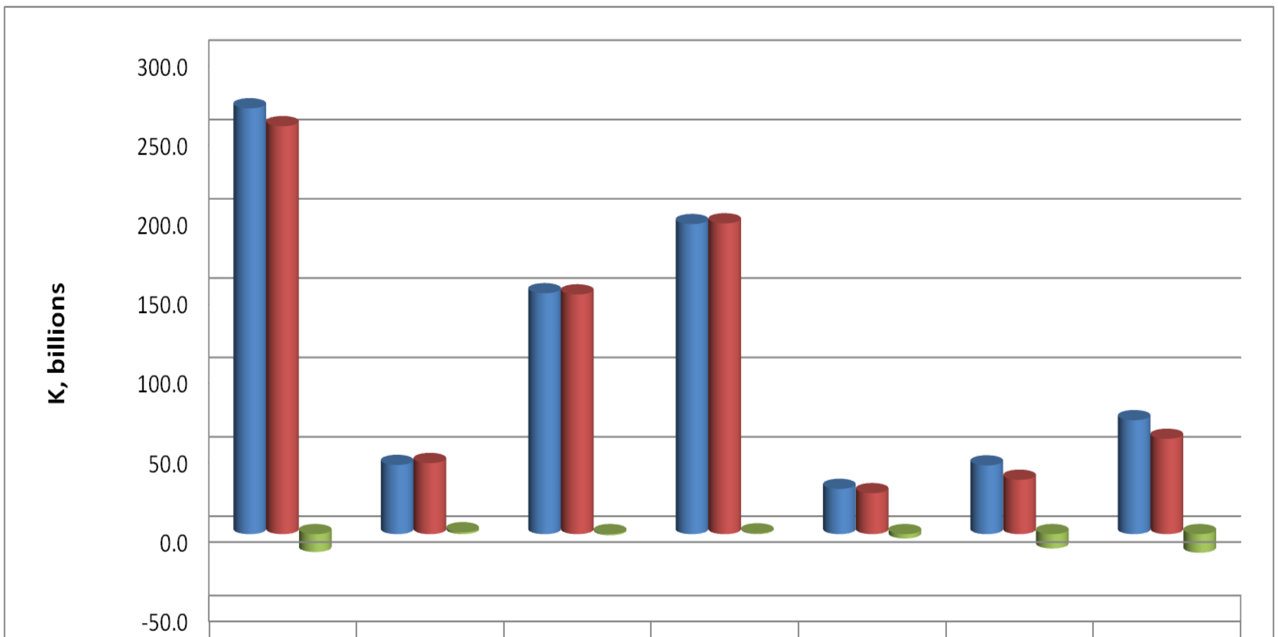
With regard to specific donor contributions, traditional donors provided the majority of Grants in 2009/10 Fiscal Year. Amongst the traditional donors, EU made the largest contribution to the tune of K23 billion, World Bank was second with K21 billion whilst DFID was third with K16 billion. Other donors who contributed significantly to the 2009/10 Budget included USAID (K15 billion), Norway (K 8 billion) and African Development Bank (AfDB, K5 billion). New development partners also played an increasingly important role. The People's Republic of China committed approximately K20 billion of funds in 2009/10FY, although half of this amount was disbursed through concessional loans, whilst the Republic of India disbursed K8 billion and the Arab donors contributed another K315 million.

From the assessment of donor contributions, it is evident that while DFID and the AfDB reduced their Budget Support in the Fiscal Year by 18 per cent and 14 per cent respectively, the World Bank and the EU had up-scaled their support by 30 per cent and 25 per cent respectively. Evident too is the fact that both the National AIDS Commission (NAC) Grants and the Health Sector Wide Approach (SWAP) Grants underperformed by K7.6 billion and K7.3 billion respectively.

3.3. Expenditures in 2009/10 Fiscal Year

At the Approved Budget stage, Total Expenditures in 2009/10 Financial Year were to the tune of K256.8 billion comprising K188 billion Recurrent Expenditures and K67 billion Development Budget Expenditures. At the Mid Year, these Expenditures were revised upwards to K272.1 billion comprising K200.3 billion Recurrent Expenditures and K71.8 billion Development Budget Expenditures. The increase in expenditures at the Mid Year was largely a reflection of the allocations due to projected increases in inflows to the Budget. In terms of the overall expenditures, they underperformed by K11.3 billion, as can be seen in figure 6, below. Out of a projected expenditure revised estimate of K268.4 billion, only K257.1 billion was spent. The Recurrent Budget overspent by K472 million from a revised estimate of K195.4 billion to K195.9 billion. Development Budget Expenditures under-spent by K11.7 billion, largely as a result of reductions in Project Grants and Loans amounting to K9 billion.

Figure 6: 2009/10 Expenditure by Category



	Total Expenditures	Wages	ORT	Total Recurrent	Domestically Financed Projects	Foreign Financed Projects	Total Development
Revised Budget	268.4	43.6	151.8	195.4	28.5	43.3	71.8
Actuals 2009/10	257.1	44.8	151.1	195.9	25.8	34.3	60.1
Variance	(11.3)	1.2	(0.7)	0.5	(2.7)	(9.0)	(11.7)

3.3.1 Recurrent Budget Expenditures in 2009/10 Fiscal Year

Recurrent Expenditures amounted to K188 billion comprising K43.6 billion Wages and Salaries and K144.4 billion Other Recurrent Expenditures at the approved Budget. At the Mid Year, the

Recurrent Budget was revised to K195.4 billion comprising K43.6 billion Wages and Salaries and K151.8 billion Other Recurrent Expenditures. Total Recurrent Expenditures to the end of the financial year were to the tune of K195.9 billion comprising K44.8 billion Wages and Salaries and K151.1 billion meaning that overall Recurrent Expenditures overspent by K472 million. The overexpenditure was mainly on Wages and Salaries which overspent by K1.2 billion. This was mainly explained by increases in recruitment in front line services of essential public services of Health and Education sectors while decreases in under expenditures in Other Recurrent Expenditures was mainly a reflection of reductions in Grants.

3.3.2 Development Budget Expenditures in 2009/10

Development Budget Expenditures were estimated to be K67 billion at the approved Budget stage comprising K23.5 billion Part II Development Budget Expenditures and K43.5 billion Part I Development Budget Expenditures. At Mid Year, total Development Budget Expenditures were revised upwards to K71.8 billion comprising K28.5 billion Part II Development Budget Expenditures and K43.3 Part I Development Budget Expenditures. In terms of the outturn, Part II Development Budget Expenditures amounted to K25.8 billion meaning that they under-spent by K2.7 billion while Part I Development Budget Expenditures amounted to K34.3 billion meaning that they under spent by K9.0 billion. Overall therefore, Development Budget Expenditures under spent by K11.7 billion and this was largely due to reduced inflows to the Budget mainly in form of Project Grants and Loans.

3.4 Overall Balance for the 2009/10 Fiscal Year and Selected Outputs

Overall, the 2009/10 Fiscal Year ended on a positive note. From a planned Fiscal Deficit of K12.5 billion at the beginning of the financial year which was to be wholly financed by foreign borrowing, the Fiscal Year ended with a fiscal surplus amounting to K2.0 billion. This commendable surplus was achieved mainly as a result of over performances in Domestic Revenues on one hand and prudent fiscal expenditures on the other. The World Bank also converted loan amounting to K5.8 billion into a grant. As a result, Government was also able to repay about K6.8 billion of its domestic representing 0.9 per cent of Domestic Debt repayment. This repayment reduced the country's domestic debt stock position from K116.9 billion at the start of the Fiscal Year to K110.1 billion at the end of the 2009/10 Fiscal year.

With regard to the specific selected outputs of the Fiscal Year, the following were achieved:

- Government successfully implemented the Fertilizer Subsidy Program which distributed 160,000 metric tons of fertilizers to 1.6 million farm families which led to excess maize production of about 800,000 metric tons;

- Government finalized construction of the Mzuzu and Luchenza Grain silos;
- Government rehabilitated and developed several irrigation schemes across the country;
- Government constructed and rehabilitated hundreds of boreholes and water points countrywide;
- Government rehabilitated and constructed infrastructure for education in primary, secondary, college and university education centres;
- Government trained thousands of teachers who were deployed to various primary, secondary schools and colleges across the country;
- Government procured and supplied teaching and learning materials and school meals in all the schools planned to be supplied with these things;
- Government rehabilitated and constructed planned infrastructure in the health delivery system;
- Government procured and supplied drugs and equipments required in various health facilities including provision of free ARV's to over 250,000 people;
- Government trained health care workers and deployed them in various health care facilities across the country;
- Government rehabilitated and constructed transport infrastructure across the country including road transport infrastructure, air, marine and rail.
- Government implemented reforms in the Civil Service and in the economic management of the country.

The table below provides the details of inflows and expenditures of the 2009/10 financial year.

Table 1: 2009/10 Approved and Revised Budget, and Outturn (K, millions)

	2009/10 Approved	2009/10 Revised	2009/10 Actual	Variance compared to Revised
Total revenue and grants	**244,293**	**263,216**	**259,129**	**(4,087)**
Revenue	**163,200**	**171,135**	**180,680**	**9,545**
Tax revenue	139,900	140,030	143,384	3,354
Non-tax revenue	23,300	31,105	37,296	6,191
Grants	**81,093**	**92,082**	**78,449**	**(13,633)**
Program	20,643	28,819	34,040	5,221
Dedicated grants	30,951	33,419	18,565	(14,854)
Food security	4,209	3,519	3,599	80
NAC inflows	12,513	14,344	6,711	(7,633)

	2009/10 Approved	2009/10 Revised	2009/10 Actual	Variance compared
Health SWAP	14,229	15,555	8,255	(7,300)
Project	29,499	29,844	25,844	(4,000)
Total expenditure, Net lending and Direct payments	**256,769**	**268,352**	**257,098**	**(11,254)**
Total expenditure	**254,769**	**267,152**	**255,948**	**(11,204)**
Current expenditure	**188,181**	**195,390**	**195,862**	**472**
Wages and salaries	43,539	43,584	44,792	1,208
Interest on debt	19,794	21,672	21,498	(174)
Foreign	1,172	1,172	695	(477)
Domestic	18,622	20,500	20,803	303
Goods, services and transfers	94,885	102,098	101,258	(840)
Of which Subventions	11,498	11,816	*12,494*	678
Subsidies	22,564	20,636	21,938	1,302
Social Benefits	7,400	7,400	6,376	(1,024)
Development expenditure	**66,588**	**71,761**	**60,086**	**(11,675)**
Domestic (Part II)	21,295	28,469	25,815	(2,654)
Foreign (Part I)	45,292	43,292	34,271	(9,021)
Net Lending	**2,000**	**1,200**	**1,150**	**(50)**
Overall balance including grants	**(12,476)**	**(5,135)**	***2,031***	**7,166**
Total financing	**12,476**	**5,135**	**70**	**(5,065)**
Foreign (net)	18,975	17,885	6,824	(11,062)
Borrowing	20,443	19,286	8,427	(10,859)
Program		5,837	-	(5,837)
Project Loans	15,793	13,449	8,427	(5,022)
Amortisation	(1,468)	(1,401)	1,604	3,005
Domestic (net)	(6,499)	(15,050)	(6,753)	8,297

4. Financial Performance in the 2010/11 Financial Year

Summary

- In line with the impressive performance as at Mid Year, Domestic Revenues look set to over-perform to the end of the financial year due to improve tax administration, improved collection by revenue-generating agencies, and increased taxpayer compliance;

- Grants are also expected to meet their target despite their underperformance as at Mid Year;

- Expenditures at Mid-Year were lower than projected, due to lower inflows particularly in Project Grants. It is expected that all disbursements will be made in the second half of the financial year, and therefore expenditures will be on target;

- Government is projecting to repay its domestic debt according to plans.

