

Budget & Finance Committee

Budget Report to the National Assembly – July 2001

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PART I INTRODUCTION

1. Budget & Finance Committee Members and Terms of Reference

1.1 The Budget and Finance Committee is appointed by the House pursuant to the Constitution to consider matters relating to the national budget and Government taxation policies.

1.2 The Committee consists of thirteen Members. The quorum for formal proceedings is seven. Members of the Committee are appointed by political parties represented in the House and are confirmed by the National Assembly. Current Members are as follows:

- ❑ Honourable Louis Joseph Chimango, MP (MCP), Chairman
- ❑ Honourable Ali Sikelo, MP (UDF), Vice Chairman

- ❑ Honourable Nelson Chuthi, MP (MCP)
- ❑ Honourable Vincent Mapesi Gondwe, MP (AFORD)
- ❑ Honourable Patrick Feckson Katsanga, MP (UDF)
- ❑ Honourable W.A. Makala Ngozo, MP (MCP)
- ❑ Honourable Henry Midiani, MP (UDF)
- ❑ Honourable Henry Mlaliki, MP (UDF)
- ❑ Honourable Thomas J.M. Mnesa, MP (UDF)
- ❑ Honourable Daniel Kerium Mphunga, MP (MCP)
- ❑ Honourable Yakub Osman, MP (UDF)
- ❑ Honourable Mwetseni Yetala, MP (UDF)
- ❑ Honourable Godfrey Zulu, MP (AFORD)

- ❑ Mr. Lawson Chitseko, Senior Clerk Assistant, Secretary

1.3 Terms of Reference of the Committee are as follows:

- ❑ Familiarise the Committee with the budget and reports on economic issues, statistical information, international agreements, financial reports, and reports on economic and policy statements.
- ❑ Sharpen public awareness of the budget and Government financial and economic policies, and encourage informed debate on the budget.
- ❑ Advise the National Assembly on Government's domestic and international borrowing policies.
- ❑ Study Government taxation policies and advise accordingly.
- ❑ Report findings to the National Assembly.

- Seek advice from the Minister of Finance and Economic Planning, and other officials, on financial and other matters.
- Review bills with financial and budget implications and any other matter that the House may refer to the Committee.

1.4 The Committee's objectives are as follows:

- Ensure the best use of Malawi's scarce financial resources for reducing poverty and stimulating economic development.
- Increase public confidence in processes by which difficult decisions about the budget are made.
- Strengthen political will to target and control public spending.

2. Acknowledgements

2.1 Before the Committee submitted its Pre-Budget Report in June, the Committee solicited advice and recommendations from spokespersons representing 48 civic organisations with expertise on agriculture, education, health, private sector interests, consumer interests, the Poverty Reduction Strategy Paper (PRSP), and donor debt relief. After the budget was tabled, the Committee solicited additional public input through newspaper advertisements and electronic mail, and held one more public hearing. Testimony and written submissions received since the budget was tabled reflect the same interests and priorities as public input received before the Committee submitted the Pre-Budget Report. The Committee thanks constituents and civic organisations for their thoughtful interventions. We believe this Report will serve their interests. (See the Pre-Budget Report for a list of civic organisations consulted by the Committee.)

2.2 The Committee thanks Members from the Agriculture and Irrigation, Commerce, Industry and Tourism, Education, Health, and Legal Affairs Committees of Parliament who have participated in our deliberations from March through June. We are most encouraged by their commitment to collaborating with us on budget issues. This is a major step forward in the development of the committee system. (See the Pre-Budget Report for a list of participating Members from other Committees.)

2.3 The Committee thanks the Minister of Finance and Economic Planning for his patience with our persistent questions and observations, and for his kind recognition of our efforts in his Budget Statement. The Minister has won the confidence of the Committee in his interest in working with Parliament and the Committee. We trust that he will receive critical comments in this Report in the

constructive spirit in which they are intended. Hopefully, our input can help improve the format and content of future budgets.

2.4 The Committee thanks the U.K. Department for International Development (DFID), the U.S. Agency for International Development (USAID), and the Royal Danish Embassy for funding Committee meetings and consultants directly and/or through the National Democratic Institute for International Affairs (NDI), and thanks NDI for technical assistance and facilitation.

2.5 Parliament also facilitated our work in diverse ways. This contribution is acknowledged with appreciation.

3. Overview of the Report

3.1 This Report will assist Parliament in the debate on the budget. It should be read in conjunction with the Committee's Pre-Budget Report, June 2001. The Committee made 22 recommendations in that Report. These recommendations are listed in the Annex to this Report.

3.2 In the Pre-Budget Report, the Committee recommended increased budgets for 12 programmes in agriculture, education, health, infrastructure, and security that are most critical for poverty reduction. The Committee recommended that budgets for these 12 programmes be designated as Priority Poverty Expenditures in the Budget Documents, and be given special treatment during budget implementation.

Priority Poverty Expenditures (PPEs) are the budgets for programmes specifically designated as likely to be most effective in reducing poverty. They should be coded as such in the Budget Documents.

3.3 In the Pre-Budget Report, the Committee also recommended processes for formulating and monitoring the budget to enhance Parliament's role in appropriation and oversight, and to make the budget process more responsive to stakeholders.

3.4 PART II addresses information still needed for budget analysis and monitoring, a principal concern of the Committee and stakeholders.

3.5 PART III addresses budgets for Priority Poverty Expenditures and institutions that provide checks and balances to the power of the executive

branch of government, and help ensure accountability for use of public resources and the rule of law.

3.6 The Committee seeks Parliament's support for adoption of our recommendations by Government.

PART II BUDGET ANALYSIS AND MONITORING

4. Budget Documents Available for This Report

4.1 Budget Documents tabled on 22 June, and available to Parliament in time for consideration in this Report, are as follows:

- Document 1 Budget Statement by the Minister of Finance and Economic Planning
- Document 2 Economic Report 2001
- Document 3 Financial Statement 2001/2002
- Document 4a Draft Estimates of Expenditure on Recurrent and Capital Accounts for the Financial Year 2001/2002 (Output Based)

4.2 Publication of Document 4a reflects Government's intention to implement output-based budgeting within the Medium Term Expenditure Framework. This Document provides information on missions, objectives, and anticipated outputs of many, but not all, Ministries and Departments, and budget estimates for many, but not all, programmes and categories of expenses. The balance of this Report highlights information requested, but not provided, in Document 4a.

4.3 Budget Document 4b, Draft Expenditure on Recurrent and Capital Accounts for the Financial Year 2001/2002 (Detailed Estimates), comprises four volumes in much the same format as budgets for previous years.

- ***This Document, the primary source for detailed budget figures, was not available to Parliament as of late evening 27 June when drafting of this Report was substantially completed. This seriously constrained the Committee's work and limited the analyses provided in this Report.***

4.4 The Committee received Volume 2 of Document 4b, on 28 June, and Volume 3 on 30 June, after drafting of this Report was substantially completed. Some information from these Volumes is included in this Report. However, the Committee decided to proceed with printing a draft of this Report before a

thorough review could be completed in the interest of making a draft available in time for the debate on the Votes.

