



MALAWI GOVERNMENT

2010/11 BUDGET PERFORMANCE QUARTERLY REPORT (Q3)

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Table of Contents

FOREWORD	4
ABBREVIATIONS AND ACRONYMS	5
EXECUTIVE SUMMARY	8
INTRODUCTION	8
PERFORMANCE OF REVENUES	8
PERFORMANCE OF INFLOWS OF GRANTS AND LOANS.....	8
PERFORMANCE ON EXPENDITURES	9
PERFORMANCE OF DEVELOPMENT PROJECTS.....	9
OVERALL FISCAL PERFORMANCE	10
1 INTRODUCTION	12
1.1 BACKGROUND TO THE REPORT.....	12
1.2 KEY OBJECTIVES OF THE REPORT.....	12
1.3 METHODOLOGY.....	12
1.4 LAYOUT OF THE REPORT	13
2 PERFORMANCE OF DOMESTIC REVENUES	14
2.1 INTRODUCTION.....	14
2.2 OVERALL PERFORMANCE OF REVENUE COLLECTION.....	14
2.3 TAX REVENUE PERFORMANCE	15
2.4 NON – TAX REVENUE PERFORMANCE	17
2.5 CONCLUSION	19
3 PERFORMANCE OF INFLOWS OF GRANTS AND LOANS	22
3.1 INTRODUCTION	22
3.2 PERFORMANCE IN OVERALL INFLOWS OF GRANTS IN THE FINANCIAL YEAR	22
3.3 PERFORMANCE IN DEDICATED GRANTS IN THE 3 RD QUARTER OF THE FY	23
3.4 SUMMARY ON GRANTS.....	25
4 PERFORMANCE OF EXPENDITURES IN THE QUARTER	26
4.1 INTRODUCTION.....	26
4.2 PERFORMANCE OF THE OVERALL EXPENDITURES PERFORMANCE QUARTER	26
4.2.1 PERFORMANCES OF RECURRENT EXPENDITURES IN THE QUARTER	27
<i>Performance of Wages and Salaries</i>	28
<i>Interest on Debt Repayments</i>	28
<i>Goods and Services</i>	28
<i>Subsidies and Transfers</i>	28
<i>Performance by Item</i>	29
Analysis of Expenditures on Travel	29
Analysis of the Utilities Budget	30
Agricultural Inputs and Subsidies	30
4.2.2 PERFORMANCE OF DEVELOPMENT PROJECTS BUDGET.....	31
<i>Overall Performance of the Development Projects Budget</i>	31
5 OVERALL FISCAL PERFORMANCE	34

5.1	INTRODUCTION	34
5.2	THIRD QUARTER OUTTURN ON FISCAL POSITION	34
5.3	OUTTURN ON THE FINANCING POSITION	35
6	37
CONCLUSION AND RECOMMENDATIONS		37
ANNEX 1 COMPENDIUM OF DEVELOPMENT PROJECTS PROFILES AND PERFORMANCE		38
VOTE 070	JUDICIARY	38
	<i>Construction of the Commercial Court</i>	<i>38</i>
VOTE 120	MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT	39
	<i>Rural Growth Centres</i>	<i>39</i>
	<i>Construction of Urban and Rural markets</i>	<i>40</i>
VOTE 180	MINISTRY OF YOUTH DEVELOPMENT AND SPORTS	41
	<i>Integrated Youth Development Initiative</i>	<i>41</i>
VOTE 190	MINISTRY OF AGRICULTURE AND FOOD SECURITY	42
	<i>Improvement of Irrigation Infrastructure in Agriculture Research Station</i>	<i>42</i>
VOTE 200	PERSONS WITH DISABILITY AND THE ELDERLY	43
	<i>Construction of Hostels for Neno Elderly Care Centre</i>	<i>43</i>
VOTE 210	MINISTRY OF IRRIGATION AND WATER DEVELOPMENT	44
	<i>Water Retention Structure Development Programme-Multipurpose Dams</i>	<i>44</i>
VOTE 250	EDUCATION, SCIENCE AND TECHNOLOGY	45
	<i>ADF V Education Project</i>	<i>45</i>
	<i>Construction of Girls' Hostels</i>	<i>46</i>
VOTE 310	MINISTRY OF HEALTH	47
	<i>Rehabilitation of Zomba Central Hospital</i>	<i>47</i>
	<i>Rehabilitation of Balaka Hospital</i>	<i>48</i>
	<i>Umoyo Housing</i>	<i>49</i>
VOTE 320	MINISTRY OF WOMEN AND CHILD DEVELOPMENT	50
	<i>Refurbishment of Magomero College</i>	<i>50</i>
	<i>Social Cash Transfer</i>	<i>51</i>
VOTE 420	ROAD FUND ADMINISTRATION	52
	<i>Chikhwawa-Bangula Road</i>	<i>52</i>
	<i>Zomba-Jali-Kamwendo-Phalombe-Chitakale Road</i>	<i>53</i>
	<i>Thyolo-Thekelani-Muona-Bangula Road</i>	<i>54</i>
	<i>Chiradzulu-Migowi-Phalombe-Chiringa Road Upgrading</i>	<i>55</i>
	<i>Msulira – Nkhotakota Road</i>	<i>56</i>
	<i>Malowa-Goliati-Chiperoni Road</i>	<i>57</i>
	<i>Mzimba Street-Paul Kagame Roundabout</i>	<i>58</i>
	<i>Bangula - Nsanje Road</i>	<i>59</i>
	<i>Chilinga-Mloza Road</i>	<i>60</i>
	<i>Bunda-Mitundu Road</i>	<i>61</i>

Foreword

This Quarterly Budget Performance Report is reporting on the performance of Government in implementing the National Budget in the Third Quarter of the 2010/11 fiscal year. The report provides a detailed analysis of the revenue generation performance; status of grants and loans and a critical analysis of the expenditures of Government. The ultimate objective of the report is to appraise all stakeholders on the current status of implementation of the national budget including risks and challenges associated with it so that where necessary, corrective measures are instituted much earlier to salvage the situation.

This report has been compiled by a team of officials from the Ministry of Finance under the coordination of the Budget Division. The Ministry is grateful to all those who contributed with valuable information and statistics towards the production of this document.

The report is structured along the format of the Mid-Year Budget review document and the End of Year Financial report. The Third Quarter report has a matrix of some of Development projects in order to present how each project is performing. The Ministry of Finance hopes that the information provided in this report will be valuable to various readers. Any further suggestions for improvement are welcome and can be submitted straight to the Office of the Secretary to the Treasury.

Abbreviations and Acronyms

ADB	Asian Development Bank
ADF IV	Fourth African Development Forum
AfDB	African Development Bank
CDSS	Community Day Secondary School
DfID	Department for International Development
EDF	European Development Fund
FY	Financial Year/Fiscal Year
IFMIS	Integrated Financial Management Information System
IHS	Intergrated Household Survey
IMF	International Monetary Fund
LRS	Local Registered Stock
MRA	Malawi Revenue Authority
NAC	National Aids Commission
NSO	National Statistics Office
ODPP	Office of the Director of Public Procurement
OMO TBS	Open Market Ordinary Treasury Bills
ORT	Other Recurrent Transactions
Part I	Donor funded component under the development budget
Part II	Government funded component under the development budget
PAYE	Pay As You Earn
PE	Personal Emoluments
PFM Act	Public Finance Management Act
PIL	Petroleum Importers Limited
RA	Roads Authority
RFA	Roads Fund Administration

SWAP

Sector Wide Approach

VAT

Value Added Tax

Executive Summary

Introduction

This is a quarterly report on the implementation of the budget for the third quarter of the 2010/11 fiscal year. The main objective of the report is to examine the performance of Government in mobilising resources, managing expenditures as well as assessing the performance of projects that Government is implementing in the fiscal year.