4.1 Introduction

The 2010/11 Budget was formulated against a background of accelerated global economic recovery from the global economic recession. Global economic recovery and growth was driven by high growth rates in emerging and developing countries of Asia and Latin America. World economy grew by 4.3 per cent in 2010 compared to a contraction of 0.5 per cent in 2009. Sub Saharan African region had weathered well the global economic recession and had grown at 4.7 per cent compared to a growth rate of 2.1 per cent in 2009. Developing Asia led the global economic recovery by growing at 8.7 per cent in 2010.

The 2010/11 Budget was also formulated against the backdrop of three key challenges in the domestic economy, and these included, low foreign exchange, inadequate and unreliable energy supply and acute deforestation of forests. The 2010/11 Budget therefore was prepared to stave off spill-over effects of the economic recession while at the same time guaranteeing a sound macroeconomic environment where both public and private sector organizations were to flourish. The Budget also targeted a domestic debt repayment of 1.5 per cent of GDP and an improvement of import cover to 3 months. The budget also made significant investments in both social and economic sectors of the economy including reforestation programs and the energy sector. This section discusses the specific allocations in 2010/11 Budget and projected outturn.

4.2 Revenues and Grants in 2010/11 Fiscal Year

In 2010/11 Budget, total Revenues and Grants were projected to be K287 billion during the approved Budget estimates. Of the sum total, K202 billion or 85 per cent were Domestic

Revenues and K85 billion or 15 per cent were Grants. At the Mid Year, Revenues and Grants were revised upwards to K297 billion with Domestic Revenues rising to K213 billion and Grants falling marginally to K84 billion.

4.2.1 Domestic Revenues in 2010/11 Fiscal Year

Domestic Revenues were estimated to amount to K202 billion at the beginning of the Fiscal Year comprising K171 billion Tax Revenues and K30.5 billion Non Tax Revenues. As at midyear, both Taxes and Non Taxes over performed. Tax Revenues over performed by K3.5 billion with a collection of MK 84.8 billion against the midyear target of K81.3 billion. Non Tax Revenues over performed by K2.9 billion with a collection of K 18.2 billion against a target of K15.3 billion. Tax Revenues over performed on account of effective tax administration by the Malawi Revenue Authority in addition to the completion of the restructuring program and improved compliance by the Tax Payers. Non Tax Revenues over performed as well on account of efficiencies in revenue collecting Departments and also implementation of the payment of revenue receipts through commercial banks at Departments of Immigration and Road Traffic and Ministry of Lands, Housing and Urban Development. The Ministry of Finance also conducted workshops aimed at improving accountability and accounting standards at the Department of Police. Owing to this over performance at midyear, estimates of Domestic Revenues to the end of the financial year were revised upwards to K213 billion comprising K175 billion as Tax Revenues and K37.5 billion as Non Tax Revenues.

Figure 7: 2010/11 Domestic Revenue Projections

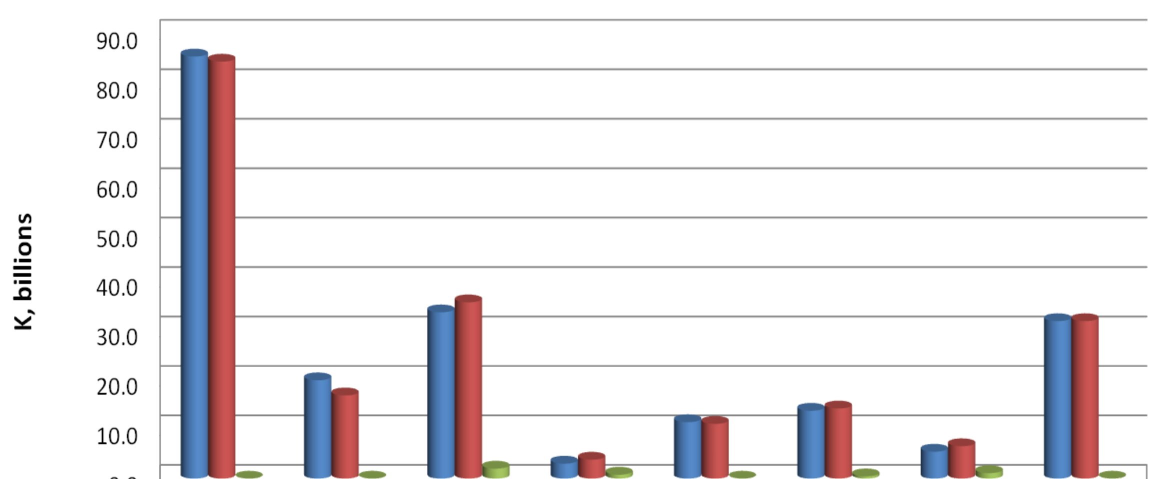
	Revenue	Tax revenue	Non-tax revenue
2010/11 Approved	201,748	171,196	30,552
2010/11 Revised	212,574	175,022	37,552
Variance	10,826	3,826	7,000

4.2.2 Grants in 2010/11 Fiscal Year

Grants in 2010/11 were projected at K85 billion at the beginning of the financial year comprising K19.9 billion Program Grants, K33.6 billion Dedicated Grants and K31.8 Project Grants. At the Mid Year, Grants had underperformed. From a half yearly target of K55 billion, K40.9 billion was received meaning that they underperformed by K14.1 billion. The major categories of underperformances of Grants were Dedicated Grants especially Health Sector SWAP Grants which underperformed by K8.3 billion from a half yearly target of K10 billion and Project Grants which disbursed K10.9 billion of the targeted K18.3 billion meaning that they under-disbursed by K7.4 billion. Worth noting is the fact that Program Grants over performed at Mid Year by K3 billion from a target of K11.9 billion, thus K14.9 billion was disbursed. The underperformance in other Grants categories is understood as simply delay in donor disbursements as they will be disbursed later in second half of financial year. This being the case, the only adjustments in Grants at Mid Year were those that were deemed not to be received to the end of the financial year or those expected to be increased.

From the total of K85 billion at the beginning of the financial year, Grants are projected to fall by K1 billion mainly on account of the drop in Budget support which reduced by approximately K3 billion from the original estimate of K20 billion to K17 billion to the end of the financial year. The major explanation of the drop in budget support is due to the fall in support from the DFID and the European Union. Despite the drop in estimates of Budget Support, overall inflows to the Budget are projected to remain good.

Figure 8: Grants in 2010/11



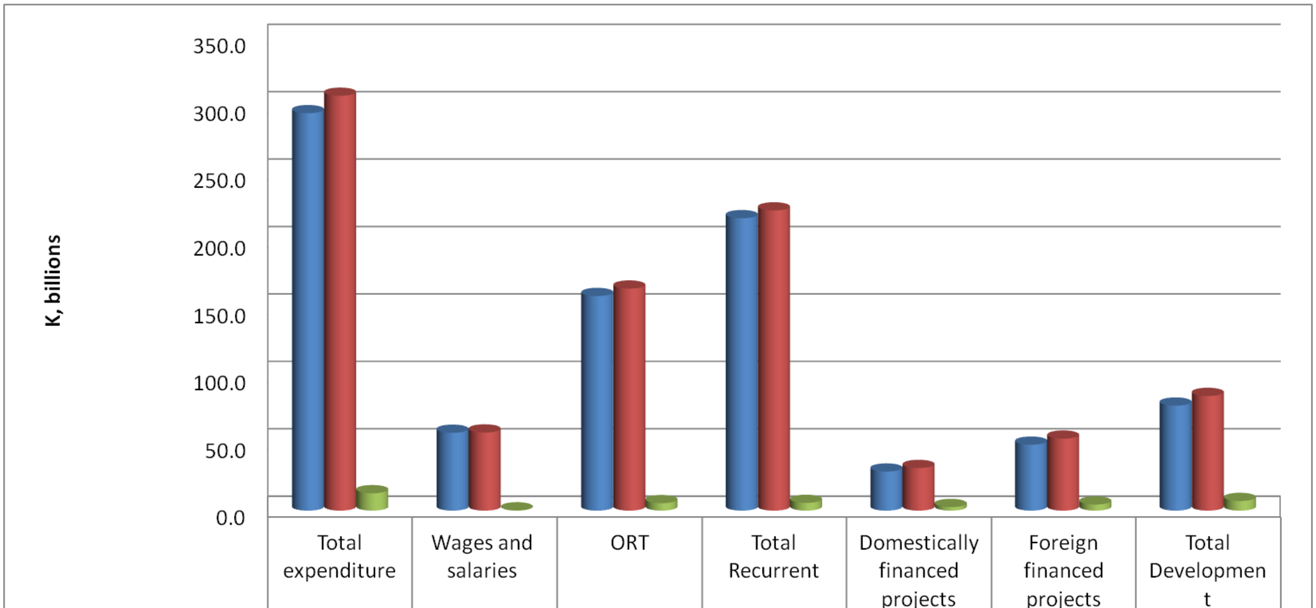
	Grants	Program	Dedicated grants	Food security	NAC inflows	Health SWAP	Education SWAp	Project Grants
2010/11 Approved	85.4	19.9	33.6	3.0	11.4	13.7	5.4	31.9
2010/11 Revised	84.3	16.8	35.7	3.8	11.1	14.2	6.6	31.9
Variance	-1.0	-3.1	2.0	0.8	-0.3	0.5	1.1	0.0

4.3 Expenditures in 2010/11 Fiscal Year

In 2010/11 Fiscal Year, total Expenditures and Net Lending were projected to be K297 billion at the approved Budget stage. Of this amount, K216.9 billion were projected to be Recurrent Expenditures comprising K57.7 billion Wages and Salaries and K159.2 billion Other Recurrent Expenditures while Development Budget Expenditures were estimated at K77.9 billion. At the Mid Year, following revisions in Revenues and Grants, total Expenditures and Net lending were as well revised upwards to K310 billion comprising K222.6 billion Recurrent Expenditures (of which K57.9 billion are Wages and Salaries and K164.7 billion are Other Recurrent Expenditures) and K85 billion Development Budget Expenditures. As at Mid Year, total Expenditures and Net Lending had underperformed. Out of a Mid Year expenditure target of K159.5 billion, only about K148.3 billion was spent leaving a balance of K11.1 billion. The major underperformance was on Development Budget Donor funded projects which underperformed by K10.8 billion. The underperformance on these projects is mainly explained by the delayed disbursements in donor inflows. It is projected that to the end of the financial year, all the delayed disbursements will be disbursed and that these projects will perform according to plan.