4.5 Reviewing Document 4b under any circumstances would be a daunting task. Volume 2 alone is 1126 pages long, and the budget just for the Ministry of Agriculture is 1026 pages long. Even if all four volumes of Document 4b had been available on 22 June, the ten calendar days before debate on Votes scheduled to begin on 3 July would have been insufficient for adequate analysis.

4.6 The need to scrutinize all Budget Documents is illustrated by discrepancies in estimates for development expenditures by the Ministry of Water Development found among the Documents:

- Estimates cited for the capital account vary from MK 1.682 billion in Table 3A of the Financial Statement, to MK 1.956 billion in Document 4b, to MK 2.020 billion in Document 4a, a discrepancy of MK 338 million.
 - The capital budget for the Ministry is primarily for safe drinking water systems, one of the Priority Poverty Expenditures. The Committee and stakeholders intend to monitor spending against budget for Priority Poverty Expenditures. The internal discrepancy of MK 338 million among estimates must certainly be resolved to make this feasible.
- *Time allowed between tabling of all Budget Documents for 2001/2002 and debate in Parliament on Votes is not sufficient for adequate review and analysis.*

Recommendation 1: Amend statutes and Standing Orders to mandate a minimum of 60 days between tabling of all Budget Documents and the first Vote in Parliament, and ensure that these changes are in place for the budget for 2002/2003.

5. Accountability for Priority Poverty Expenditures and Uses of HIPC Funds

5.1 Before the Committee's Pre-Budget Report was tabled, Government came to consensus with stakeholders on programmes that are priorities for poverty reduction, and designated these programmes as Priority Poverty Expenditures in the PRSP Findings to Date document. The Committee stated its concurrence with these Findings in our Pre-Budget Report.

5.2 The Committee and stakeholders recommended that these 12 programmes be specifically designated as Priority Poverty Expenditures in the Budget Documents, and accorded special treatment in budget implementation.

➤ *Budget Documents do not specifically designate Priority Poverty Expenditures.*

Recommendation 2: Explicitly define and designate the 12 Priority Poverty Expenditures as such in the Budget Documents.

5.3 To facilitate monitoring of spending and tracking of results from Priority Poverty Expenditures, the Committee and stakeholders recommended that Government present the budgets for each of the 12 programmes consolidated in one place in the Budget Documents, and easily distinguishable from other programmes within Ministry budgets.

5.4 The Committee and stakeholders also requested the following information on the 12 Priority Poverty Expenditures:

- ❑ approved and revised estimates of expenditures during 2000/2001 to provide a baseline for evaluating proposed increases
- ❑ estimated expenditures for 2001/2002
- ❑ quantifiable and verifiable outputs expected from these expenditures
- ❑ all sources of funds for each programme

5.5 Estimates for some Priority Poverty Expenditures are merged with budgets for other programmes in the Budget Documents available as of 27 June. For others, discernable information is provided only on some programme components. For most Priority Poverty Expenditures, no information is provided on actual and revised expenditures for 2000/2001, or on expected outputs. For some there is no information at all.

5.6 Illustrative examples:

- ❑ The budget for teaching and learning materials is a PPE. There is a line item in the budget for “tuition, teaching and learning materials”. Advice from the Ministry of Education, Science, and Technology was needed to ascertain that “tuition” as used in this line item means “teaching”, rather than “a fee paid for education”, the more common usage of the term.

- The budget for training front line health workers is a PPE. The Documents include the budget for training nurses, but there is no discernable information on training other types of front line health workers, e.g., health surveillance assistants.
- The Targeted Inputs Programme (TIP) is a PPE. There is no discernable information on this programme.

5.7 The limited information on Priority Poverty Expenditures discernable in Budget Documents available as of 27 June is cited in tables in Sections 9 through 14 of this Report.

- *Budget Documents do not provide the information requested for Priority Poverty Expenditures to facilitate monitoring of spending and tracking results.*

Recommendation 3: For each Priority Poverty Expenditure, provide the requested information on approved and revised estimates for 2000/2001, estimates for 2001/2002, expected results in 2001/2002, and all sources of funds.

5.8 The Committee and stakeholders recommended that Government commit to protecting Priority Poverty Expenditures by guaranteeing not to reallocate or reduce funds for these 12 programmes without prior approval of Parliament.

5.9 Requirements imposed by donors may ensure that HIPC funds are used only for purposes stipulated in advance. However, the Committee's recommendation applied not only to HIPC funds, but also to funds from all other sources allocated for Priority Poverty Expenditures. The Minister of Finance and Economic Planning says he will protect all budgeted expenditures. Given the exigencies of the cash budgeting system and continuing difficulty controlling uses of funds within Ministries, this general assurance provides little comfort.

- *Budget Documents cite no explicit protection or guarantees for funds budgeted for specific Priority Poverty Expenditures.*

Recommendation 4: Undertake that no reallocation or reduction of funds for Priority Poverty Expenditures, including funds from HIPC debt relief and funds from any other source, will be permitted, except with prior approval of Parliament.

6. Budget Reports and Reports on Uses of HIPC Funds

6.1 Stakeholders demand that Government be accountable not only for using funds for approved purposes, but also for achieving results. They also demand oversight of budget implementation by Parliament, particularly the Budget and Finance Committee.

6.2 The Committee applauds Government's intent to tighten management and control of public expenditures. However, without adequate reports it will be impossible for Parliament and stakeholders to monitor Government expenditures, much less results.

6.3 Some information on quarterly revenues and expenditures is posted on the Internet. However, the Committee has found that these reports are not posted on a timely basis, and that the reports do not provide adequate information for meaningful oversight of budget implementation.

6.4 In the Pre-Budget Report the Committee noted that Parliament and other stakeholders need complete and timely quarterly reports with the following features for all Government spending:

- Expenditures from all sources for the previous reporting period and year to date, and projections for the next reporting period and the balance of the year
- Explanations of all spending variances from estimates in the approved budget, and measures that will be taken to guarantee spending as budgeted by the end of the year
- Current estimates of quantified, verifiable results (or proxies for results) achieved during the previous reporting date, and projections for the next reporting period and the balance of the year.
- Explanations of variances from results anticipated, and measures that will be taken to ensure the anticipated results by the end of the year.

6.5 The Committee recognized the effort required to provide this information for all programmes and, as a first step, asked that reports as outlined above be provided at least for the 12 Priority Poverty Expenditures.

6.6 The World Bank and the IMF agreed to forego US\$14.7 million in debt payments in 2000/2001. This included US\$8.7 million for "priorities yet to be identified". (*World Bank Decision Point Document*)

6.7 The World Bank, the IMF, and other donors who recently approved HIPC debt relief, will forego debt payments of US\$58.75 million (MK4.7 billion) in

2001/2002. All HIPC funds must be used for poverty reduction priorities. This amounts to 13.5% of the proposed discretionary (voted) budget for the financial year.