Performance of Revenues

In the 2010/11 Financial Year, Government projected to collect revenues to the tune of K202.0 billion which was revised to K212.6 billion at mid-year. Out of the revised sum, K175.0 billion, representing 82 per cent, are tax revenues such as Pay As You Earn (PAYE), Company Taxes, Value Added Tax (VAT), International Taxes and others. The balance of K37.6 billion, thus 18 per cent, are non-tax revenues such as Departmental Receipts and Dividends. In the third quarter of the 2010/11 Financial Year, Government projected that it will collect domestic revenues to the tune of 48.7 billion, about K2.1 billion higher than the second quarter projection of K46.6 billion. Out of the revenues collected, K40.2 billion (about 82 per cent) were expected to come from tax revenues while K8.5 billion (18 per cent) were to come from non-tax revenues.

Overall, domestic revenues decreased by K3.4 billion compared to the quarterly target. Total domestic revenues amounted to K45.3 billion representing a revenue performance of about 7 per cent below the target of K48.7 billion.

Performance of Inflows of Grants and Loans

In the 2010/11 Budget, Government projected to receive grants from Cooperating Partners to the tune of K85 billion which was later revised to K84.3 billion at mid-year representing 28 percent of the total receipts for the Financial Year. Of the revised sum, K16.8 billion is Program or Budget Support resources, K35.7 billion and K31.8 billion are Dedicated Grants and Project resources respectively. In the third quarter of the 2010/11 Financial Year, Government projected to receive K20.46 billion in total grants of which K4.54 billion are Budget Support resources, K7.01 billion are Dedicated Grants and K8.90 billion are Project Grants.

In the third quarter of the Financial Year, overall, Grants underperformed by K11.88 billion. Dedicated Grants underperformed by K0.86 billion from a target of K7.01 billion. Project Grants underperformed by K6.48 billion against an expected inflow of K8.90 billion. No inflows were recorded in the quarter under the Budget Support. In general, outlook on Grants is not good and it will require speedy disbursement of all the resources required for implementing the various Government programs.

Performance on Expenditures

In the 2010/11 Fiscal Year, Government planned to spend K297.1 billion and was later revised to K309.9 billion at mid-year. Of the revised sum, K222.6 billion is for Recurrent Expenditure comprising K57.9 billion for Wages and Salaries and K164.7 billion for Other Recurrent Transactions (ORT). Development Budget resources were pegged at K85 billion of which K32 billion are Part II Development Budget resources and K53 billion are donor supported projects. In the third quarter of the 2010/11 Financial Year, total expenditures were projected to be K71.03 billion, Wages and Salaries K14.23 billion, ORT K37.1 billion, Part II projects K6.73 billion and donor financed projects K11.97 billion.

Overall, expenditures for the quarter were almost equal to the projection. It was merely down by about K0.10 billion. Out of the projected expenditures of K71.03 billion for the quarter, Government spent K70.94 billion.

Performance of Development Projects

The total annual provision for the Development Budget for the 2010/11 Financial Year is K77.9 billion which was revised to K85.1 billion. Of this, K31.6 billion is Government Contribution (Part II) and K53.4 billion is donor supported projects (Part 1). In the third quarter of the Financial Year, the projected expenditure was K18.7 billion comprising K11.97 billion for donor funded projects and K6.73 billion for Government funded projects.

Overall, Government under performed on Development Budget expenditure in the third quarter of the financial year. Out of a quarterly target of K18.7 billion, about K12.0 billion

worth of project output was achieved representing 64 per cent performance. There was an underperformance of K9.3 billion on donor funded projects but domestically financed projects were above target by K2.6 billion.

Overall Fiscal Performance

During the quarter, total revenues and grants amounted to K53.9 billion against a target of K69.1 billion. Similarly, total expenditures amounted to K70.9 billion against a target of K71.0 billion. As a result of this performance, Government closed the quarter with a deficit of K17.1 billion against a target of K1.9 billion which reflected an under performance of K15.2 billion. The outturn translated into an overall borrowing position of K20.3 billion against an expectation of a K1.9 billion position in both domestic and foreign sectors. In this regard, a total of K20.51 billion was borrowed from the domestic sector. Net domestic debt stock closed the quarter with debt stock of K136.5 billion against the Quarter's IMF performance criteria of K109.3. This outturn suggests that the target for the quarter was missed by K27.3 billion.

INTRODUCTION

1.1 Background to the Report

This is a quarterly for the third quarter of the 2010/11 Financial Year. The report assesses government performance in revenue generation and also in utilisation of the resources to meet its set objectives. The report further gives detail of the performance of particular projects under the development budget.

1.2 Key Objectives of the Report

The main objective of this report is to show how Government has performed in implementing the 2010/11 National Budget in the third quarter. Specifically the report aims at:

- (i) presenting the status of domestic revenue generation initiatives;
- (ii) reporting on performance of grants and loans from Cooperating Partners;
- (iii) presenting the details of expenditures of Government in the second quarter of the Financial Year.
- (iv) reporting on the implication of receipts and expenditures on general fiscal performance and macroeconomic projections; and
- (v) presenting a detailed assessment of implementation of the project

1.3 Methodology

The review of assessment of expenditures and receipts for the third quarter of the financial year was done in the first week of April 2011. The assessment was conducted by a team of officials from the various Departments of the Ministry of Finance including the Debt and Aid Division, the Economic Affairs Division, the Revenue Division, the Accountant General, and the Budget Division. The assessment involved the analysis of data from the Integrated Financial Management Information System (IFMIS), Returns from various Spending Agencies, consultations with various stakeholders and spot checks on some of the projects throughout the country. The study was led and coordinated by the Budget Division.

1.4 Layout of the Report

This report takes the format of the Second Quarter Performance where the assessment is presented in five key chapters. The first chapter introduces the report, its objectives and methodology employed in the assessment. The second and third chapters discuss the revenues and grants respectively. The fourth chapter is a discussion on expenditures. The fifth chapter discusses the overall fiscal balance in the quarter. Chapter six concludes the discussions and provides recommendations. The rest of the report discusses detailed progress reports of some of the projects in the 2010/11 Financial Year Budget.