As a fiscal target, the intention is to repay 1.5 per cent of domestic debt as agreed with the International Monetary Fund (IMF). As a result, measures were put in place in the second half of the year to ensure access to pledged donor funds to maximize overall inflows into the Budget, and to implement measures to control spending. With the indicators that donor inflows will have increased in the course of the financial year in line with Government projections, and that spending would be contained within the projected limits, it is expected that government will achieve its goal of repaying substantial amounts of its domestic debt.

Figure 9: 2010/11 Expenditure Projections



	Total expenditure	Wages and salaries	ORT	Total Recurrent	Domestically financed projects	Foreign financed projects	Total Development
2010/11 Approved	294.8	57.7	159.2	216.9	29.0	48.9	77.9
2010/11 Revised	307.7	57.9	164.7	222.6	31.6	53.4	85.1
Variance	12.9	0.2	5.5	5.7	2.7	4.5	7.2

4.3.1 Recurrent Expenditures in 2010/11 Fiscal Year

Recurrent Expenditures in 2010/11 Fiscal Year were projected to be K216.9 billion at the beginning of the Financial Year and revised upwards to K222.6 billion at the Mid Year. As at Mid Year, Recurrent Expenditures had performed fairly within their target. Out of a Mid Year target of K120 billion, K117.5 billion had been spent leaving a balance of only K2.8 billion. The underperformance was mainly on account of NAC expenditures which had delayed because of donor inflows to those expenditures. It is projected that to the end of the financial year, expenditures will be within their target as the delayed disbursements are expected to be released within the second half of the financial year.

4.3.2 Development Budget Expenditures in 2010/11 Fiscal Year

Development Budget Expenditures in 2010/11 Fiscal Year were estimated to be K77.9 billion at the beginning of the financial year and were revised upwards to K85 billion at the Mid year in line with the projected new inflows to the Budget. As at Mid Year, Development Budget expenditures had underspent by K10.8 mainly on account of delayed disbursements on donor funded Part I projects. To the end of the financial, it is projected that these resources will come through hence the projection that these projects will perform. At the Mid Year, additional resources were added to part II projects to carter for the development of Kapichila II Power station and the Green Belt irrigation initiative.

4.4 Achievements in 2010/11 Financial Year

A number of achievements are expected to be made from the implementation of the 2010/11 Budget and these include:

- Government has successfully implemented the Farm Inputs Subsidy Program (FISP) which distributed 160,000 metric tons of fertilizers to 1.6 million farm families. The program has led to excess maize production of approximately 1.1 million metric tons;
- Government purchased maize from smallholder farmers amounting to 53,000 metric tons through ADMARC and National Food Reserve Agency (NFRA) and all this maize is stored in Strategic Grain Reserves;
- Government successfully constructed 985 Teachers Houses across the country through the Local Development Fund (LDF). Construction of yet another 600 Teachers Houses is currently underway and this will bring the total to 1,585 within this short period;
- Government completed the construction of Liwonde Teachers Training College in Machinga, and trained 4,136 primary school teachers in Teachers Training Colleges;
- Government upgraded 24 community day secondary schools, and assisted 6,938 secondary school students through the National Bursary programme;
- Government commenced the construction of Kapichira II Power Station and within the next few months, when the construction is complete, an additional 64 Megawatts of electricity will be added to the main grid bringing the total to well beyond the current demand. This project will be complemented by the investments in the energy sector through the Millennium Challenge Cooperation (MCC);
- Government recruited and deployed to rural schools over 5,000 teachers who have are being given an incentive of rural teacher's allowance; about 37,562 teachers are receiving rural teacher's allowances of K5,000 per person per month. In an effort to reduce the pupil: teacher ratio in the country's schools, the Government rolled out double shifting classes in 544 primary schools.
- Through the Community Window - 985 Primary School Staff houses have been constructed in rural areas country-wide of which 524 staff houses are fitted with solar electricity; 471 projects implemented in various sectors; a total of 3,063 groups have been mobilised from Public Works beneficiaries (which had 58,917 members of which 61% are women), with total savings amounting to MK 92.6 million); and 10 classrooms and 2 Primary School staff houses have been reconstructed on pilot in Chitipa and Karonga under the Earthquake Response Programme;
- Through the Local Authority Window - MK 600 million in cash transfers to 250,266 beneficiaries of Public Works; and 2,387 assets created/rehabilitated;
- Through the Urban Window - 2 large scale projects were funded, with 1 completed which is Kasungu Street lighting, while a Stadium is under procurement for designers. Processes have also advanced towards financing of more projects in four rural growth centres such as Jenda in M'mbelwa District; Malomo in Ntchisi, Monkey Bay in Mangochi and Chitekesa in Phalombe;

- Through the Performance Window; 15,484 Project Management Committee members;27 District Environmental Officers; 138 members of the District Environment Sub-committee; 70 local artisans have been trained; while about MK18.4 million was used for sensitisation workshops in Local Councils; and finalisation of District Development Planning System Handbook and staff performance management system respectively;
- Government increased Basic Emergency Obstetric Care (BemOC) services from 71 to 98 facilities; trained skilled birth attendants; distributed 1,885,670 Insecticide Treated Mosquito Nets (ITN) to pregnant mothers and children under the age of 5 years; completed the construction of 75 staff houses under Umoyo Housing project; and also completed phase two of the rehabilitation of Zomba Central Hospital;
- Government also supported the training of over 752 health workers in Christian Hospitals Association of Malawi (CHAM) colleges and the Malawi College of Health Sciences through the provision of scholarship for the student's tuition, board and lodging expenses;
- Government trained 32 Business Groups in entrepreneurship and Business management; trained 86 Community Development Assistants at certificate level in Community Development by Magomero Community Development College; and facilitated formation of cooperatives across the nation;
- Criminal cases reduced from 93,420 criminal cases recorded in 2009 to 85,728 criminal cases recorded in the year 2010. Crime rate reduced from 714 criminal incidents per 100,000 people in the year 2009 to 656 criminal incidents per 100,000 population in the year 2010; number of road accidents reduced to 2,648 traffic accidents registered in 2010 compared to 2,909 traffic accidents registered in 2009 representing a 9% decrease; the police to civilian population ratio improved from 1:1,427 to 1:1,346 after recruiting 1059 police officers; there has been improved community access to victim support services through establishment of 285 community victim support improve their skills and competences.

The table below provides the details of inflows and expenditures of the 2010/11 financial year.

Table 2: 2010/11 Approved and Revised Budget (K, millions)

	2010/11 Approved	**2010/11 Revised**	***Variance between Revised and Approved***
Total revenue and grants	**287,117**	**296,908**	***9,791***
Revenue	**201,748**	**212,574**	***10,826***
Tax revenue	171,196	175,022	*3,826*
Non-tax revenue	30,552	37,552	*7,000*
Grants	**85,369**	**84,334**	***-1,035***

	2010/11 Approved	2010/11 Revised	*Variance between Revised and Approved*
Program	19,888	16,828	*-3,060*
Dedicated grants	33,630	35,655	*2,025*
Food security	3,034	3,832	*798*
NAC inflows	11,421	11,080	*-342*
Health SWAP	13,729	14,188	*459*
Education SWAp	5,446	6,555	*1,109*
Project grants	31,851	31,851	-
Total expenditure, Net lending and Direct payments	**297,084**	**309,995**	***12,910***
Total expenditure	**294,784**	**307,695**	***12,910***
Recurrent expenditure	**216,907**	**222,643**	***5,736***
Wages and salaries	57,748	57,948	*200*
Interest on debt	20,127	20,127	-
Foreign	956	956	-
Domestic	19,171	19,171	-
Goods, services and transfers	111,023	113,460	2,437
Of which Subventions	11,757	12,807	1,050
Subsidies	20,609	23,508	2,899
Social Benefits	7,400	7,600	200
Development expenditure	**77,877**	**85,052**	***7,175***
Domestic (Part II)	28,974	31,625	*2,651*
Foreign (Part I)	48,903	53,427	*4,524*
Net Lending	**2,300**	**2,300**	-
Overall balance including grants	**-9,967**	**-13,087**	***-3,119***
Total financing	**9,967**	**13,087**	***3,119***
Foreign (net)	21,036	24,948	*3,912*

	2010/11 Approved	2010/11 Revised	*Variance between Revised and Approved*
Borrowing	23,092	27,004	*3,912*
Program	6,040	5,428	*-612*
Project Loans	17,052	21,576	*4,524*
Amortisation	-2,056	-2,056	*0*
Domestic (net)	-11,919	-11,861	*58*

5. Estimates of Revenues and Expenditures for 2011/12, 2012/13 and 2013/14 Fiscal Years

Summary

- The 2011/12 budget is a break from the past, with government shifting a greater proportion of resources away from on-going recurrent expenditures towards development part II expenditures expected to make a lasting developmental impact;
- Domestic revenues will grow strongly as government implements measures that will increase revenue-generating capacity. Government anticipates receiving K204 billion in tax revenues and K39 billion in non-tax revenues;
- Expenditures and net lending will grow at around 2 per cent, lower than in recent years. This continues the stable fiscal policies employed by government and helps repay a significant amount of domestic debt;
- Government will focus resources in priority areas of Education, Health, Energy and Transport, especially on capital investments;
- Reforms to the budget this year include the revitalization of the Medium Term Expenditure Framework (MTEF), hence, the Budget has outlays for the two outer years of 2012/13 and 2013/14 Fiscal Years;
- Expenditure allocations in the Budget are based on the MGDS II.