6.8 Stakeholders want a complete accounting of uses of HIPC funds in 2000/2001 and a complete list of uses planned for 2001/2002. In the Pre-Budget Report the Committee recommended that this information be provided in the Budget Documents.

- *Budget Documents neither account for HIPC funds used in 2000/2001 nor list intended uses of HIPC funds in 2001/2002.*

Recommendation 5: Provide a complete accounting of uses of HIPC funds in 2000/2001 and an official list of intended uses of HIPC funds in 2001/2002. Supply details of how the US\$8.7 million for priorities not yet identified was utilized in 2000/2001.

6.9 To facilitate monitoring uses of HIPC funds, in the Pre-Budget Report the Committee asked the Government to provide quarterly reports with the following information:

- Amounts and uses of all funds freed by HIPC debt relief for the previous reporting period and year to date, and projections for the next reporting period and the balance of the year
 - Explanations of all variances from estimates for uses of HIPC funds in the approved budget, and measures to be taken to guarantee spending as budgeted by the end of the year
- *Budget Documents cite no commitment to provide requested reports on Priority Poverty Expenditures or uses of HIPC funds.*

Recommendation 6: Undertake to post complete quarterly reports on revenues and expenditures on the Internet within 30 days after the end of each quarter, and to provide quarterly reports with the features outlined in Section 6.4, at least for Priority Poverty Expenditures.

Recommendation 7: Undertake to use HIPC funds exclusively for designated Priority Poverty Expenditures, and to provide quarterly reports on uses of HIPC funds with the features outlined in Section 6.9

PART III BUDGET ALLOCATIONS

7. Scope of the Committee's Budget Analysis

7.1 Sections 9 to 14 of this Report review budget allocations for the 12 Priority Poverty Expenditures to the extent that discernable information is provided in Budget Documents available as of 27 June. For each of these programmes the Committee tried to answer the following questions:

- What is the total budget proposed for this PPE for 2001/02?
- What is the proposed increase in the budget in “real” terms (allowing for inflation, etc.) for this PPE for the coming year, compared to the budget approved by Parliament last year?
- What quantifiable outputs or results are anticipated for this PPE for the year?
- What are all the sources of funds for this PPE for the coming year? How much of the total will come from HIPC resources?

7.2 To the extent that information is provided on parts of these programmes, or on these programmes combined with others, this information is noted as information on “related programmes”.

7.3 Sections 15 to 17 provide highlights of budgets for institutions that provide checks and balances to the power of the executive branch of Government and help ensure accountability for use of public resources and the rule of law.

7.4 Section 18 provides information on budgets for other Ministries and Departments that may be useful to Members for comparison with budgets for Priority Poverty Expenditures, institutions that provide checks and balances, and accountability agencies.

7.5 Questions that Members might constructively ask during the budget debate are included at the end of Sections 9 to 14. Had time permitted, the

Committee would have tried to obtain answers before circulating this draft Report.

8. Methodology for Comparing Allocations for 2001/2002 to Allocations for 2000/2001

8.1 Computing percentage increases or decreases in budget allocations for 2001/2002 solely in “nominal” terms, i.e., using estimates as published in the Budget Documents, may generate unrealistic expectations about how much more can be accomplished in the coming year by virtue of increased budget allocations. Because of inflation, depreciation of the kwacha, and other factors, money this year will not buy as much as the same amount last year. To compare allocations for 2001/2002 to allocations for 2000/2001 in “real” terms, allocations for the coming year must be adjusted downward.

8.2 The National Statistical Office publishes an adjustment factor used for this type of calculation. Currently this factor is 31.3% (.313 in decimal terms). A budget allocation for the coming year is divided by 1.313 to give an adjusted figure that can be compared in “real” terms to a budget allocation last year. An illustrative hypothetical example:

- Assume a budget allocation last year was MK 3 million, and the allocation for the coming year will be MK 4 million. In nominal terms the increase for the coming year is MK 1 million, or 33.3%.
- MK 4 million divided by 1.313 equals MK 3,046,458. In real terms, the increase is MK 46,458, or 1.5%.

8.3 The Committee compared allocations for the coming year to allocations last year in real terms. Allocations reduced by the NSO factor as explained above are referred to in some places in this Report as “adjusted for inflation” rather than “real”, even though the NSO factor does take things other than inflation into consideration.

8.4 The Committee compared allocations for the coming year to allocations approved for 2000/2001, rather than to the revised estimates for expenditures in 2000/2001. However, revised estimates of expenditures for key Ministries and Departments have been included to highlight the need for monitoring budget implementation to ensure anticipated results.

8.5 Time did not permit referring to Budget Documents from last year to find approved estimates for 2000/2001 that were not readily found in the available Documents for the coming year.

9. Agriculture

9.1 In the Pre-Budget Report, the Committee recommended substantial increases in budgets for three programmes most likely to be of assistance to poor farmers, and designation of these budgets as Priority Poverty Expenditures:

- Extension services, including funds to provide extension workers with materials and equipment required for delivery of services in the field
- Support for programmes that provide credit and related services to poor farmers
- Targeted Inputs Programme (TIP), including funds to ensure proper distribution and associated delivery of extension services

9.2 The Committee also expressed concern about the relatively reduced share of the total budget allocated to agriculture, and the high percentage of the budget for the Ministry of Agriculture and Irrigation used for administration rather than front-line service delivery

9.3 The table below includes relevant information that the Committee was able to discern from Budget Documents available as of 27 June.

Agriculture	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Total Budget Ministry of Agriculture & Irrigation	1,675,311,136	3,671,553,183	2,542,784,114	1,936,621,564	+16%	
PPE: Extension Services	?	?	217,292,272	165,492,972	?	?
PPE: Support for Programmes that Provide Credit to Poor Farmers	?	?	?	?	?	?
PPE: Targeted Inputs Programme	?	?	?	?	?	?

9.4 Extension services is the only PPE for which a budget estimate for 2001/2002 is specifically cited, but Document 4a does not cite the approved budget for extension for 2000/2001 as a basis for comparison.

9.5 The Documents provide no discernable information on support for programmes that provide credit for poor farmers. Some support for programmes that provide credit is provided through the Ministry of Commerce and Industry, but Document 4a includes less than one half page on the Ministry of Commerce and Industry. In other words, no details are given on approved or revised estimates for 2000/2001, or on estimates for 2001/2002, much less on outputs. Some programmes receive support from the Ministry of Gender, Youth, and Community Services, but the only Ministry programme that might conceivably support organisations that provide credit to small farmers is simply described as “Economic Activities”.