Performance of Domestic Revenues

2.1 Introduction

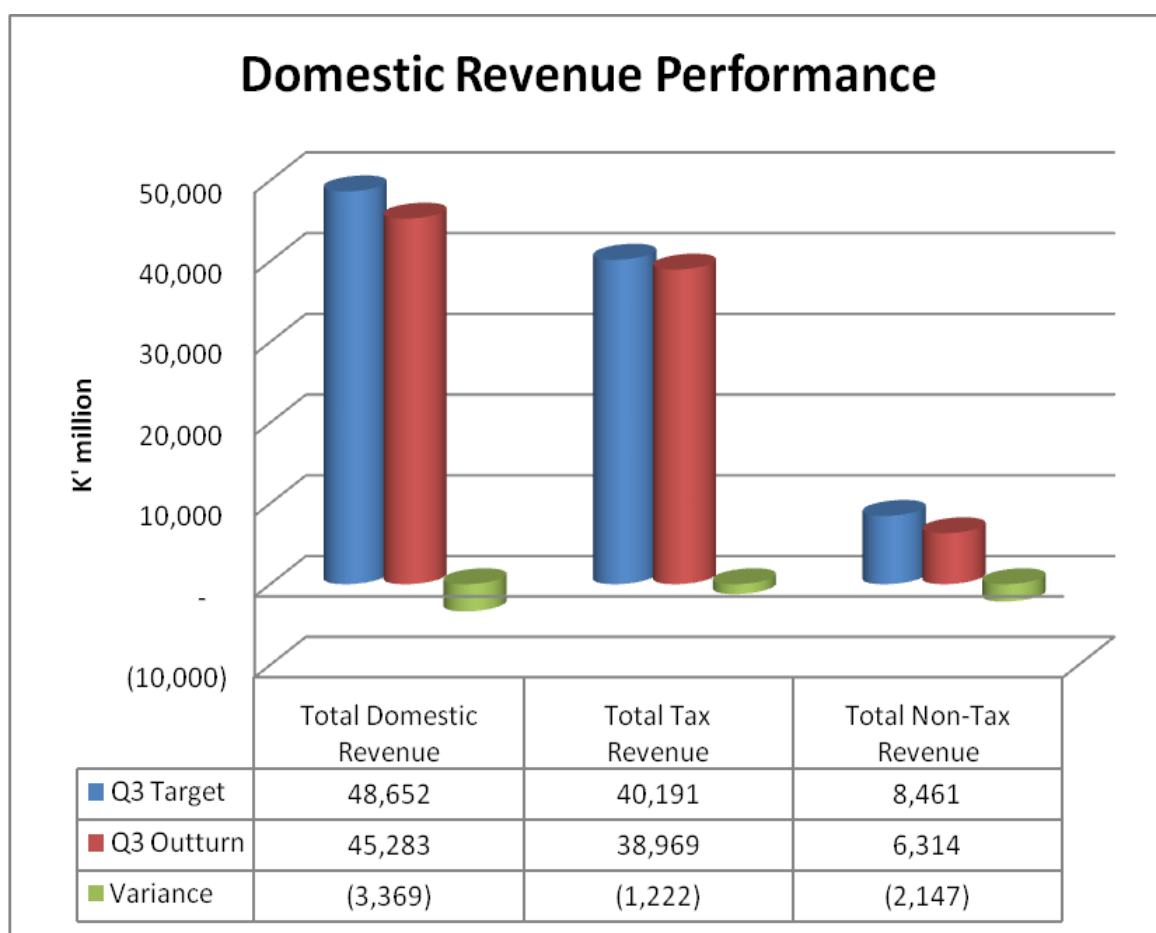
In the third quarter of the 2010/11 fiscal year, Government projected that it will collect revenues to the tune of K48.7 billion, about K2.1 billion more than the second quarter projection of K46.6 billion and K9.1 billion less than the K57.8 billion outturn for the second quarter. Of the third quarter projection, K40.2 billion (about 82 per cent) were expected to come from tax revenues while K8.5 billion (18 per cent) were to come from non-tax revenues. This chapter presents and discusses the performance of Government in generating domestic revenues in the quarter under review. The chapter will compare revenue outturn for the quarter against the targets; compare its performance in the quarter with performance in the second quarter and discusses some of the underlying factors that explain the performance of domestic the revenues.

2.2 Overall Performance of Revenue Collection

Figure 2.1 compares the outturn in domestic revenues in the third quarter against their corresponding projections. As the figure shows, overall domestic revenues underperformed in the quarter, with total domestic revenues amounting to K45.3 billion, thus an under-collection of about K3.4 billion on the quarterly target of K48.7 billion, thus domestic revenue collection in the quarter was about 7 percent less than projected. The third quarter performance also represents a considerable reduction in domestic revenue collection compared to the second quarter of the Financial Year where about K57.8 billion was collected. As Figure 2.1 illustrates, the under-performance in domestic revenues in the third quarter is on account of considerable under-collection of both tax and non-tax revenues; tax revenues registering a collection of about K38.9 billion against a target of K40.2 billion while non-tax revenues registered a collection of K6.3 billion against a target of K8.4 billion. Taxes on goods and services recorded the biggest shortfall on its quarterly target, with a collection of about K17.3 billion against a target of K20.9, thus falling short of the quarterly target by about K3.5 billion. Taxes on incomes and profits marginally missed their target, amounting to

K18.6 billion, thus about K0.6 billion less than its target while international trade taxes of about K3.7 billion were collected, also missing their target by about K0.6 billion. Non-tax revenues also performed less satisfactorily in the quarter as they recorded a lower outturn against their target. Total non-tax revenue amounted to K6.3 billion against a target of K8.5 billion, thus a shortfall of about K2.1 billion. Departmental receipts and fuel levies were the categories with the lowest outturn as they both missed their targets by about K1.1 billion. Compared to the second quarter of the 2010/11 Fiscal Year, all categories of both tax and non-revenues have generally registered lower collections.

Figure 2.1 Total Domestic Revenues Performance



2.3 Tax Revenue Performance

Table 2.1 below compares the tax revenue outturn for the third quarter of the fiscal year against their corresponding projections. Overall, tax revenues performed less satisfactorily in

the quarter as almost all categories of taxes registered collections that were less than their set targets. Such under performance in tax revenues in the quarter under review was largely on account of under collection in taxes on goods and services which registered a collection of about K16.4 billion against a target for the quarter of K18.1 billion, thus a shortfall on the target of K1.7 billion. With this category of taxes, Value Added Tax (VAT) registered low performance as they amounted to K10.9 billion against a target of K12.2 billion. Excise duties also missed their target by about K0.4 billion as they amounted to K5.6 billion against a target of K5.9 billion. Taxes on incomes and profits improved because of the positive variance for withholding tax on its target, registering collections of about K3.6 billion against a target of K2.5 billion. This nullified the performance of individual taxes such as PAYE and company assessment tax which fared bismally in the quarter to give an overall positive balance of K40 million.

Compared to the second quarter of the financial year, there was significant reduction in tax revenue collection in the period under review. In contrast to the second quarter when total tax revenues had registered a surplus collection of K7.2 billion, the third quarter performance has fallen short of its target by about K1.2 billion with collections amounting to K38.9 billion against a target of K40.1 billion. In the second quarter, almost all categories of taxes exceeded their set targets while in the third quarter, only withholding tax revenues, dividend taxes and miscellaneous duties registered a positive variance on their targets.

Table 2.1 points to the fact that the underperformance in domestic tax revenue collection in the third quarter of the 2011/12 fiscal was substantially due to significant under collection in VAT, PAYE, import excise and import duties.

Table 2.1: Tax Revenue Performance in the third Quarter

Type of Tax	Q3 Target	Q3 Outturn	Variance
TOTAL TAX REVENUE	40,191,043,742	38,968,755,815	-1,222,287,926
Tax on Incomes and Profits	17,839,761,118	17,880,115,598	40,354,481
Individual	9,756,949,507	9,181,139,800	- 575,809,707
PAYE	9,168,436,332	8,428,966,037	-739,470,295
Other Taxes	588,513,176	752,173,764	163,660,588
<i>Fringe Benefit</i>	441,674,390	593,736,978	152,062,588
<i>Non-Resident Tax</i>	146,838,786	158,436,785	11,598,000
Company Tax	5,508,194,406	5,084,268,212	- 423,926,194
<i>Company Assessment</i>	1,167,445,119	810,908,283	- 356,536,836
<i>Provisional Tax</i>	4,340,749,287	4,273,359,929	- 67,389,358
Withholding Tax	2,574,617,205	3,614,707,586	1,040,090,382
Tax on Goods and Services	18,157,341,777	16,449,498,934	-1,707,842,842
VAT	12,204,145,814	10,854,807,850	-1,349,337,964
Import VAT	6,106,431,256	4,911,016,161	-1,195,415,094
Domestic VAT	6,097,714,559	5,943,791,689	-153,922,870
Excise Duty	5,953,195,962	5,594,691,085	-358,504,878
Import Excise	4,014,925,851	3,764,096,735	-250,829,115
Local Excise	1,938,270,112	1,830,594,349	-107,675,763
International Trade Taxes	4,017,943,963	4,113,153,894	95,209,931
Import Duty	4,017,943,963	3,804,044,425	-213,899,538
Prepayment	-	309,109,469	309,109,469
Other Taxes	175,996,884	525,987,388	349,990,504
Penalties	16,782,229	11,310,507	-5,471,723
Dividend Tax	120,003,555	453,344,060	333,340,505
Miscellaneous Duties	39,211,101	60,532,701	21,321,600
Turnover tax	-	800,121	800,121
Tax Refunds	-	980,754,711	

2.4 Non – Tax Revenue Performance

Table 2.2 below presents the outturn in non–tax revenues in the third quarter against their set targets. As the table depicts, actual non–tax revenues amounted to K6.3 billion compared to the target of K8.4 billion, thus a short fall of K2.1 billion and representing about 75 per cent collection.