5.1 Introduction

The preparation of the 2011/12 Budget has taken on board three basic tenets, namely: the macroeconomic outlook; priorities of the MGDS II; and Budget reforms. Under macroeconomic outlook, the preparation of the Budget has considered prospects and outlook in the global, sub regional and domestic economy. At the global level, the world economy is projected to grow by 4.4 per cent driven by relatively higher growth rates in emerging and developing economies. In the Sub Saharan Africa region, the economies are projected to grow by 5.5 per cent mainly emanating from high growth rates in oil and mineral rich countries of the region. The Malawi economy is projected to grow at 6.9 per cent in 2011. Inflation is expected to remain in single digit at 7 per cent while bank lending rate is forecasted to remain stable at 13 per cent. Foreign and domestic debt levels are also expected to remain at their current low levels with planned repayments to be achieved.

Under the MGDS II priorities, the 2011/12 Budget will be aligned to the priorities of the MGDS II. These priorities include: Agriculture and Food Security; Energy Generation and Supply; Transport Infrastructure and Nsanje World Inland Port; Mining, Tourism, Industrial Development and Trade; Education, Science and Technology; Public Health, Sanitation, Malaria and HIV/AIDS Management; Integrated Rural Development, Green Belt Irrigation and Water Development; Child Development, Youth Development and Empowerment; and Climate

Change, Natural Resources and Environmental Management. Alongside these prioritises, the Budget is also tailored to ensure that there is restoration of external equilibrium by addressing key issues relating to supply and demand of foreign exchange; ensuring internal equilibrium which contains aggregate demand and inflationary pressures while shifting demand towards domestic output; sustaining fiscal space through increased allocations in pro-poor expenditures of health, education and agriculture and food security; and building competitiveness of the local industries through various fiscal policy measures.

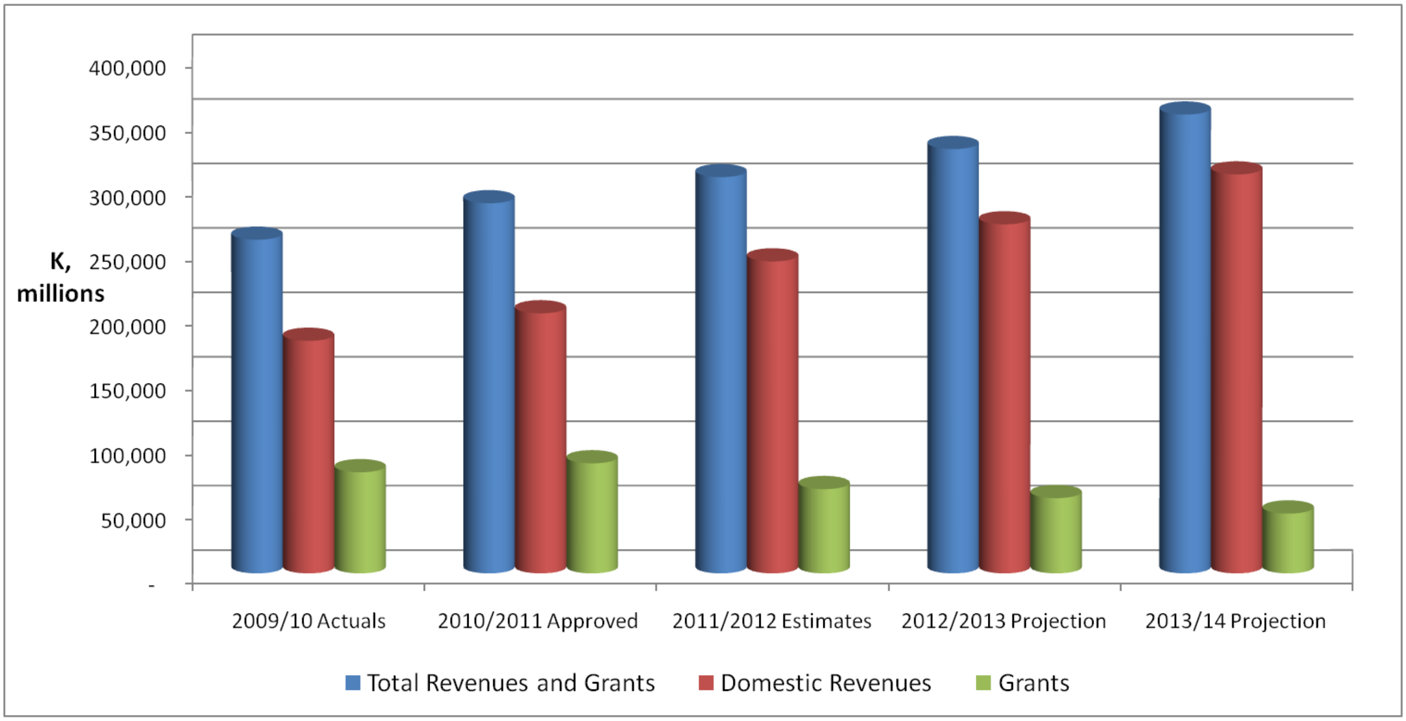
Under Budget Reforms, first and foremost, the 2011/12 Budget is prepared in the context of a Medium Term Expenditure Framework. Thus, apart from providing expenditure details for the 2011/12 Budget, outlays for the two outer years, namely, 2012/13 and 2013/14 have also been provided. Outlays for the two outer years will be approved in their respective Budget Sessions, however, they have been provided in the 2011/12 Budget documentation for comparisons and referencing. Secondly, the 2011/12 Budget has paid particular attention to the Development Budget especially Part II Development Budget expenditures. The 2011/12 Budget has allocated more resources in these projects so that infrastructure development in the country is accelerated in 2011/12 Budget. Thirdly, both the Revenue and Expenditure projections have been underpinned by specific measures to enhance revenue collection and contain Government expenditures respectively. These measures have been elaborated elsewhere in relevant Government circulars. Specifically on the expenditures, measures relate to:

(i) Efficient pricing of goods and services;
(ii) Control of internal and external travel;
(iii) Control on expenditures on compensations on court cases and industrial labour disputes;
(iv) Control of expenditures on wages and salaries, procurement of luxury goods and sourcing of consultancies.

5.2 Revenues and Grants for the 2011/12 Budget

Total Revenues and Grants are projected to amount to K308 billion in 2011/12 Budget up from K287 billion approved in 2010/11 Budget. In 2012/12 and 2013/2014 Fiscal Years, Total Revenues and Grants are projected to rise further to K333 billion and K360 billion respectively. Of the Total Revenues and Grants in 2011/12 Fiscal Year, K242 billion are Domestic Revenues representing 79 per cent of the Revenues and Grants and K65 billion are Grants representing 21 per cent. Comparing with the 2010/11 Fiscal Year, when contributions from Grants were 30 per cent, this means that contribution of Grants in 2011/12 Budget has fallen by about 9 per cent. Similarly, in 2012/13 and 2013/14 fiscal years, the contribution of Grants appear to be going down further as they will contribute 18 and 13 per cent only respectively. It is worth noting though that it is expected that additional confirmations of Grants for the two outer years may be made in the course of the period leading up to those fiscal years.

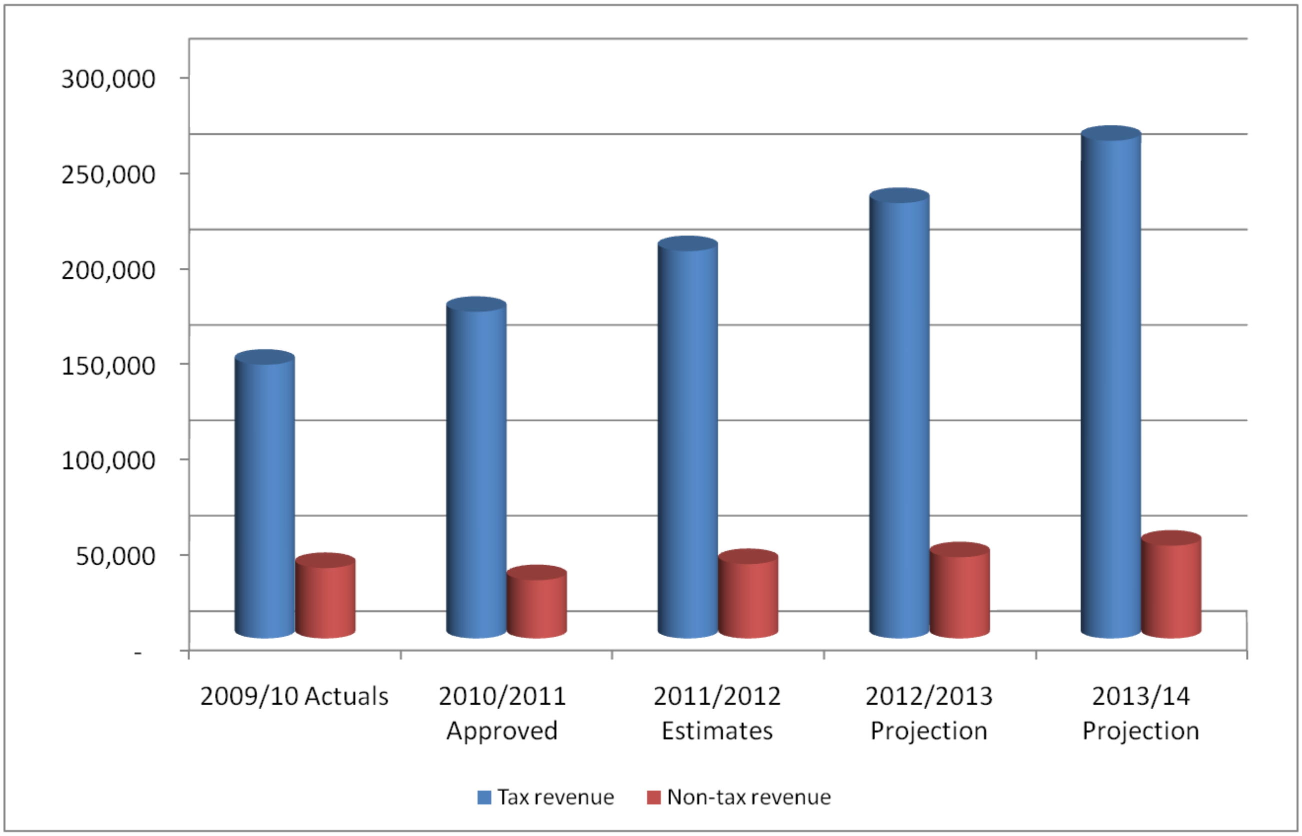
Figure 10: Tax and non-tax projections.