9.6 There is no discernable information on the Targeted Inputs Programme.

9.7 No quantified outputs are cited for 2001/2002.

9.8 The budget for the Ministry of Agriculture and Irrigation has been increased by 16% in real terms, and comprises 5.54% of the total budget, compared to 4.38% for 2000/2001. The budget for recurrent expenses, which would include salaries and benefits for extension workers, increased by 47% in real terms, and the development budget decreased by 3% in real terms.

9.9 Information provided in Document 4b indicates that administration comprises 47% of the total budget for the Ministry compared to 12% for extension services.

9.10 Questions that might be raised during the budget debate:

- What was the approved budget for extension services for 2000/2001, and what is the revised estimate for expenditures?
- How many extension workers does the Ministry now employ, and how many does the Ministry expect to employ during 2001/2002?
- What is the estimated increase (or decrease) in funding for goods and services (ORT) for use in front-line delivery of extension services?
- What quantifiable, verifiable outputs are expected from extension services during the coming year, and how does this compare with 2000/2001?
- Which Government-subsidised programmes provide credit to poor farmers?

- ❑ Will funding to support such programmes be increased, and if so, by how much?
- ❑ How many poor farmers received loans from these programmes in 2000/2001, and how many loans to poor farmers are expected during the coming year?
- ❑ Will the Targeted Inputs Programme be funded for 2001/2002, and if so, what is the estimated expenditure? Does this include all funds needed for distribution? Where does this programme appear in the Budget Documents?
- ❑ How many poor farmers received assistance from the TIP programme in 2000/2001, and how many will be assisted in 2001/2002?
- ❑ What amount of HIPC funds, and what amounts from what other sources, will be spent for each of the three Priority Poverty Expenditures? What amount of HIPC funds, and what amounts from what other sources, were expended in 2000/2001 for these three programmes?
- ❑ What percentage of the Ministry's budget was expended for administration during 2000/2001? How much more or less will be expended for administration in 2001/2002?
- ❑ What are the principal items contributing to the increase in recurrent expenditures?

10. Education

10.1 In the Pre-Budget Report the Committee recommended substantial increases in the budgets for three programmes that are likely to have the greatest impact on poverty and designation of these programmes as Priority Poverty Expenditures:

- ❑ Training for primary school teachers
- ❑ Increases in personal emoluments for primary and secondary school teachers
- ❑ Teaching and learning materials for primary education

10.2 Despite the need for improvements in delivery of secondary education, the Committee urged that priority be given to primary education in other programmes such as construction and rehabilitation of schools, because quality primary education is most likely to have the greatest impact on poverty. The Committee also noted the importance of vocational training.

10.3 The table on page 17 provides relevant information that the Committee was able to discern from Budget Documents available as of 27 June.

Education	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Total Budget Ministry of Education, Science and Technology	5,574,488,412	3,008,099,684	5,864,177,500	4,466,243,336	-20%	
PPE: Primary School Teacher Training	?	?	?	?	?	5,000 new primary school teachers recruited; 5160 primary teacher education graduates
PPE: Personal Emoluments for Teachers	?	?	2,454,582,000	1,869,445,545	?	? Salaries paid on time.
PPE: Teaching & Learning Materials for Primary Schools (described as Tuition, Teaching and Learning Materials)	315,214,920	1,344,037,461	696,549,974	530,502,646	+68%	8 exercise books per pupil, 1 set of teaching materials per teacher

10.4 Budget Documents state that the Government intends to recruit 5,000 new primary school teachers and to complete training for 5,160 primary school teachers. However, no discernable information is provided on the estimated cost of training primary school teachers, or the amount, if any, spent to train primary school teachers last year.

10.5 Government has stated that salaries and benefits for teachers will be increased. Document 4a includes a line item for personal emoluments for teachers but says nothing about salary increases. It simply states that salaries will be paid on time.

10.6 The budget for the Ministry of Education, Science and Technology is 20% less in real terms than the approved estimate for 2000/2001, and comprises 12.78% of the total budget compared to 14.59% in 2000/2001. The allocation for recurrent expenditures is 16% higher in real terms than in 2000/2001, but the budget for development is 57% less in real terms.

10.7 Questions that might be raised during the budget debate:

- What is the estimated expenditure for training primary school teachers? What was the approved budget for 2000/2001 and what is the revised estimate of expenditures?
- Will Government raise salaries and benefits for teachers during the coming year by more than the general annual increase for civil servants? If so, by how much, and for how many teachers?
- What is the estimated expenditure for teaching and learning materials for primary schools? How does this compare with expenditures for 2000/2001? Besides funds to ensure 8 exercise books per student and one set of teaching materials per teacher, what other Government expenditures are planned for teaching and learning materials for primary schools? How much donor funding for teaching and learning materials for primary schools is expected during 2001/2002?
- What is the total increase in funding proposed for primary education, and how does this compare with increases for secondary and tertiary education?
- What are the proposed budget for vocational training and adult education? How does this compare with 2000/2001?
- What amount of HIPC funds, and what amounts from what other sources, will be spent for each of the three Priority Poverty Expenditures? What amount of HIPC funds, and what amounts from what other sources, were expended in 2000/2001 for these three programmes?
- What percentage of the Ministry's budget was expended for administration during 2000/2001, and what percentage is budgeted for administration for 2001/2002?
- What are the principal factors contributing to the 57% reduction in real terms in the development budget for 2001/2002?

11. Health

11.1 In the Pre-Budget Report the Committee recommended substantial increases in budgets for three programmes that are likely to have the greatest impact on poverty and designation of these budgets as Priority Poverty Expenditures:

- Training for front-line health care professionals, including but not limited to, nurses
- Increases in personal emoluments for front-line health care professionals, including, but not limited to, nurses
- Drugs and medical supplies, including funds for proper distribution and increased security for drug stores

11.2 The Committee recommended that priority be given to primary health care in other programmes such as construction and rehabilitation of health care facilities because this is likely to have the greatest impact on poverty.

11.3 The table below provides relevant information that the Committee was able to discern from Budget Documents available as of 27 June.

Health	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Total Budget Ministry of Health and Population	3,086,952,760	3,456,829,986	5,302,565,352	4,038,511,312	+31%	
PPE: Training for Front-line Health Care Professionals	?	?	?	?	?	?
Related Programme: Nurses Training	?	?	150,000,000	114,242,193	?	?
PPE: Personal Emoluments for Front-line Health Care Professionals	?	?	?	?	?	?

Health	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
<i>Related Programme:</i> Personal Emoluments for Nursing Services	?	?	1,779,972	1,355,653	?	?
PPE: Drugs and Medical Supplies Note: This line item is described as "Drugs" in 00/01 but also includes medical supplies	587,000,000	926,000,000	1,365,211,998	1,039,765,421	+78%	Spending on Drugs Raised to US\$1.33 per capita; Reform of Central Medical Stores

11.4 Document 4a includes estimates for training for nursing services, but not for other front-line health care professionals. No information is provided on the number of nurses to be trained.