Table 2.2 demonstrates that the major explanation to the underperformance in non – tax revenues was due to the significant shortfall in fuel levies amounting to about K1.0 billion.

Other categories that also contributed to the poor performance of non-tax revenues include PIL receipts to NRA (with a shortfall of about K760 million), rural electrification levy and Parastatal dividends that registered shortfalls of K305 million and K111 million respectively. Departmental receipts missed the quarterly target by about K1.0 billion.

Table 2.2: Non – Tax Revenue Performance in the Second Quarter (K'000)

Non-Tax Revenue type	Q3 Target	Q3 Outturn	Variance
Departmental Receipts			
Immigration	809,889,866	833,949,373	24,059,507
Civil Aviation	248,569,148	145,696,758	-102,872,390
Road Traffic	640,170,559	473,301,177	-166,869,382
Marine	2,000,000	1,038,740	-961,260
Met. Services	375,000	50,000	-325,000
Police	44,341,474	73,126,881	28,785,407
Geo Survey	250,000	-	-250,000
Trade and Industry	25,000,000	6,588,550	-18,411,450
Forestry	182,948,174	4,396,804	-178,551,370
Agriculture	26,562,500	20,353,156	-6,209,344
Youth, Sports	5,000,000	2,137,882	-2,862,119
Labour & Social Services	3,726,375	3,603,414	-122,961
Judiciary	171,446,883	7,329,521	-164,117,361
Fisheries Department	1,375,000	424,930	-950,070
Mines	102,974,504	43,410,692	-59,563,812
NSO	-	89,701	89,701
Education	639,435,646	171,720,518	-467,715,128
Finance	15,000,000	5,875,853	-9,124,147
Audit	-	2,500	2,500
Government Stores	-	1,150,000	1,150,000
ODPP	1,000,000	96,112	-903,889
Lands & Phy. Planning	105,225,000	79,856,454	-25,368,546
Health & Population	19,523,933	10,370,088	-9,153,845
Information	2,251,575	2,242,450	-9,125
Tourism & Parks	16,320,000	1,323,340	-14,996,660
Water & Irrigation	4,000,000	2,147,076	-1,852,924
Women & Children	10,000,000	106,800	-9,893,200
Justice	-	-	-
Legal Aid	-	-	-
National Assembly	-	450	450

Non-Tax Revenue type	Q3 Target	Q3 Outturn	Variance
Prisons	375,000	136,300	-238,700
Administrator General	192,500	88,450	-104,050
Accountant General	25,000,000	34,432,892	9,432,892
Registrar General	119,157,610	178,046,166	58,888,556
Total Departmental Reciepts	3,222,110,745	2,103,093,027	-1,119,017,718
Other Non-Tax Revenues			
PIL Receipts to NRA	2,522,049,600	1,761,799,309	-760,250,291
PIL Receipts for Safety Nets	1,498,304,875	1,386,682,100	-111,622,775
Rural Electrification Levy	1,140,519,558	835,290,746	-305,228,811
Storage Levy	-	227,181,626	227,181,626
Total Fuel Levies	-	-	-
Parastatal Dividends	78,047,500	-	-78,047,500
Total Non-Tax Reveue	8,461,032,277	6,314,046,808	-2,146,985,469

Although the overall outturn for departmental receipts gives a negative variance on the quarterly target, some departments registered significantly impressive outturn in the quarter, exceeding their targets. Such departments include Immigration Department which exceeded its target of K809 million by K24 million mainly due to on track implementation of the new passport system which has seen passport holders renewing their documents, Malawi Police Service collections amounted to K73 million against a target of K44 million as a result of improved accounting standards and timely banking of revenues at the Police Department while the Registrar General's office registered an outturn of about K178 million against a target of about K119 million.

3.5 Conclusion

The report has revealed that generally revenue collection in the third quarter has been less than projected as most of the revenue categories missed their set targets. This has been attributed to a number of factors.

According to the revised budget of the 2010/11 fiscal year, a total of K220.6 billion is expected to be collected as total revenues by end June 2011. In order to meet this target,

K55.2 billion and K15.3 billion have to be collected as Tax and Non Tax Revenues respectively in the last quarter of the 2010/11 fiscal year. In order to achieve this, there is a need to implement a number of strategies. MRA will need to increase its enforcement and compliance measures starting in the month of April so as to improve the performance of the tax revenues. Non Tax monitoring exercises will have to be enhanced in the next quarter. Those Departments that have arrears in their collections should also be supported by the Ministry of Finance in order to help them clear off the arrears and improve the performance of the Non-Tax Revenues.

Performance of Inflows of Grants and Loans

3.1 Introduction

In the 2010/2011 Financial Year, Government projected to receive grants from Cooperating Partners to the tune of K85 billion which was revised to K84.3 billion at mid-year representing 28 percent of the total receipts for the fiscal year. Of this sum, K16.8 billion are Program or Budget Support resources, K35.7 billion are Dedicated Grants and K31.8 billion are Project resources.

In the third quarter of the 2010/11 financial year, Government projected to receive K20.46 billion in total grants of which K4.54 billion are Budget Support resources, K7.01 billion are Dedicated Grants and K8.90 billion are Project Grants. This Chapter examines performance of inflows of grants to Government in the third quarter of the 2010/11 fiscal year and discusses factors that explain the performance displayed in the respective grants.

3.2 Performance in Overall Inflows of Grants in the Financial Year

Table 3.1 presents the performance in overall inflows of Grants in the third quarter of the financial year. As can be depicted, overall grants were down by K11.88 billion in the quarter. Out of the total prospective inflows of K20.46 billion, grants amounted to K8.58 billion in the quarter.

Table 3.1: Details of Performance of Grants for the Third Quarter of the 2010/11 FY (January – March)

(Million Kwacha)

	Approved Provision 2010/11	Q3 Target	Q3 Outturn	Variance (Outturn-Target)
Grants	85,369	20,458	8,576	(11,882)
Program	19,888	4,541	-	(4,541)
Dedicated Grants	33,630	7,013	6,155	(858)
Food security	3,043	-	591	591
NAC	11,421	3,413	747	(2,666)
Health SWAP	13,729	1,604	3,812	2,208
Education SWAP	5,446	-	1,076	1,076
Project Grants	31,851	8,904	2,421	(6,483)