5.2.1 Domestic Revenues in 2011/12 Fiscal Year

Domestic Revenues in 2011/12 Fiscal Year are expected to amount to K242.5 billion. Compared to the 2010/11 Fiscal Year, projections for Domestic Revenues in 2011/12 Fiscal Year have increased by approximately K41 billion representing a 20% increase from the 2010/11 fiscal year approved projection. In 2012/13 and 2013/14 Fiscal Years, Domestic Revenues are projected to increase further to K272.7 billion and K311.7 billion respectively. In the 2011/12 Fiscal Year, Tax Revenues are projected to reach K203 billion while Non Tax Revenues will reach K39 billion. This means that 84% of total Domestic Revenues will be generated from Taxes while the remaining 16% will emanate from Non Tax Revenues. Comparing the 2011/12 fiscal year to the 2010/11 Fiscal Year, Tax Revenues have increased by K32 billion while Non Tax Revenues are increasing by K8 billion.

Figure 11: Tax and non-tax revenue projections.



In general, the proportion of Domestic Revenues to GDP has been stable over the medium-term, indicating that revenue collection is keeping pace with economic growth. It is expected that revenue will remain between 24 and 26 percent of GDP in the medium term, well above the average of 15 percent for low-income countries[1]. Government continues to put measures to ensure improved revenue collection, focusing on efficiency. Some of these measures include:

- Implementation of the Integrated Tax Administration System (ITAS) which will automate manual systems of revenue collections in MRA under Domestic taxes;
- Procurement and installation of Scanners and CCTV Cameras in Border Posts to facilitate trade, enhance compliance;
- Introduction of Electronic Tax Registers (ETRs) for domestic tax collections in private businesses;
- Increased enforcement measures on administration of taxes focusing on special sectors;
- Review of user fees and charges in some Departments and enhance their collection mechanisms; and
- Increased monitoring of revenue collecting departments to ensure proper accounting and management of revenue.

[1]Revenue Mobilisation in Developing Countries, IMF, 2011.

Table 4 below depicts the compositions of Taxes and Non Tax Revenues. As can be seen, between 2010/11 and 2013/14 fiscal years, Tax Revenues are projected to account for between 83.7 per cent and 84.9 per cent of Domestic Revenues. The balance of 15.1 per cent to 16.3 per cent is contributed by Non-Tax Revenues. The table also depicts in some kind that there will be a gradual increase in contribution of Non-Tax Revenues which are rising from 15.1 per cent in 2010/11 to 16.3 per cent in 2013/14.

Within the bracket of Tax Revenues, Table 4 demonstrates that there are two prominent sources of Tax Revenues and these are: Tax Revenues from Goods and Services which account for approximately 42 per cent of total Domestic Resources, and Income and Profit Taxes which generate between 36 and 37 per cent of total Domestic Revenues. Together, the two account for roughly between 79 or 79 per cent of total Domestic Revenues. Revenues from International Trade ranks third in the list as they account for roughly 9 per cent of total Domestic Revenues. In the Non-Tax Revenues bracket, three sources of revenues are prominent. The first are Departmental Receipts which account for 4.9 per cent of total Domestic Resources. The second are receipts for the fuel levy for the Road maintenance which account for 4.8 per cent of total Domestic Revenues. The third are receipts for the fuel levy for safety net programs such as the fertilizer subsidy program which account for 2.9 per cent of total Domestic Revenues.

Table 3: Composition of Tax and Non-Tax Revenue Sources

	2010/11 Approved	2011/12 Estimates	2012/13 Estimates	2013/14 Estimates
Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Tax revenue	84.9%	83.9%	83.7%	83.7%
Income and profits	37.4%	35.5%	35.6%	35.6%
Goods and services	41.4%	42.4%	42.0%	42.0%
International trade	9.0%	9.0%	9.1%	9.1%
Other	-3.0%	-3.0%	-3.1%	-3.1%
Non-tax revenue	15.1%	16.1%	16.3%	16.3%
Departmental receipts	4.6%	5.5%	4.7%	4.7%
Receipts from PIL for NRA	4.7%	4.8%	4.9%	4.9%
Receipts from PIL for Safety Nets	2.8%	2.8%	2.9%	2.9%
Parastatal dividends	0.9%	0.9%	0.9%	0.9%
Rural Eletrification Levy	2.1%	1.3%	2.2%	2.2%
Storage Levy	0.0%	0.7%	0.7%	0.7%

5.2.2 Grants

Grants in 2011/12 are projected to be K65 billion comprising K19.8 billion Program Grants, K26 billion Dedicated Grants and K17 billion Projects Grants. Comparing with the 2010/11 Fiscal Year, Grants in 2011/12 are generally down. The major contraction is in Dedicated Grants which have contracted by about K10 billion and Project Grants which have reduced by K15 billion.

Program Grants however are expected to increase by about K4 billion. In 2012/13 and 2013/14 Fiscal Years, current projections indicate that Grants will be K60 billion and K48 billion respectively. These projections though are not final as some commitments may be made in the course of the forthcoming financial years.

Table 4: Table 5: Breakdown of total grants (K, billion).

	09/10 Act.	10/11 Appr.	11/12 Est.	12/13 Proj.	13/14 Proj.
Grants	**78.4**	**85.4**	**63.2**	**60.3**	**48.1**
Program	34.0	19.9	19.8	19.1	19.1
Dedicated grants	18.6	33.6	28.3	32.8	25.8
Food security	3.6	3.0	2.5	2.5	2.5
NAC inflows[1]	6.7	11.4	4.8	7.2	7.2
Health SWAP[1]	8.3	13.7	10.1	10.1	10.1
Education SWAP	0.0	5.4	8.9	11.1	4.3
Roads	0.0	-	2.0	1.8	1.6
Project	25.8	31.9	17.1	8.4	3.2

1: Inflows to the NAC and Health SWAP in 2011/12 and later years are based on funds using Government systems rather than total funds as has been in the case in earlier years.

5.3 Expenditures in 2011/12 Fiscal Year

Total Expenditures and Net Lending are projected to be K304 billion in 2011/12 compared to K310 billion in 2010/11 Revised Budget Estimates meaning that total expenditures are just below the level in the 2010/11 Fiscal Year. In 2012/13 and 2013/14 Fiscal Years, total Expenditures and Net Lending are expected to increase to K320 billion and K326 billion respectively. Recurrent expenditures are up in 2011/12 Fiscal Year from K223 billion at the 2010/11 Revised Budget figures to K234 billion reflecting the Wage Creep adjustment which is part of the public service employees' conditions of service and recruitment in essential public services, increases in pensions and gratuities for those that will be retiring in the fiscal year, and a relatively small increase on running costs of Government. Development Budget Expenditures have overall gone down by K14 billion mainly on account of contraction in Development Part I projects which are funded by Development Partners. This category contracted by K22 billion from K53.4 billion in the 2010/11 Revised Budget to K29.6 billion in 2011/12. On the other hand, Part II projects which are funded by Government's own resources have increased substantially from K31.6 billion to K40.4 billion reflecting Government emphasis on investing in Development Projects.

Table 5: Expenditures (K, millions).

	2009/10 Actual	2010/11 Approved	2011/12 Estimates	2012/13 Projections	2013/14 Projections
Total expenditure	**252,197**	**294,784**	**303,714**	**319,073**	**326,194**
Recurrent expenditure	**194,089**	**216,907**	**233,828**	**254,634**	**278,359**
Wages and salaries	44,792	57,748	66,008	76,866	89,506
Interest on debt	21,498	20,127	19,795	16,691	14,982
Goods, services and transfers	99,486	110,404	114,419	120,226	130,595
Subsidies	21,937	21,229	21,606	20,145	20,199
Social Benefits	6,376	7,400	12,000	20,707	23,077
Development expenditure	**58,108**	**77,877**	**69,887**	**64,439**	**47,834**
Domestically financed projects (Part II)	25,815	28,974	40,412	47,035	44,598
Foreign financed projects (Part I)	32,293	48,903	29,475	17,404	3,237

As Table 5 above depicts, there are a number if expenditure patterns likely to be seen in the medium term. First, in line with Government's policy of improving the welfare of Civil Servants and to continue with the recruitment drive in key public service delivery areas such as those of Health, Education and Agriculture, Wages and Salaries are a growing expenditure budget line over the medium term. The wage bill is projected to rise from K57.7 billion in 2010/11 to K89.5 billion in 2013/14. Secondly, interest on debt is expected to be controlled in the medium term as it will reduce from K21.5 billion in 2009/10 to K14.98 billion in 2013/14. The key driver for this reduction is the planned restructuring of domestic debt from short- to long-term papers as well as the continuous commitment of Government to repay its domestic debt by 1.5 per cent of GDP annually.

The third expenditure line of interest is the social benefits expenditure of pensions and gratuities. This Budget line is more than trebling and almost quadrupling between 2009/10 and 2013/14, as it is rising from K6.4 billion to K23 billion respectively. The main drivers of this astronomical increase are two-fold. Firstly, there is growing retirement in some sectors of the public service with the Malawi Defence Force topping the list, and secondly Government has to begin contributing to the Pension Fund from 2012/13 in line with the New Pensions Bill. These two drivers have meant that Pensions and Gratuities expenditure have increased exponentially.

The fourth expenditure line of interest is the subsidies expenditure budget line. Over the medium term, it is expected that expenditures on subsidies will be managed and controlled around K20 billion annually. Fifth, as a group, Goods, Services and Transfers are expected to rise manageably from K99 billion in 2009/10 to K130.7 billion in 2013/14. This controlled expenditure in these items is expected to be achieved through tight fiscal expenditure management mainly arising from expenditure control measures. Sixth, the Development Part II projects are expected to rise dramatically from K25.8 billion in 2009/10 to K47.0 billion in 2012/13. The increase in Development Budget expenditures is in line with Government's policy of shifting resources from consumption to Development in order to accelerate infrastructure development in the country.

Support to Subvented Organisations

Malawi has three types of state-owned entities known as Subvented organizations or Parastatal Corporations. The first category is those parastatal entities that stand on their own and they do make profits, part of which they give to Government as dividends. The policy of Government for these entities is that they should remain profitable and continue to give Government dividends which support Government in delivering other public services. The second category of Subvented organizations are Parastatals that should normally make profits but for some reason or other, they are making loses. The policy of Government for these is that they must turn around and make profits so that they can give dividends to Government. Government sometimes turns around these entities by way of a specific intervention, monetary or otherwise. If such entities fail to turn around after various measures have been applied, as a final resort Government disposes of such entities.