11.5 Government recently announced increases in salaries for nurses, and has stated that salaries and benefits will be increased. Document 4a includes a line item for personal emoluments for nursing services, but no information is given on increases in salaries for other front-line health professionals.

11.6 Document 4a gives approved and revised estimates for drugs for 2000/2001 and includes the estimate for drugs and medical supplies for 2001/2002. Assuming the programmes for the two years are the same, even though the programme descriptions differ, the increase in real terms is 78%. The Budget Statement makes reference to increasing per capita spending on drugs to US\$1.33 per capita, but does not provide a baseline against which to evaluate the increase. This figure applies to drugs alone, not drugs and medical supplies

11.7 The budget for the Ministry of Health and Population has been increased by 31% in real terms, and comprises 11.56% of the total budget, compared to 8.08% for 2000/2001. The budget for recurrent expenses, which includes drugs

and salaries and benefits for health care professionals, increased by 51% in real terms, and the development budget increased by 6%.

11.8 Information in Document 4b indicates that total spending on primary health care will account for 24% of the budget for the Ministry, compared to 34% for secondary care, and 19% for tertiary care. Administration and support will comprise 14% of the budget.

11.9 Questions that might be raised during the budget debate:

- What is the estimated expenditure for training for all front-line health care professionals, not just nurses? What were the approved and revised expenditures in 2000/2001?
- How many nurses, and other front-line health care professionals, will be trained, and to what level? How does this compare with 2000/2001?
- Will increase for salaries and benefits for nurses and other front-line health care professionals be more than the general annual increase for civil servants? If so, by how much and for how many health workers?
- What is the total increase proposed for expenditures on primary health care, and how does this compare with increases for secondary and tertiary care?
- How much of the Ministry's budget is specifically targeted to combating HIV/AIDS, and how does this compare to 2000/2001? How much is budgeted for the National Aids Control Commission?
- What amount of HIPC funds, and what amounts from what other sources, will be spent for each of the three Priority Poverty Expenditures? What amount of HIPC funds, and what amounts from what other sources, were expended in 2000/2001 for these three programmes?
- What are the principal items, other than drugs, contributing to the increase in the estimate for recurrent expenses in 2001/2002?

12. Safe Drinking Water Systems

12.1 In the Pre-Budget Report, the Committee recommended a substantial increase in the budget for the following programme, and designation of the budget as a Priority Poverty Expenditure:

- Constructing safe drinking water systems, including funds for community training in maintenance.

12.2 The table on page 22 includes relevant information that the Committee was able to discern from Budget Documents available as of 27 June.

Safe Drinking Water	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Total Budget Ministry of Water Development	1,592,143,100	9,830,514,750	2,140,153,274	1,629,972,029	+11%	
PPE: Safe Drinking Water Systems and Community Training in Maintenance	?	?	?	?	?	?
Related Programme: Water Resources Management and Rural Water Supply	1,386,033,000	1,740,670,000	2,062,598,000	1,570,904,798	+2%	NHS operational; Hand-pump technologies developed; Distribution of VLOM pumps.

12.3 No discernable information is provided specifically on construction of safe drinking water systems. The budget for water resources management and rural water supply, which include funds for safe drinking water projects, is 2% higher in real terms than approved estimates for 2000/2001. No quantifiable outputs, such as the number of boreholes and gravity-fed systems to be constructed, are specified.

12.4 Questions that might be raised during the budget debate:

- What is the amount budgeted for construction of safe drinking water systems? What were the approved and revised estimates for expenditures for this purpose in 2000/2001?
- How many new boreholes and other safe drinking water systems will the Ministry fund in 2001/2002? How many were constructed in 2000/2001 using Ministry funds?
- How many safe drinking water systems, including boreholes, is MASAF expected to fund in 2001/2002? How many will be funded by other Government Ministries and Departments?
- Excluding Water Boards, what amount of HIPC funds, and what amounts from what other sources, will be spent on safe drinking water systems? What amount of HIPC funds, and what amounts from what other sources, were spent on safe drinking water systems in 2000/2001?

13. Rural Feeder Roads

13.1 In the Pre-Budget Report, the Committee recommended a substantial increase in the budget for the following programme, and designation of the budget as a Priority Poverty Expenditure:

- Rehabilitating and constructing rural roads and bridges

13.2 The table below includes relevant information that the Committee was able to discern from Budget Documents available as of 27 June.

Rural Roads	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Total Budget National Roads Authority	1,900,000,000	3,798,082,764	1,796,000,000	1,367,859,863	-28%	
PPE: Rural Feeder Roads	?	96,706,082	?	?	?	?

13.3 No information is discernable on estimated expenditures for constructing and rehabilitating rural feeder roads in 2001/2002, or on expected outputs, e.g., kilometres of rural feeder roads to be constructed or substantially rehabilitated, for the coming year.

13.4 The Committee noted stakeholders' interest in having decisions made at the local level about which rural roads are to be constructed and rehabilitated. No information is provided about local input to these decisions.

13.5 The total budget for the National Roads Authority is 28% less in real terms than the approved estimate for 2000/2001.

13.6 Questions that might be raised during budget debate:

- What was the approved budget for 2000/2001 specifically for rural feeder roads? What is the estimated expenditure for 2001/2002 for constructing and substantially rehabilitating rural feeder roads?

- How many kilometres of rural feeder roads will be substantially rehabilitated or constructed in 2001/2002, and how does this compare with 2000/2001?
- How many kilometres of rural feeder roads, if any, will be substantially rehabilitated or constructed by MASAF in 2001/2002, and how does this compare with 2000/2001?
- What amount of HIPC funds, and what amounts from what other sources, will be used to rehabilitate and construct rural feeder roads in 2001/2002? What amount of HIPC funds, and was amounts from other sources, were used for this purpose in 2000/2001?

14. Police Service and Community Policing

14.1 In the Pre-Budget Report, the Committee recommended substantial increases in the budgets for the following programmes and designation of the budgets as Priority Poverty Expenditures:

- Recruiting and training additional police officers, providing adequate equipment and materials for police officers, and instituting more community policing programmes, particularly in rural areas

14.2 The table below includes relevant information that the Committee was able to discern from Budget Documents available as of 27 June.

Security	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Total Budget for Police Service	644,780,884	549,390,971	582,792,997	443,863,669	-31%	
PPE: Training for Police Officers	8,802,000	9,430,000	8,802,000	6,703,731	-24%	Train 80% of Police Service by 2003
Increased Recruitment	?	?	?	?	?	Recruit 2000 Police Officers
Community Policing	?	?	3,218,451	2,451,219	?	350 CPF's formed; CP Branch established

Security	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Equipment and Other Materials	?	?	?	?	?	Availability of radios, cars, computers, and other Police Equipment

14.3 Some pages of Document 4a pertaining to the Police Service are inserted more than once and some pages are missing.

14.4 No discernable information is provided on allocations for recruitment of additional police officers in 2000/2001 or 2001/2002.