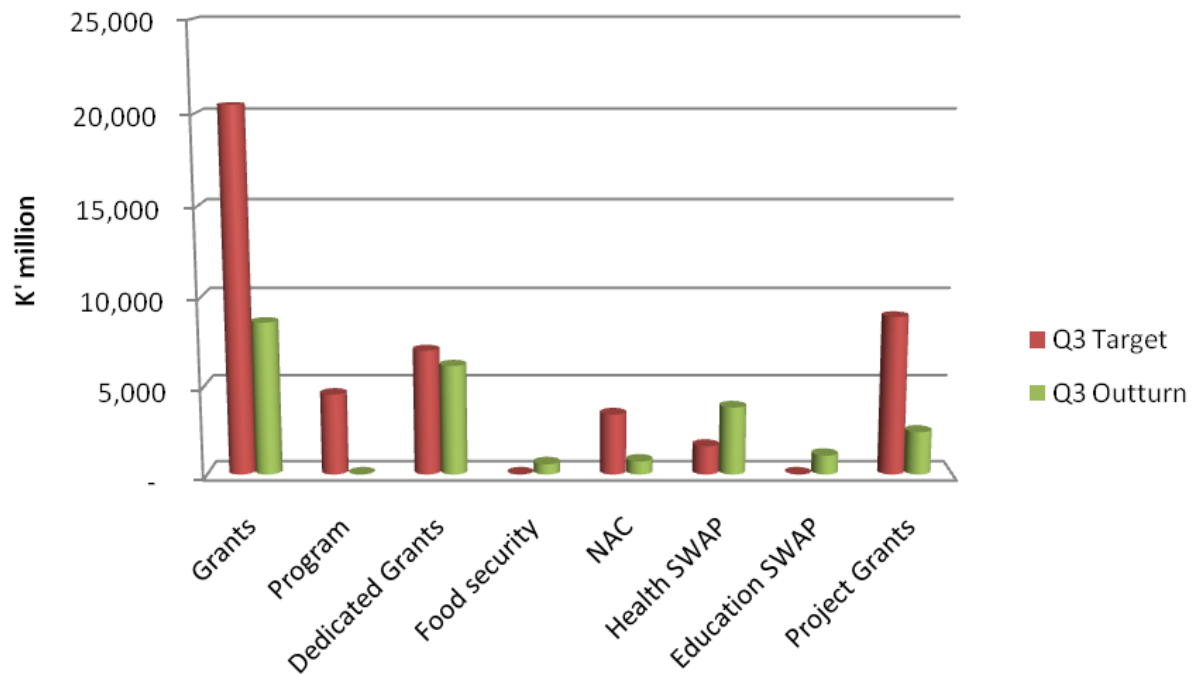
Budget Support resources did not performed well during the quarter. No Budget Support resources were received during the quarter. This was mainly due to the fact that many donors disbursed Budget Support resources in the first half of the financial year. Out of a projected inflow of K11.92 billion, a total of K14.92 billion was disbursed in the first half of the 2010/11 fiscal year. Dedicated Grants continued to register an under performance in the third quarter as was the case in the second. In the third quarter a total of K6.16 billion was received against a forecast of K7.01 billion.

Project Grants also underperformed in the third quarter as shown by an unfavourable variance of K6.48 billion. This is the continuation of the underperformance trend which was also registered in the first and second quarters of the financial year. The actual outturn for Project Grants in the third quarter was K2.42 billion against a target of K8.94 billion. It can be noted from the outturn that all kind of grants underperformed in the third quarter. This is a worrisome trend as it puts pressure on Government borrowing and also derails timely implementation of activities.

3.3 Performance in Dedicated Grants in the 3rd Quarter of the FY

Chart 3.1 below presents the performance in dedicated grants in the third quarter of the 2010/11 financial year.

Chart 3.1 Disbursement of Grants in Third Quarter



Overall, dedicated grants underperformed in the third quarter by K0.86 billion from a target of K7.01 billion to actual disbursement of K6.15 billion. This comes against another underperformance of K9.73 billion in the first half of the financial year. The underperformance in dedicated grants in the third quarter is largely explained by a big underperformance in National AIDS Commission (NAC) inflows. NAC inflows underperformed by K2.67 billion from a target of K3.41 billion to an actual outturn of K0.75 billion. On the other hand, Education SWAP and Food Security grants over-performed during the quarter. Both Education SWAP and Food Security resources were projected at zero during the third quarter. However, resources worth K1.08 billion and MK0.59 billion were received for Education SWAP and Food Security respectively.

3.4 Summary on Grants

It is clear from the figures that the disbursement of resources under dedicated grants has not been consistent with projections in the third quarter of 2010/11 fiscal year. Inflows for Food Security and Education SWAP over-performed while those for NAC underperformed during the quarter. The underperformance was greater than the over-performance resulting in overall under-performance in Dedicated Grants. This poses a huge risk to the implementation of the 2010/1 budgeted as it affects timely implementation of programmes.

Performance of Expenditures in the Quarter

4.1 Introduction

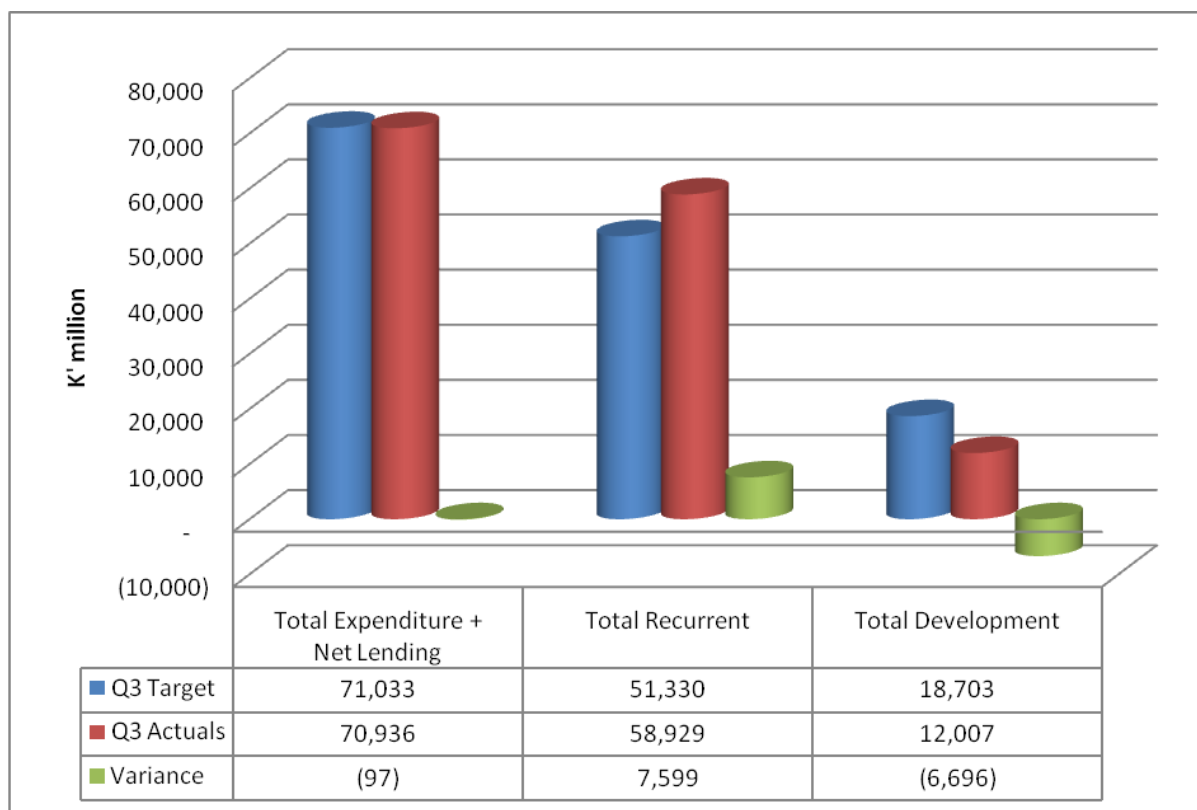
This chapter discusses the expenditure of Government in the third quarter. It further explains the factors underlying the expenditure trends.

In the third quarter of 2010/11 Financial Year, total expenditure including net lending and direct payments was projected at K71.03 billion of which wages and salaries was K14.23 billion; other recurrent transactions (ORT) were at K37.10 billion; Part 1 projects had a target of K11.97 billion; Part II projects were projected at K6.73 billion; and K1 billion for direct payments. Chart 4.1 shows these details.