The third category of Subvented organizations is those with services with a high content of social nature. Government supports these entities by allocating significantly more resources to these bodies. In particular are the public universities and other education-related institutions. The policy of Government is to continue to provide support to these entities as other revenue sources for these entities are being revised and enhanced. Ultimately, the goal of Government is to see the proportion of these other revenue sources growing strongly and much higher and faster than the subvention of Government which should eventually become very small and possible negligible. Annex 10 shows the allocations to various subvented organizations between 2009/10 and 2013/14.

Transfers to Councils

Transfers to Councils will continue to grow over the medium term, rising from K12.5 billion in 2009.10 to K20.2 billion in 2013/14. This is in line with Government policy of Decentralisation and Fiscal devolution. The number one sector that has devolved the most is the Health Sector, which has been transferring around K9 billion each in 2009/10 and 2010/11 fiscal years. It is projected that the sector will remain the most devolved sector with a K10.8 billion transfer by 2013/14 fiscal year. The second sector that is keeping pace with fiscal devolution is the education sector. In 2009/10 fiscal year, the education sector had only transferred about K988 million. By 2013/14, the sector is expected to increase its transfer to Councils by more than sixfold as it will transfer approximately K6.2 billion in that fiscal year. All the other transfers are also generally growing in line with Government's policy. Table 7 below shows the breakdown of these transfers.

Table 6: Transfer to Councils, by sector

Sector	2009/10 Approved	2010/11 Approved	2011/12 Estimates	2012/13 Projections	2013/14 Projections
Agricultural Sector	538,876,564	517,102,666	517,102,666	561,056,393	608,746,186
Education Sector	988,055,324	1,535,220,085	2,646,078,085	5,691,994,722	6,175,814,274
Health Sector	9,107,800,000	9,172,388,280	9,992,388,280	10,841,741,284	10,797,964,793
General Resource Fund	539,347,206	566,314,567	1,132,629,134	1,228,902,611	1,333,359,333
Constituency Development Fund	386,000,000	579,000,000	772,000,000	837,620,000	386,000,001
Housing	36,821,250	35,159,220	35,159,220	38,147,754	41,390,313
Trade	16,810,128	15,970,669	33,970,669	36,858,176	39,991,121
Water	35,021,100	33,478,961	33,478,961	36,324,673	39,412,270
Gender	37,367,515	63,999,339	127,120,096	137,925,304	75,341,622
Environment	56,731,997	51,897,175	51,897,175	56,308,435	61,094,652
Forestry	33,651,020	35,333,571	35,333,571	38,336,925	41,595,563
Fisheries	74,335,920	70,330,959	70,330,959	76,309,091	82,795,363
OPC-NRB	40,000,003	38,534,377	38,534,377	41,809,799	45,363,632
Labour	31,230,607	30,271,235	30,271,235	32,844,290	35,636,055
Rehabilitation of City Roads	600,050,000	360,000,000	360,000,000	390,600,000	360,000,001
Immigration	-	30,000,003	30,000,000	32,550,000	30,000,004
Irrigation	-	84,500,000	84,000,000	91,140,000	84,000,001
OVOP	-	18,000,000	-	-	-
Total	**12,522,098,634**	**13,237,501,106**	**15,990,294,429**	**20,170,469,455**	**20,238,505,182**
Of Which Leave Grants	-	644,709,931	632,587,920	644,709,931	644,709,932

6. Malawi Growth and Development Strategy and the National Budget

Summary

- Development planning for Malawi is based on three documents: the Vision 2020, the Malawi Growth and Development Strategy, and the National Budget. Each document reflects a level of planning: long-term, medium-term, and short-term, respectively.
- The second Malawi Growth and Development Strategy is soon to be completed, and will form the basis for planning for the next five years;
- The outcomes of the MGDS will be achieved through the implementation of the outputs that are detailed in the Output Based Budget.

6.1 Introduction

Development planning in Malawi is at three levels: long, medium and short term. In the long term, the country has the Vision 2020 which spells out the vision and aspirations of Malawians by the year 2020. It pictures out what Malawi as a nation aspires to become in the year 2020. The vision outlines what the country, economy and its people envisage in the year 2020 together with all the various sectors. In the international development arena, the Vision 2020 is complemented by the Millennium Development Goals (MDGs) of the United Nations (UN).

In the medium term, the country is guided by the Malawi Growth and Development Strategy. The MGDS is the overarching development strategy for the country and its main objective is to reduce poverty in the country through sustainable economic growth and infrastructure development. The first edition of the MGDS was for the period 2005/6 to 2010/11, and in this vision, six priority areas were emphasized and these included: Agriculture and Food Security, Irrigation and Water Development, Transport Infrastructure Development, Energy Generation and Supply, Integrated Rural Development, and Prevention and Management of Nutrition Disorders, HIV and AIDS.

The second edition of the MGDS is between 2011/12 to 2015/16 and its Key Priority Areas (KPAs) are broadened as: Agriculture and Food Security; Energy Generation and Supply; Transport Infrastructure and Nsanje World Inland Port; Mining, Tourism, Industrial Development and Trade; Education, Science and Technology; Public Health, Sanitation, Malaria and HIV/AIDS Management; Integrated Rural Development, Green Belt Irrigation and Water Development; Child Development, Youth Development and Empowerment; and Climate Change, Natural Resources and Environmental Management.

Apart from these KPAs, the MGDS also has five thematic areas which include: Sustainable Economic Growth, Social Protection and Disaster Risk Management, Social Development, Infrastructure Development, and Improving Governance. In each of these key priority areas and thematic areas, the MGDS has key objectives, outcomes, outputs, strategies, actions, costs and indicator targets which spells out exactly what needs to be done, by when, using how much resources, what is to be achieved and its measurable targets. The MGDS is to be used by all policy makers and practitioners in the country, therefore making it a single reference document for all development programs in the country.

In the short term, the country has the National Budget. As per the conventional definition, the national Budget is a financial plan for the nation for a fiscal year which shows the resources to be secured and the expenditures to be made. The Budget in Malawi draws its plans from the MGDS and in turn the MGDS feeds into the MDG goals and the Vision 2020. In this regard, the National Budget is the single most important instrument through which all development plans in the medium to long term in the country are achieved. As an Output-based budget, the Malawi Budget translates all the plans and aspirations of the MGDS, MDG goals and Vision 2020 into annual implementation plans of these issues, hence, they are all linked to each other.

6.2 Linkage between Budget and MGDS Themes

Table 7 below shows the linkage between the National Budget and the MGDS themes. As can be depicted, expenditures under Social Development, which predominantly includes education and health, are on the lead at around 35 per cent followed by expenditures in Improving Governance at 24 per cent, Sustainable Economic Growth at 15 per cent, Infrastructure Development at 12 per cent, and Social Protection in that order at 0.2 per cent. Statutory and Unforeseen expenditure, of which the largest expenditure is on Pensions and Gratuities, account for around 14 per cent of the Budget. This underlines the emphasis that the MGDS has placed on education and health sectors.

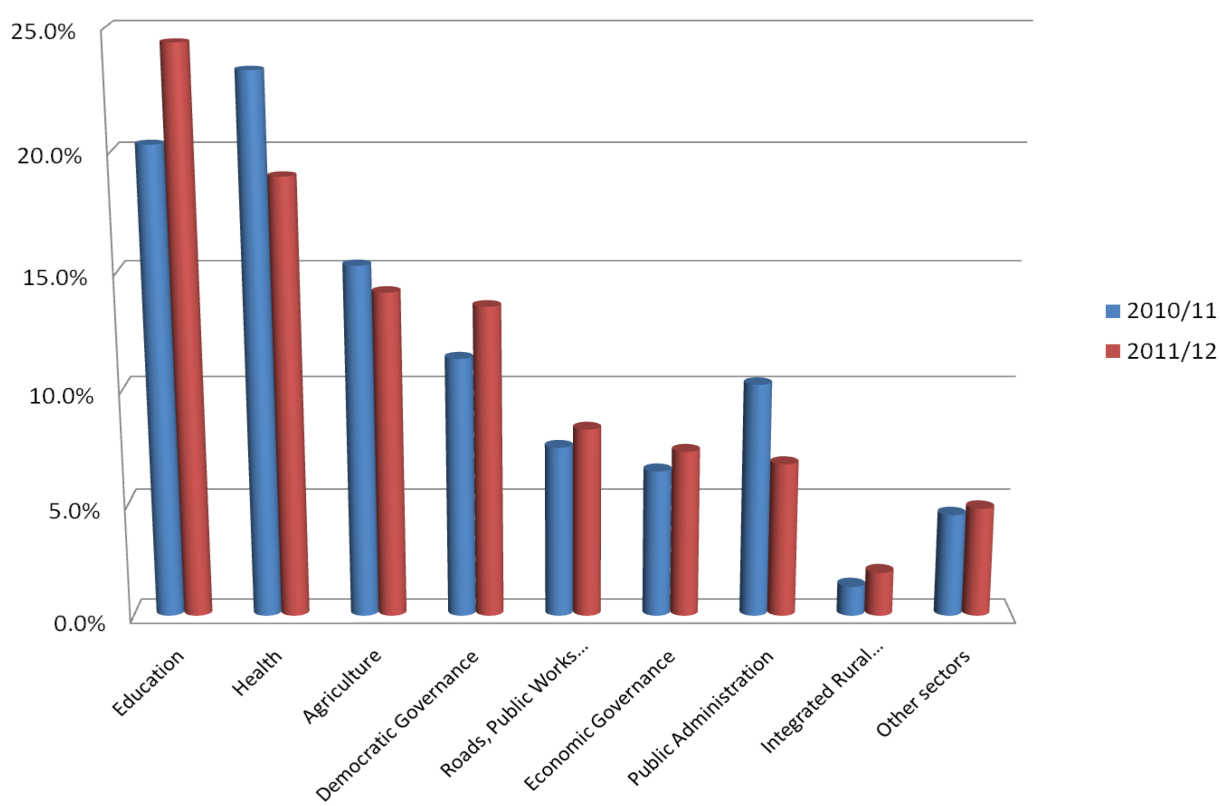
Table 7: Expenditures by theme as percentage of total government-allocated expenditure (PE, ORT and Development Part II).