14.5 No discernable information is provided on expenditures for 2000/2001, or on estimates for 2001/2002, for equipment and other materials for police officers.

14.6 The amount estimated for training police is 24% less in real terms than the approved budget for 2000/2001.

14.7 No discernable information is provided on the amount spent for community policing, or on the number of community policy programmes instituted in 2000/2001.

14.8 Estimated expenditures for the Police Service overall are 31% less in real terms than the approved estimate for 2000/2001.

14.9 Questions that might be raised during budget debate:

- How many additional police officers will be recruited during the coming year? How does this compare with 2000/2001?
- What is the estimated expenditure for additional police officers for the coming year? How does this compare with approved and revised expenditures in 2000/2001?
- How many police officers will be trained during the coming year? How does this compare with 2000/2001?

- What is the estimated expenditure for equipment and materials for police officers during the coming year? How does this compare with approved and revised expenditures in 2000/2001?
- How many community policing programmes were instituted in 2000/2001? What were the approved and revised estimates of expenditures for this programme in 2000/2001?
- What amount of HIPC funds, and what amounts of funds from what other sources, will be used for recruiting, training, and equipping police officers and instituting community policing in 2001/2002? What amounts of HIPC funds, and what amounts from what other sources, were used for these purposes in 2000/2001?
- What are the principal factors contributing to the 31% reduction in funding in real terms estimated for the Police Service for 2001/2002?

15. National Assembly

15.1 Parliament is mandated by the Constitution to represent citizens' interests through legislation and oversight of the executive branch of Government. It is the principal institution responsible for holding Government accountable for responding to citizens' interests.

15.2 All 193 Members cannot be expected to have expertise in all areas. For this reason, Parliament has established eighteen Committees, each with a mandate to conduct deliberations and/or investigations in a specific area. The Committee system should be the engine of Parliament, ensuring that the House as a whole benefits from their expert analysis of legislation and their informed evaluation of Government policies and programmes. Committee hearings are expected to be the principal venue for public input.

15.3 To date Committees have performed these functions only sporadically and to a limited extent. This is primarily because funding has not been available for meetings, or to engage technical support for the Committees.

15.4 The budget is the most important legislation enacted each year. The PRSP Findings to Date document calls for clearly defined roles for the Budget and Finance and Public Accounts Committees in the budget process, and in oversight of Government expenditures, and for training in public finance for Members of Parliament.

15.5 The Pre-Budget Report included the following recommendations to enhance the role of Parliament in the budget process:

- Refer the budget to the Budget and Finance Committee for public hearings before the debate in the House.
- Include funds in the budget to enable oversight Committees to do their work professionally, and for training for Members of oversight Committees, particularly Committees whose portfolios are critical for poverty reduction.
- Consult with the Budget and Finance and Public Accounts Committees before new finance and audit legislation is drafted, and institute meetings of these Committees with Cabinet Committees on the economy and the budget.

15.6 As noted in Part I of this Report, even though the budget was not referred to the Budget and Finance Committee, the Committee has analysed key components of the budget and solicited public input. Testimony submitted to the Committee, and a number of commentaries on the budget by respected experts in the private sector, continue to call for stronger roles for Parliament in the budget process, and in particular for the Budget and Finance Committee.

15.7 The table below includes information that the Committee was able to discern from Budget Documents available as of 27 June.

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
National Assembly	293,936,569	388,484,597	346,222,809	263,688,354	-10%	
Parliamentary Meetings	?	?	63,600,000	48,438,690	?	2 Meetings, 6 Weeks Each
Committee Meetings	?	?	20,800,000	15,841,584	?	40 Days of Comm. Meetings

15.8. Estimated expenditures for the National Assembly for coming year are 10% less in real terms than the approved estimate for 2000/2001.

15.9 Estimated expenditures for the coming year are approximately half of the amount allocated for the Office of President and Cabinet (MK696 million), and only 13% more than the amount allocated for State Residences. Additional information on the budgets for the Office of President and Cabinet and State Residences is provided in Section 18 of this Report.

15.10 The budget provides for only 40 days of Committee meetings, or an average of 2.2 days for each of 18 Committees. Even if it is assumed that only 8 Committees meet other than during sittings (when there are no marginal costs for travel and accommodations), these Committees would be able to meet, on average, only 5 days during the year.

15.11 The inadequacy of funding only 40 days of Committee meetings is illustrated as follows:

- The Public Accounts Committee alone met for approximately 40 days in 2000/2001 (exclusive of meetings during sittings), and still has a staggering backlog of Auditor General annual reports and special reports to review.
- The Budget and Finance Committee met for 8 days before the current sitting of Parliament simply to conduct consultations and deliberations needed for the Pre-Budget Report. The Committee will need comparable time to prepare a Pre-Budget Report for the year 2002/2003. The Committee should also meet for at least two days after the end of each of the first three quarters of 2001/2002 to analyse budget reports and conduct related consultations. The Committee was able to meet before the current sitting of Parliament only because donor funding became available in March. This is obviously not a sustainable basis for supporting Committee meetings.
- The Legal Affairs Committee intends to institute the long-overdue practice of reviewing and reporting to the House on reports from accountability agencies, and will need funds for these meetings.
- The Public Appointments Committee must meet to deliberate on proposed appointments of senior public officials, and some matters relating to conditions of service for various institutions.
- The Parliamentary Procedures Committee must meet to finalise its recommendations on changes to Standing Orders.
- The proposed surtax bill has been referred to the Committee on Commerce, Industry, and Tourism, and the Committee must meet to complete deliberations and a final report to Parliament.
- The Agriculture, Education, and Health Committees will have to meet if they are to provide oversight of implementation of programmes critical for poverty reduction.

15.12 Questions that might be raised during debate:

- What were the approved and revised estimates for expenditures on Committee meetings in 2000/2001?
- How can Parliament and its Committees be expected to play stronger roles in oversight of Government, and particularly oversight of the budget, given the reduced allocation for Parliament in real terms for 2001/2002, and the small allocation for Committee meetings?
- Does the budget provide for training in public finance for Members of Parliament? If so, how much has been allocated for this purpose, and where in the Budget Documents is this to be found?
- Does the budget provide sufficient funds to enable Parliament to discharge its functions under the Constitution?

16 Judiciary

16.1 The Judiciary is the principal institution responsible for ensuring the rule of law.

16.2 The table below provides information on the total budget for the Judiciary.

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Judiciary	197,716,489	176,959,087	377,981,520	287,876,253	+47%	More courtrooms, Magistrates, cut backlog

16.3 Estimated expenditures for the Judiciary in 2001/2002 will be almost twice as much in real terms as the approved estimate for 2000/2001. This is a substantial increase.

17. Accountability Agencies

17.1 The Office of the Ombudsman, the Anti-Corruption Bureau, the Law Commission, the Human Rights Commission, and the National Audit Office are mandated by the Constitution and/or statute to ensure the rule of law and/or to ensure citizens the human rights guaranteed by the Constitution.