4.2 Performance of the Overall Expenditures Performance Quarter

Chart 4.1 depicts the overall expenditure against the targeted expenditure for the third quarter of the 2010/11 Financial Year. It can be seen from the chart that the overall expenditure for the quarter was down by K97 million. Out of the target of K71.03 billion, Government spent K70.9 billion. This represents an underexpenditure of about 0.1 per cent only. However, its breakdown presents a different picture. The recurrent expenses were above the target by K7.6 billion and this overexpenditure was compensated by underexpenditures in the development budget. The Development Budget underspend by K6.7 billion.

Chart 4.1 Total Government Expenditure in the Third Quarter of the 2010/11 FY



4.2.1 Performances of Recurrent Expenditures in the Quarter

In general, recurrent expenditure was above the target by K7.6 billion in the third quarter. Comparatively, actual recurrent expenditure was K58.9 billion against a target of K51.3 billion. Table 4.1 presents the performance of the recurrent budget broken down into its broad categories of wages, interest payments, payments on goods and services, and subsidies and transfers.

Table 4.1 Recurrent Expenditure in the Quarter

Category	Q3 Target (K' million)	Q3 Outturn (K' million)	Variance between Target and Outturn (K' million)
Recurrent Expenditure	51,329	58,929	(7,600)
Wages and Salaries	14,229	14,117	112
Interest on Debt	6,613	8,369	(1,756)
Foreign	293	247	46

Category	Q3 Target (K' million)	Q3 Outturn (K' million)	Variance between Target and Outturn (K' million)
Domestic	6,320	8,122	(1,802)
Goods and Services	20,227	25,110	(4,883)
Subsidies and Transfers	10,260	11,333	(1,073)

Performance of Wages and Salaries

It can be noted from Table 4.1 that Wages and Salaries are below the projected amount of K14.2 billion by K112 million. The decrease in the wage bill is primarily on account of the implemented expenditure control measures whereby salaries and wages for civil servants are now paid through banks. This is an on-going process and it is believed that the wage bill will go down further in the subsequent quarters.

Interest on Debt Repayments

Interest payments on foreign debt is within the projected amount of K293 million for the third quarter, interest on domestic repayments was above the target of K6.3 billion by K1.8 billion. The rise in this expenditure is on account of payments for half year interest on local registered stock (LRS), part redemption of open market ordinary treasury bills (OMO TBS) and maturity of TBS.

Goods and Services

Overall expenditure on Goods and Services amounts to K25.1 billion for the third quarter compared to a projection of K20.2 billion. This gives an overexpenditure of K4.8 billion.

Subsidies and Transfers

Expenditures on subsidies and transfers amounted to K11.3 billion, which is above the third quarter target of K10.3 billion by K1.1 billion.

Performance by Item

In order to closely monitor the usage of funds by government institutions, this Section analyzes expenditures on a number of key items in the third Quarter. This assists in identifying potential areas of pressure in budget implementation. Table 4.2 summarizes expenditures compared to the budget on some major budget lines.*

Table 4.2 Item Summary of Q3 Expenditure

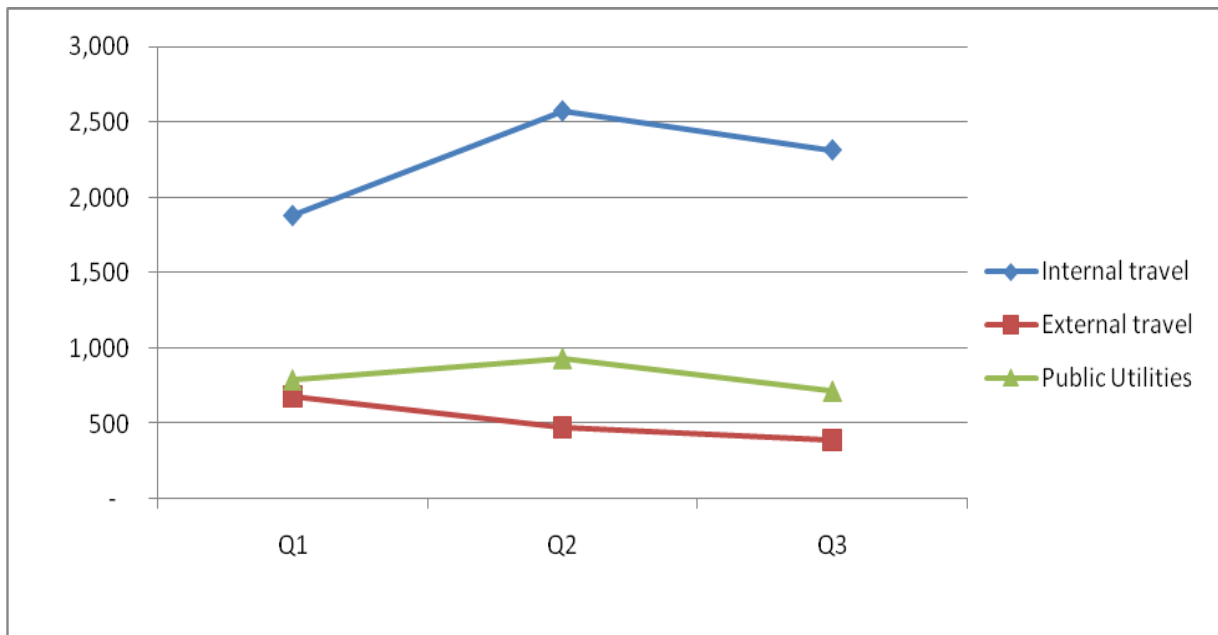
Item Summary	2010/2011 Budget	Q1 Expenditure	Q2 Expenditure	Q3 Expenditure	Budget Balance	% Spent in Q2
K' million						
Internal travel	8,438	1,882	2,577	2,318	1,661	27
External travel	2,119	685	478	390	566	18
Public Utilities	3,432	790	933	715	994	21
Agricultural Inputs	2,688	1,351	301	42	994	2
Agricultural Subsidies	18,059	7,765	8,630	1,647	17	9
Interest Payments	20,127	4,964	3,076	8,003	4,084	40
Pensions and Gratuities	7,217	1,948	2,733	2,182	354	30
Acquisition of fixed assets	18,947	3,286	11,375	4,976	(690)	26

Analysis of Expenditures on Travel

Table 4.2 shows expenditures on *internal travel* has decreased to 27 per cent in the third quarter as compared to 31 per cent in the second quarter. The decrease is attributed to the implementation of the new expenditure control measures where travel is limited to 5 days per month and also a decrease in the level of activity in major outputs such as fertilizer subsidy and road construction which are seasonal in nature. On the other hand, *External travel* expenditure has gone down from 23 per cent in the second quarter to 18 per cent which is within the quarterly expectation of 25 per cent. In general, Chart 4.2 shows that the expenditure in the travel budget is going down by each quarter. At this trend, the travel budget will remain within the approved provisions and if the same momentum is maintained.