Theme	10/11 Appr.	11/12 Est.	12/13 Proj.	13/14 Proj.
Sustainable Economic Growth	16.1%	15.8%	14.3%	12.9%
Social Protection	0.2%	0.2%	0.2%	0.2%
Social Development	34.8%	35.7%	35.9%	35.5%
Infrastructure Development	10.9%	12.7%	12.7%	13.0%
Improving Governance	24.0%	21.3%	22.2%	24.2%
Statutory and unforseen Expenditures	14.0%	14.2%	14.7%	14.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

6.3 Linkage of the Recurrent Budget with Sector Spending

Figure 3 below depicts allocations to varying sectors in 2010/11 and 2011/12 Budgets. As can be depicted, the largest allocation in the recurrent budget in 2011/12 has gone to the education sector. In 2010/11 fiscal year, education was allocated just over 20 per cent of the recurrent budget. In 2011/12, the allocation towards the education sector has increased radically to 24 per cent. This is in line with the commitment of Government through the National Education Sector Policy (NESP) which requires that Government must allocate at least 20 per cent of the Recurrent Budget towards the education sector. Figure 3 shows that the Health Sector is the second largest sector in terms of allocations. The sector accounts for 23.3 per cent in 2010/11 and this moves to 19.0 per cent in 2011/12. Again, these allocations are in line with Government policy which requires that at least 15 per cent of the budget should be allocated towards the Health Sector. The third largest sector is the agriculture sector which has been allocated 15.3 per cent and 14.1 per cent in 2010/11 and 2011/12 respectively. In both these years, the allocations to agriculture are more than the 10 per cent requirement under the African Union. The Democratic Governance sector is the fourth in terms of allocations and has a rising trend in line with Government policy.

Figure 12: Sector allocations as percentage of total recurrent expenditures



7. Priority Outputs for Selected Ministries

Since 2009/10 financial year, the Financial Statement has contained information on outputs of selected ministries. The idea behind this is to present performance of selected Ministries as to how well they are delivering on their outputs. These outputs were selected by the respective Ministries and are assessed by the Ministries themselves. For 2010/11 fiscal year, five Ministries were selected for the start and these include: Health; Education, Science and Technology; Agriculture and Food Security; Transport and Public Infrastructure; and Irrigation and Water Development. Plans are to gradually include more Ministries and Departments in future. The Output Based Budget document however, contains more details for all Ministries and Departments regarding their outputs and level of achievement.

7.1 Priority Outputs for Ministry of Health

The Ministry of Health has identified the following targets as priorities on which assessment is done. Below is the performance for 2010/11 financial year and targets for the coming financial years. As can be seen, performance seen in 2010/11 is mixed.

Ministry of Health		
Output	**Proportion of births attended by skilled health personnel increased**	
Objective it contributes to	To reduce maternal and neonatal mortality to 155 per 100,000 live births by 2016;	
2010/11 Target	75% of births attended by skilled personnel.	**TARGET NOT MET**
2010/11 Preliminary Results	31% of births attended by skilled personnel.	
2011/12 Planned	76% of births attended by skilled personnel.	
2012/13 Projection	77% of births attended by skilled personnel.	
2013/14 Projection	78% of births attended by skilled personnel.	
Output	**Proportion of children immunized against measles increased**	
Objective it contributes to	To reduce incidence of measles among children	
2010/11 Target	88% of children immunized.	**TARGET NOT MET**
2010/11 Preliminary Results	43% of children immunized.	
2011/12 Planned	89% of children immunized.	
2012/13 Projection	89% of children immunized.	
2013/14 Projection	90% of children immunized.	
Output	**Number of persons 15-49 receiving HTC and serostatus results increased**	
Objective it contributes to	To reduce incidence and prevalence of HIV and Aids	
2010/11 Target	1,000,000 persons reached.	**TARGET NOT MET**
2010/11 Preliminary Results	510,955 reached.	

2011/12 Planned	2,200,000 reached.	
2012/13 Projection	2,200,000 reached.	
2013/14 Projection	2,200,000 reached.	
Output	**Number of HIV-positive persons accessing ART increased**	
Objective it contributes to	To reduce incidence and prevalence of HIV and Aids	
2010/11 Target	208,000 people accessing ART.	**TARGET MET**
2010/11 Preliminary Results	250,987 people accessing ART.	
2011/12 Planned	359, 700 people accessing ART.	
2012/13 Projection	393,200 people accessing ART.	
2013/14 Projection	409, 900 people accessing ART.	
Output	**Malaria morbidity rate and in-patient fatality rate reduced**	
Objective it contributes to	To reduce malaria incidence	
2010/11 Target	Malaria morbidity rate at 3.2 per cent	**TARGET MET**
2010/11 Preliminary Results	Malaria morbidity rate at 3 per cent	
2011/12 Planned	Malaria morbidity rate at 2.5 per cent	
2012/13 Projection	Malaria morbidity rate at 2 per cent	
2013/14 Projection	Malaria morbidity rate at 2 per cent	
Output	**TB cure rate increased**	
Objective it contributes to	To reduce TB prevalence rate	
2010/11 Target	86 per cent of TB cases cured.	**TARGET MET**
2010/11 Preliminary Results	85 per cent of TB cases cured.	
2011/12 Planned	86 per cent of TB cases cured.	
2012/13 Projection	87 per cent of TB cases cured.	
2013/14 Projection	87 per cent of TB cases cured.	
Output	**Proportion and number of infrastructure and facilities providing EHP services increased**	
Objective it contributes to	To improve access to essential health care services	
2010/11 Target	60% (345/575)	**TARGET MET**
2010/11 Preliminary Results	74% (420/575)	
2011/12 Planned	75% (430/575)	
2012/13 Projection	80% (430/476)	
2013/14 Projection	85% (495/579)	

7.2 Priority Outputs for Ministry of Education, Science and Technology

The Ministry of Education, Science and Technology has identified the following five outputs as key priorities in 2011/12. In 2010/11, the Ministry had some success on all of the targets below, and better results are expected in the coming year.

<table>
<tr><th colspan="3">Ministry of Education, Science and Technology (MoEST)</th></tr>
<tr><td>Output</td><td colspan="2">• Increase female enrollment and reduced dropout.
• Gender parity achieved in enrollment of females at all levels of education.</td></tr>
<tr><td>Objective it contributes to</td><td colspan="2">To ensure gender issues are mainstreamed in education activities.</td></tr>
<tr><td>2010/11 Target</td><td>• Two girls’ hostel blocks constructed.
• The GPI enrolment for all levels of education moves in the direction of 1.0</td><td rowspan="2">TARGET PARTIALLY MET</td></tr>
<tr><td>2010/11 Preliminary Results</td><td>18 girls’ hostels built.
The GPI enrolment (EMIS data):
• Primary remained at 1.01;
• Secondary improved from 0.79 to 0.81;
• Teacher Training Colleges dropped from 0.72 to 0.63;
• Technical Colleges dropped from 0.56 to 0.22;
• Universities improved from 0.52 to 0.64.</td></tr>
<tr><td>2011/12 Planned</td><td colspan="2">• Build 15 girls’ hostels.
• Build 10 Matron’s houses.
• The GPI enrollment for all levels of education to move towards 1.0</td></tr>
<tr><td>2012/13 Projection</td><td colspan="2">• Build 20 girls’ hostels.
• The GPI enrollment for all levels of education to move towards 1.0</td></tr>
<tr><td>2013/14 Projection</td><td colspan="2">• Build 20 girls’ hostels.
• The GPI enrollment for all levels of education to move towards 1.0</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>Output</td><td colspan="2">Increased number of teachers and learners accessing HIV Counseling & Testing (HCT) services.</td></tr>
<tr><td>Objective it contributes to</td><td colspan="2">To fight the HIV/AIDS pandemic and reduce its impact on school and society.</td></tr>
<tr><td>2010/11 Target</td><td>2500 teachers and learners access HCT services</td><td rowspan="2">TARGET MET</td></tr>
<tr><td>2010/11 Preliminary Results</td><td>Approximately 2500 accessed HCT services.</td></tr>
<tr><td>2011/12 Planned</td><td colspan="2">2750 teachers and learners access HCT services.</td></tr>
<tr><td>2012/13 Projection</td><td colspan="2">3000 teachers and learners access HCT services.</td></tr>
<tr><td>2013/14 Projection</td><td colspan="2">3250 teachers and learners access HCT services.</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>Output</td><td colspan="2">Increased capacity to inspect institutions and respond to inspection reports.</td></tr>
<tr><td>Objective it contributes to</td><td colspan="2">To strengthen education management and governance at all levels.</td></tr>
<tr><td>2010/11 Target</td><td>• 50 per cent of vacant inspectorate posts filled;
• At least 15 per cent of all types of education institutions inspected.</td><td rowspan="2">TARGET MET</td></tr>
<tr><td>2010/11 Preliminary Results</td><td>• At least 20 per cent of all institutions inspected.
• 40 per cent of vacant inspectorate posts filled.</td></tr>
<tr><td>2011/12 Planned</td><td colspan="2">• At least 20 per cent of all institutions inspected.
• 60 per cent of vacant inspectorate posts filled.
• Design and implement a response mechanism for inspection findings.</td></tr>
</table>

2012/13 Projection	• At least 25 per cent of all institutions inspected. • 70 per cent of vacant inspectorate posts filled. • Response mechanism for inspection findings in use.	
2013/14 Projection	• At least 25 per cent of all institutions inspected. • 80 per cent of vacant inspectorate posts filled. • Response mechanism for inspection findings in use.	
Output	• **Build teachers' houses and primary classrooms;** • **Rehabilitate secondary schools, CDSSs and technical colleges.**	
Objective it contributes to	To widen equitable access to all levels of education for every child and youth in Malawi.	
2010/11 Target	• Rehabilitate 20 secondary schools; • Rehabilitate 10 CDSSs; • Rehabilitate 5 technical colleges; • Construct 400 new primary classrooms.	**TARGET PARTIALLY MET**
2010/11 Preliminary Results	924 primary classrooms and 240 Teachers' houses built.	
2011/12 Planned	• Rehabilitate 6 secondary schools and 6 CDSSs. • Rehabilitate 2 technical colleges.	
2012/13 Projection	Build 200 teacher houses and 2,075 classrooms.	
2013/14 Projection	Build 250 teacher houses and 2,144 classrooms.	
Output	**Reduce the Pupil to Qualified Teacher Ratio (PQTR) by deploying newly graduated teachers to rural primary schools**	
Objective it contributes to	To improve quality and relevance of education provided at all levels.	
2010/11 Target	75 per cent of newly graduated teachers deployed to the rural areas.	**TARGET MET**
2010/11 Preliminary Results	• 100 per cent of newly graduated teachers were deployed to the rural areas. • PQTR reduced from 1:92 in 2008-9 to 1:91 in 2009-10.	
2011/12 Planned	Deploy 90 per cent of newly graduated teachers to the rural areas.	
2012/13 Projection	Deploy 90 per cent of newly graduated teachers to the rural areas.	
2013/14 Projection	Deploy 90 per cent of newly graduated teachers to the rural areas.	