17.2 The table below provides information on the budgets for these agencies.

Accountability Agencies	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Office of Ombudsman	20,682,724	20,099,825	27,984,229	21,313,198	+3%	?
Anti Corruption Bureau	40,370,359	53,302,408	69,479,603	52,916,681	+31%	?
Law Commission	33,555,239	97,630,608	63,497,428	48,360,570	+44%	Draft Legislation etc
Human Rights Commission	17,252,294	34,959,212	37,804,655	28,792,578	+67%	?
National Audit Office	22,235,439	26,672,723	34,059,708	25,940,372	+17%	143 Audits.
Total	134,096,055	232,664,776	232,825,623	177,323,399	+32%	

17.3 The increases in allocations for these agencies in real terms ranged from 3% for the Office of the Ombudsman to 67% for the Human Rights Commission. The increase in real terms for the sum of the budgets for these five institutions is 32%.

17.4 Document No. 4a provides financial summaries for the Office of Ombudsman and the Anti Corruption Bureau but contains no programmatic information for these two agencies. Outputs cited for the Law Commission and the Human Rights Commission are not quantified.

17.5 Question that might be raised during debate:

- Why is the relative increase in real terms for the Office of the Ombudsman so low compared to increases for other accountability agencies?
- How will funding for accountability agencies which, in the past, has been borne by donors, be carried out by the budget?

17.6 Other questions may be raised by comparing the budgets for the accountability agencies to the budgets for other selected Votes.

18. Other Selected Votes

18.1 The six Votes for Agriculture, Education, Health, National Roads Authority, Police, and Water Development comprise 58% of total estimated expenditures for 2001/2002. The primary focus of this Report is on these six Votes because this is where budgets for Priority Poverty Expenditures are, or should be, cited.

18.2 This Section reviews estimates for nine additional Votes and two estimates listed as Statutory Expenditures. These are of interest, in part, for comparison with allocations for Priority Poverty Expenditures, Parliament, the Judiciary, and accountability agencies.

Ministry of Finance and Economic Planning

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Ministry of Finance and Economic Planning	154,541,336	189,795,353	370,360,706	282,072,130	+83 %	Staffing; Controls; PRSP; MTEF
Accountant General	105,141,154	117,762,215	139,873,039	106,529,352	+1%	Pilot IFMIS; Ghost Workers; Internal Controls;

18.3 Estimated expenditures for the Ministry of Finance and Economic Planning for 2001/2002 are 83% higher in real terms than the approved estimate for 2000/2001. This is the highest percentage increase proposed for any Vote. Most of this increase is in the development budget which is 215% higher in real terms than the approved estimate for development in 2000/2001.

18.4 Some of the Ministry's planned outputs, and budgets for these programmes, are as follows:

- Recruiting and training new staff (MK92 million)
- Improving commitment and control systems (MK76 million)
- Finalising and implementing the PRSP (MK37million)

- Implementing phase two of the Medium Term Expenditure Framework (MK35 million)
- Developing a debt and aid policy (MK22 million)

18.5 The Accountant General's Office is within Ministry of Finance and Economic Planning. Its primary function is financial management. During the coming year, the Government will pilot a new financial management system referred to as the Integrated Financial Management Information System (IFMIS) for the Ministries of Agriculture and Irrigation, Education, Science and Technology, Health and Population, and Finance and Economic Planning. IFMIS is expected to generate significant improvements in monitoring and controlling expenditures. The Accountant General's office is the lead agency for implementing IFMIS.

Office of the President and Cabinet

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Office of the President and Cabinet	545,007,080	1,670,450,697	696,087,913	530,150,733	-3%	?

18.6 The Office of President and Cabinet (OPC) provides advice to the President, facilitates Cabinet decision making, manages public service employees, and formulates and implements Government policies.

18.7 While the overall estimate for the OPC is 3% less in real terms than the approved estimate for 2000/2001, the estimate for recurrent expenditures (MK434 million) is 111% higher than the approved estimate for 2000/2001.

18.8 Budget Document No. 4a lists seven programmes under the OPC. Estimated expenditures for the programmes are as follows:

- Administration and support services (MK199 million)
- Government policy management (MK35 million)
- Relief and rehabilitation (MK32 million)
- National Research Council (MK25 million)
- Minister without Portfolio (MK7 million)
- Religious Affairs (MK7 million)

- National public events (MK129 million)

18.9 Selected outputs and related estimates are as follows:

- Civil service rationalized (MK13.9 million)
- Improved financial management (MK4.8 million)
- Public sector change agency (MK26.4 million)
- Small scale projects (MK226.5 million)

18.10 The OPC will collaborate with the Accountant General in implementing the IFMIS system.

Department of District and Local Government Administration

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
District and Local Government Administration	334,708,949	932,585,953	691,101,339	526,352,886	+57%	Enhance participatory capacity; Improve service delivery

18.11 The Department of Local Government is charged with promoting good local governance and democracy at the district level. It works with district assemblies and builds the capacity of local government. The 2001/2002 estimate for this Department is 57% higher in real terms than the approved estimate for 2000/20001, a percentage increase second only to that of the Ministry of Finance and Economic Planning. Most of the increase is in the development budget.

Ministry of Gender, Youth and Community Services

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Gender, Youth and Community Services	162,096,454	844,896,539	454,530,728	346,177,249	+14%	Outputs quantified only for Soc Welfare

18.12 The estimate for 2001/2002 for the Ministry of Gender, Youth, and Community Services is 14% higher in real terms than the approved estimate for 2000/2001. Outputs are quantified only for social welfare services.

State Residences

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
State Residences	174,471,176	629,652,165	306,878,991	233,723,527	+33%	Security; Household Provisions; State Functions; Five Properties; Host Heads of State

18.13 Five state residences, Sanjika Palace, Lilongwe, Mzuzu State Lodge, Zomba State House, and Chikoko Bay Cottage, are maintained with funds from the Vote for the recurrent account. The estimate for 2001/02 is 33% higher in real terms than the approved estimate for 2000/2001. While Budget Documents do not indicate outcomes related to the upcoming SADC Forum, the mission statement for this Vote includes the hosting of Heads of State.

18.14 The combined estimates for all of the accountability agencies (MK233 million), plus the Ministry Responsible for People with Disabilities (MK33 million), plus meetings of Parliamentary Committees (MK21 million) total less than the estimate for State Residences in 2001/02 (MK 306 million).

National Intelligence Bureau

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
National Intelligence Bureau	N/A	N/A	94,177,035	N/A	N/A	N/A

18.15 The National Intelligence Bureau appears for the first time as a Vote in the budget, with estimated expenditure of MK94 million for 2001/2002. This agency might have been included in the Vote for Police in 2000/2001. Budget Documents include no information on the Bureau's mission or objectives.