* Donor Financed Projects and Local Councils are excluded as information is not captured in IFMIS

Chart 4.2 Expenditure Trends in Internal Travel, External Travel and Public Utilities



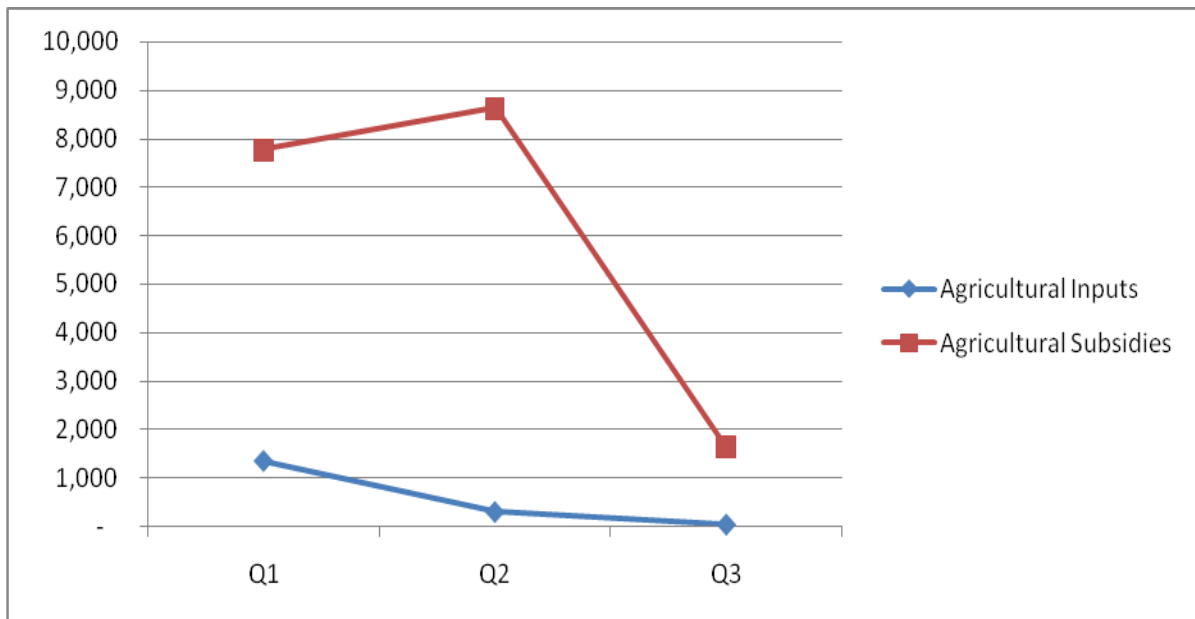
Analysis of the Utilities Budget

Expenditures on utilities in the third quarter stand at 21 per cent against an expectation of 25 per cent as shown in Table 4.2. The expenditures has gone down from 27 per cent in the second quarter.

Agricultural Inputs and Subsidies

Chart 2.3 shows the trend of expenditure in agricultural items. Considering the seasonality of agricultural activities, expenditures have nose dived from 47 per cent in the second quarter to 9 per cent in the third quarter. It is therefore very unlikely that the overall annual outturn will be above the approved provision.

Chart 4.3 Expenditure Trends in Agricultural Inputs and Subsidies



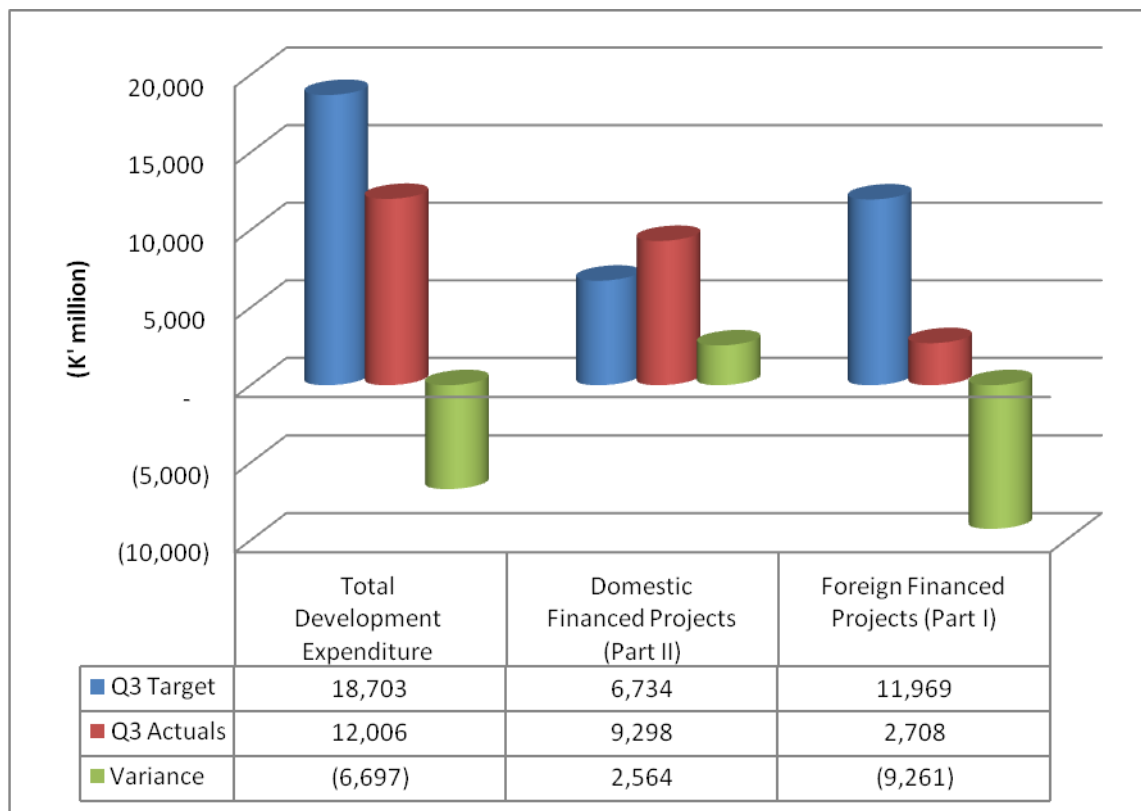
4.2.2 Performance of Development Projects Budget

This section presents and discusses the performance of implementation of development projects in the third quarter of the Financial Year.

Overall Performance of the Development Projects Budget

Overall, Government underperformed on Development Budget expenditures in the third quarter of the financial year. As depicted from Chart 4.4 below, total development expenditure underperformed compared to the budget target by K6.7 billion. Out of a quarterly target of K18.7 billion, about K12.0 billion has been spent. There was an underperformance of K9.3 billion on donor funded projects and an overexpenditure of K2.6 billion on domestically financed projects.

Chart 4.4 Performance of Development Projects



Annex I is a compendium of some of the development projects assessed in the quarter under review. It shows the performance of each project visited and gives reasons per project for any reported under performance.

Overall Fiscal Performance

5.1 Introduction

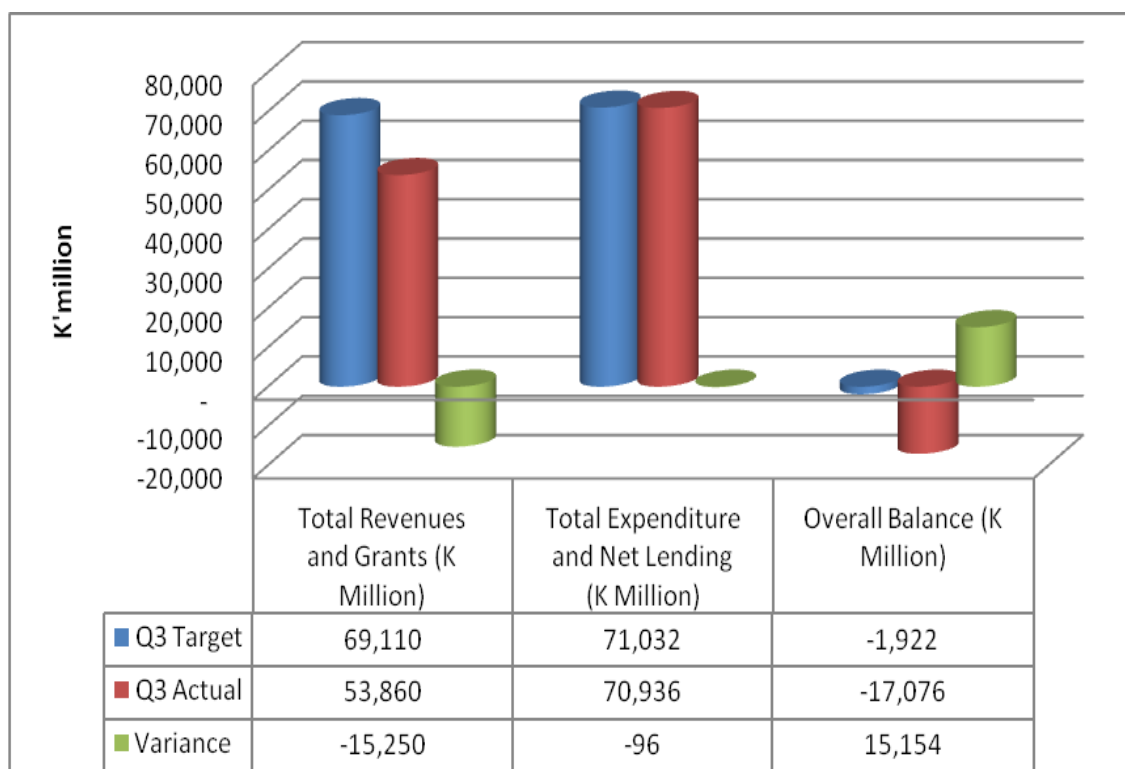
This chapter summarises performance of revenues and expenditures and determines how they translate in the overall Government's fiscal performance. The Chapter also discusses the performance of Government on debt and debt repayment against set targets.