7.3 Priority Outputs for Ministry of Agriculture and Food Security

The challenging outputs that the Ministry of Agriculture and Food Security has chosen are below. The Farm Input Subsidy Programme remains a key activity.

Ministry of Agriculture		
Output	**Increased area under conservation agriculture**	
Objective it contributes to	Reduce land degradation	
2010/11 Target	493,650 hectares under conservation agriculture	**TARGET NOT MET**
2010/11 Preliminary Results	100,000 hectares under conservation agriculture	
2011/12 Planned	100,000 hectares under conservation agriculture	
2012/13 Projection	500,000 hectares under conservation agriculture	
2013/14 Projection	500,000 hectares under conservation agriculture	

Output	Good agricultural practices promoted	
Objective it contributes to	Food self-sufficiency and sustained availability	
2010/11 Target	1,800 farmer groups trained in agricultural good practices	**TARGET NOT MET**
2010/11 Preliminary Results	1,000 farmer groups trained in agricultural good practices	
2011/12 Planned	200 farmer groups trained in agricultural good practices	
2012/13 Projection	1,800 farmer groups trained in agricultural good practices	
2013/14 Projection	1,800 farmer groups trained in agricultural good practices	

Output	Animal disease control, vaccination and dipping intensified	
Objective it contributes to	Increase livestock and fish production	
2010/11 Target	20,000 dairy animals treated	**TARGET NOT MET**
2010/11 Preliminary Results	5,000 dairy animals treated	
2011/12 Planned	5,000 dairy animals treated	
2012/13 Projection	20,000 dairy animals treated	
2013/14 Projection	20,000 dairy animals treated	

Output	Fisheries management and acquaculture production improved	
Objective it contributes to	Increase livestock and fish production	
2010/11 Target	200 smallholder level fish ponds constructed	**TARGET NOT MET**
2010/11 Preliminary Results	100 smallholder level fish ponds constructed	
2011/12 Planned	50 smallholder level fish ponds constructed	
2012/13 Projection	200 smallholder level fish ponds constructed	
2013/14 Projection	200 smallholder level fish ponds constructed	

Output	Input Subsidy Programme implemented	
Objective it contributes to	Increase smallholder farmers' output per unit area	
2010/11 Target	160,000 metric tons of fertilizers distributed to 1.6 million farm families	**TARGET MET**
2010/11 Preliminary Results	160,000 metric tons of fertilizers distributed to 1.6 million farm families	
2011/12 Planned	140,000 metric tons of fertilizers distributed to 1.4 million farm families	
2012/13 Projection	160,000 metric tons of fertilizers distributed to 1.4 million farm families	
2013/14 Projection	160,000 metric tons of fertilizers distributed to 1.4 million farm families	

7.4 Priority Outputs for Ministry of Transport and Public Infrastructure

The key priorities for the Ministry of Transport and Public Infrastructure are based around improving the transport networks and encouraging greater public participation in decisions relating to the networks.

Ministry of Transport	
Output	**Public participation in national development activities promoted**

Objective it contributes to	To promote competition within and between modes	
2010/11 Target	Stakeholder meetings conducted	MET
2010/11 Preliminary Results	• 6 stakeholder meetings conducted on development of MDGS II • Sena corridor master plan study and on TSIP	
2011/12 Planned	• Review the national transport policy; • Develop the transport sector strategic plan; • Development of a Multimodal Transport Programme; • Resuscitation of the Shippers Council to provide oversight on cross border trade.	
2012/13 Projection	• Development of a Multimodal Transport Programme • Resuscitation of the Shippers Council to provide oversight on cross border trade.	
2013/14 Projection	• Development of a Multimodal Transport Programme , • Resuscitation of the Shippers Council to provide oversight on cross border trade.	
Output	**Rail transport network improved**	
Objective it contributes to	To improve operational efficiency and commercial viability of railway companies	
2010/11 Target	Establishment of railway unit and rehabilitation of 10 Km of rail way network and conducting 12 inspections	PARTIALLY MET
2010/11 Preliminary Results	• 5 km of rail was rehabilitated • Railway Unit established	
2011/12 Planned	• Review of rail act • Conducting bi- annual safety inspection and audit • Review the concession agreement • Rehabilitation of 20km rail truck and 5 bridges	
2012/13 Projection	• Concessioning of railway line • Rehabilitating of 50km Limbe-Makhanga rail line	
2013/14 Projection	• Rehabilitation of Salima-Balaka rail line • Inspections and audit and train staff in rail safety	
Output	**Improved road network**	
Objective it contributes to	To improve the quality of the road network.	
2010/11 Target	• Conduct 100 supervisory visits to enforce standards; • Train road foremen ; • Monitor and supervise the activities and performance of roads agencies such as roads authority and local councils	NOT MET
2010/11 Preliminary Results	Conducted 64 supervisory visits	
2011/12 Planned	• Train road construction foremen • Regulate road construction and maintenance • Monitor and supervise the activities and performance of roads agencies such as roads authority and local councils.	
2012/13 Projection	• Undertake a research in construction materials related problems • Monitor and supervise the activities and performance of roads agencies such as roads authority and local councils	
2013/14 Projection	Monitor and supervise the activities and performance of roads agencies such as roads authority and local councils	
Output	**Active inland shipping network in local and international shipping fully developed**	
Objective it contributes to	To encourage the private sector to promote the development and operation of an economically and socially justified transport system for lakes and major rivers	

2010/11 Target	• Planned to fully develop 5 ports in Malawi; • Number of navigation equipment installed	NOT MET
2010/11 Preliminary Results	• Port development incomplete • Procurement process is under way to procure 29 navigation aids	
2011/12 Planned	• Conduct feasibility study of shire-Zambezi water way and building of port handling structures. • Construction of Likoma jetty and rehabilitation of Nkhata bay jetty.	
2012/13 Projection	Rehabilitation of Nkhotakota jetty and procurement of 4 patrol boats	
2013/14 Projection	Rehabilitation of all the six ports	
Output	**Efficiency and competitiveness of air transport improved**	
Objective it contributes to	To enhance the provision of orderly, safe, and reliable and efficient services and encouraging private sector participation in the aviation industry	
2010/11 Target	• 3km of KIA runway rehabilitated; • 5 Airports rehabilitated and operational	PARTIALLY MET
2010/11 Preliminary Results	2.5km of KIA runway rehabilitated	
2011/12 Planned	• Concrete of pre-thresholds of both runways; • Concrete areas for taxiways and aprons. • Runway, taxiway and aprons rehabilitated • 3 fire-fighting equipment procured	
2012/13 Projection	Airports operation automated	
2013/14 Projection	Airports operation automated	

7.5 Priority Outputs for Ministry of Irrigation and Water Development

The Ministry of Irrigation and Water Development has identified the outputs below as priorities for 2011/12.

Ministry of Irrigation and Water Development		
Output	**Increase area under irrigation farming to 200,000 ha by 2016 (6% annual growth rate at a minimum)**	
Objective it contributes to	To contribute to economic growth and development by enhancing irrigated agriculture production for food security and export	
2010/11 Target	Develop 2247 hectares in 1292 schemes; Rehabilitate 81 schemes covering 3116 Hectares; Develop 2613 farmer groups.	NOT MET
2010/11 Preliminary Results	1408 hectares were developed in 101 schemes; 22 schemes were rehabilitated covering 1705 hectares; 1041 farmer groups were formed	
2011/12 Planned	Develop 3559 hectares of irrigated land using various technologies; Construct 37km canal	
2012/13 Projection	Develop 3000 hectares of irrigated land using various technologies	
2013/14 Projection	Develop 3000 hectares of irrigated land using various technologies	
Output		
Objective it contributes to	To achieve universal access to improved sanitation and safe hygiene practices, while ensuring sustainable environmental management for economic growth.	
2010/11 Target	Construct 1400 Sanitation and Hygiene Units	

2010/11 Preliminary Results	1266 villages triggered for Community Led Total Sanitation, 495 villages attained Open Defecation Free status; Constructed 285 Latrines in different schools in the impact districts; Trained 1570 teachers in 3KHP in different schools	
2011/12 Planned	1266 villages triggered for Community Led Total Sanitation, 495 villages to attain Open Defecation Free status; Construct 285 Latrines in different schools in the impact districts; Train 1570 teachers in 3KHP in different schools	
2012/13 Projection	1200 villages triggered for Community Led Total Sanitation, 400villages to attain Open Defecation Free status; Construct 285 Latrines in different schools in the impact districts; Train 1570 teachers in 3KHP in different schools	
2013/14 Projection	1200 villages triggered for Community Led Total Sanitation, 300villages to attain Open Defecation Free status; Construct 285 Latrines in different schools in the impact districts; Train 1570 teachers in 3KHP in different schools	
Output	**Increased access to safe water (90% urban & peri urban, 75% town & market centres, 80% rural by 2016)**	
Objective it contributes to	To increase availability and accessibilty of potable water	
2010/11 Target	Construct 716 Boreholes, Make New connections, Construct and Rehabilitate 12 Water Supply Schemes	PARTIALLY MET
2010/11 Preliminary Results	Contruct 560 boreholes, Rehabilitate 220 boreholes, Rehabilitate 912 taps, Completed rehabilitation of Chilombwe, Kalitsiro and Lizulu gravity fed piped water supply schemes, Construction & Rehabilitation of treatment works of Mapelera, Livunzu, Mbadzi,	
2011/12 Planned	Construction of 6 water supply schemes finalised, 9 schemes rehabilitated, construction of 4 market centres water supply finalised, 4 water points & boreholes constructed, 4 WUAs formed	
2012/13 Projection		
2013/14 Projection		
Output	**Increased access to adequate and quality water resources for multipurpose use**	
Objective it contributes to	To achieve sustainable and integrated water resources management and development that make water readily available and equitably accessible to and use by all	
2010/11 Target	Construct 27 Small Earth dams, Lucheza Dam, Rehabilitate 6 Hydrological Stations, Drill 120 Boreholes	PARTIALLY MET
2010/11 Preliminary Results	Constructed 21 Small Earth Dams, Finalising Luchenza Dam, Rehabilitating 6 Hydrological Stations, Drilled 100 Boreholes	
2011/12 Planned	115 boreholes constructed, 10 boreholes rehabilitated, 9 SADC HYCOS stations installed with new hydrological equipment, 1 boat house constructed, finalise Lucheza dam, Detailed design for Songwe lower river dam produced, detailed designs for 3 dams produced	
2012/13 Projection	115 boreholes constructed, 10 boreholes rehabilitated, Songwe lower river dam constructed, 3 dams constructed	
2013/14 Projection	115 boreholes constructed, 10 boreholes rehabilitated, Songwe lower river dam finalised, 3 dams finalised	