Ministry of Foreign Affairs and International Cooperation

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Ministry of Foreign Affairs and International Cooperation	680,492,901	1,323,656,114	821,609,475	625,749,791	-8%	?

18.16 The Ministry of Foreign Affairs has frequently been a target of criticism for expenditures made by the 19 Malawian embassies worldwide.

18.17 The estimate for the coming year is 8% less in real terms than the approved estimate for 2000/2001. Nonetheless, the estimate for the Ministry of Foreign Affairs is still more than twice the estimate for Parliament, more than twice the estimate for the Judiciary, and 41% higher than the estimate for Police.

Special Activities

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Special Activities	4,540,322,558	696,257,179	3,644,728,125	2,775,878,236	-39%	?

18.18 This Vote is cited only in the Vote Summary in Document 4a, and in the Financial Statement. The estimate for Special Activities for 2001/2002 exceeds the estimate for the Ministry of Agriculture.

Refunds and Repayments

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Refunds and Repayments	30,000,000	39,000,000	2,658,725,600	2,024,924,295		

18.19 The estimate for Refunds and Repayments is cited as a statutory expenditure in line with Sections 174(1)(b) and (c) of the Constitution. The estimate for 2001/2002 is almost MK2 billion higher than the approved estimate for 2000/2001, and exceeds the estimate for the Ministry of Agriculture and Irrigation by MK116 million.

18.20 The Vote Summary in Document 4a lists seven prospective recipients or uses of funds:

- Apex MK300,000,000
- SECUCOM MK528,000,000
- Land Rovers MK168,000,000
- MPs' Vehicles MK 72,000,000
- TATAs MK939,000,000
- ADMARC Overdraft MK 1,000,000
- General Compensation MK650,725,600

Public Debt Charges

	2000/01 Approved	2000/01 Revised	2001/02 Estimate	2001/02 Adjusted for Inflation	Increase or Decrease Adjusted for Inflation	2001/02 Expected Outputs
Public Debt Charges	8,008,000,000	5,557,461,413	6,570,900,000	5,004,493,526	-37.5%	N/A

18.21 Due primarily to HIPC debt relief, statutory expenditures for public debt charges are estimated at 40% less in real terms than in 2000/2001. Nonetheless, 11.7% of the estimated expenditure for 2001/2002 is still allocated to servicing public debt. This is more than the estimate for education (MK5.86 billion), and more than the estimate for health (MK5.3 billion).

19. Conclusion

19.1 Ten calendar days between tabling of Budget Documents on 22 June and the scheduled initiation of debate on Votes on 3 July is not sufficient to permit adequate analysis of the budget as a whole. This constraint is exacerbated by the fact that Budget Document 4b comprising detailed estimates was not tabled on 22 June, and as of 1 July only two of the four volumes of this Document have been provided to the Committee.

19.2 The principal finding of the Committee is that the Budget Documents do not provide the information the Committee and stakeholders need to readily monitor expenditures throughout the year, even for the 12 Priority Poverty Expenditures, much less expenditures overall.

19.3 The Committee is disappointed that Government has not so far undertaken to specifically guarantee that there will be no reduction or reallocation of funds allocated from all sources for Priority Poverty Expenditures, except with prior approval by Parliament.

19.4 The PRSP process raised the expectations of stakeholders, and the Committee that Government would respond positively to the request for complete information and guaranteed protection for Priority Poverty Expenditures. Government will be jeopardising an important opportunity to strengthen public confidence in the commitment to poverty reduction if these expectations are not honoured before the budget debate is completed.

20. Recommendations

- 1 Amend statutes and Standing Orders to mandate a minimum of 60 days between tabling of all Budget Documents and the first Vote in Parliament, and ensure that these changes are in place for the budget for 2002/2003.
- 2 Explicitly define and designate the 12 Priority Poverty Expenditures as such in the Budget Documents.
- 3 For each Priority Poverty Expenditure, provide the requested information on approved and revised estimates for 2000/2001, expected results in 2001/2002, and all sources of funds.

- 4 Undertake that no reallocation or reduction of funds for Priority Poverty Expenditures, including HIPC funds and funds from any other source, will be permitted, except with prior approval of Parliament.
- 5 Provide a complete accounting of uses of HIPC funds in 2000/2001 and an official list of intended uses of HIPC funds in 2001/2002. Supply details of how the US\$8.7 million for priorities not yet identified was utilized in 2000/2001.
- 6 Undertake to post complete quarterly reports on revenues and expenditures on the Internet within 30 days after the end of each quarter, and provide quarterly reports with the features outlined in Section 6.4, at least for Priority Poverty Expenditures.
- 7 Undertake to use HIPC funds exclusively for designated Priority Poverty Expenditures, and provide quarterly reports on uses of HIPC funds with features outlined in Section 6.9.

Annex

Pre-Budget Recommendations, June 2001, and Responses to Date

Recommendation	Positive Response Received to Date?
1 Budget referred to Committee	
21 days for budget debate	
2 Committees adequately funded	
Training for MPs funded	
3 Committees consulted on Finance and Audit Acts	
Meetings of Parliamentary Committees with Cabinet Committees on economy and budget	
4 Priority Poverty Expenditures (PPEs) designated in budget	
5 Budgets broken down into readily understandable components; total spending for each PPE consolidated in one place and easily distinguished from other programmes	
6 Comprehensive and timely quarterly reports on revenues and expenditures, particularly for PPEs	
7 Guaranteed protection for funds allocated for PPEs	
8 Accounting for uses of HIPC funds in 2000/2001; commitment to use HIPC funds exclusively for designated PPEs	
Comprehensive and timely quarterly reports on uses of HIPC funds	
9 Expanded membership and increased administrative and technical assistance for PRSP working groups	
Representatives of Budget and Finance Committee and civil society on the Technical Committee for the PRSP	
Agriculture	
10 Substantially increase budget for Government extension services; designate as PPE	
11 Substantially increase budget for programmes that provide credit to small farmers; designate as PPE	

Recommendation	Positive Response Received to Date?
12 Substantially increase budget for TIP; designate as PPE	
Education	
13 Substantially increase budget for training primary school teachers; designate as PPE	
14 Substantially increase budget for salaries and benefits for teachers; designate as PPE	
15 Substantially increase budget for teaching and learning materials for primary education; designate as PPE	
Health	
16 Substantially increase budget for training for all categories of front-line health care professionals; designate as PPE	
17 Substantially increase budget for salaries and benefits for front-line health care professionals; designate as PPE	
18 Substantially increase budget for drugs and medical supplies; designate as PPE	
Infrastructure	
19 Substantially increase budget for rehabilitating and constructing rural roads; designate as PPE	
20 Substantially increase budget for safe drinking water systems; designate as PPE	
Security	
21 Substantially increase budget for recruiting, training, equipping new police officers and for community policing; designate as PPE	
Legislation	
22 Refer Surtax Bill to Parliamentary Committee	Yes