5.2 Third Quarter Outturn on Fiscal Position

Chart 5.1 below presents the net fiscal position as at the end of the third quarter of the 2010/11 financial year. As shown on the chart, total revenues and grants were K53.9 billion against a target of K69.1 billion, thereby underperforming by K15.3 billion which is worse than the performance of Quarter Two which underperformed by K806 million. However, the underperformance in Quarter Three is mainly notable on nontax revenue and grants with variances of K2.1 billion and K11.9 billion respectively. There was for example, a nondisbursement of about K2.7 billion against a target of K3.4 billion registered under NAC grants with most of the development partners not meeting their pledges apart from world bank which disbursed K0.7 billion.

Total expenditure and netlending in Quarter three was K70.9 billion against a target of K71.0 billion. Recurrent expenditure registered K58.9 billion against a target of K51.3 billion while development expenditures K12.0 billion against a target of K18.7 billion of which domestic development expenditure recorded K9.3 billion against an expectation of K6.7 billion.

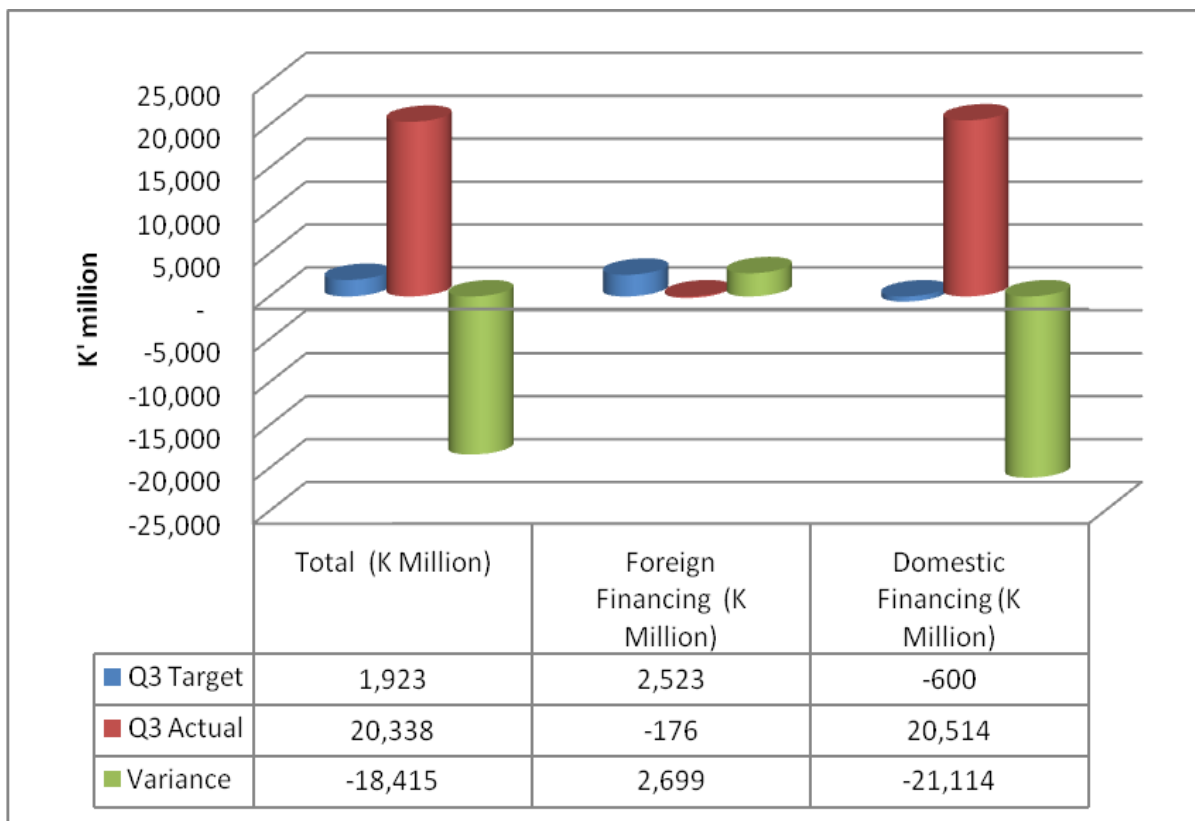
Chart 5.1 Overall Balance including Grants in Q3



5.3 *Outturn on the Financing Position*

Chart 5.2 below presents the outturn on debt financing for the third quarter of the financial year. As indicated in Chart 5.2 below, the Quarterly outturn on total revenue and grants as well as total expenditure and net lending resulted into an overall fiscal deficit of K17.1 billion against a target of K1.9 billion. The outturn translated into an overall borrowing position of K20.3 billion against an expectation of a K1.9 billion position in both domestic and foreign sectors. In this regard, a total of K20.51 billion was borrowed from the domestic sector. Net domestic debt stock closed the quarter with debt stock of K136.5 billion against the Quarter's IMF performance criteria of K109.3. This outturn suggests that the target for the quarter was missed by K27.3 billion.

Chart 5.2 Financing



Conclusion

Underperformance of nontax revenues and grants resulted into Government borrowing domestically ensure that the critical activities implemented as planned. Going forward Government needs to ensure that it launches a robust campaign on collection of both nontax and tax revenues to weather the negative effects of non disbursement of foreign resources.

Conclusion and Recommendations

The report has revealed that revenue collection in the third quarter of the Financial Year was not impressive as most of the revenue collection categories were below their set targets. This has been due to a number of factors which include decline in imports and fuel as a result of fuel supply challenges. Government is optimistic that the outlook for the second half of the Financial Year will also be good and therefore contribute to the overall performance of the fiscal year.

Disbursements of funds under dedicated grants were problematic in the third quarter of 2010/11 financial year. With the exception of resources under Food Security, all resources under dedicated grants underperformed during the quarter. There is need to ensure that the Development Partners and Government are more accountable to each other to ensure minimal disruption in the flow of financial resources.

It is appreciated that Government has put a tight grip on expenditures as it was seen that overall expenditure did not exceed the target. However, item by item analysis shows that more tightening will be required in selected budget lines.

ANNEX 1 COMPENDIUM OF DEVELOPMENT PROJECTS PROFILES AND PERFORMANCE

Vote 070 Judiciary

Project Title	Construction of the Commercial Court	
General Project Information		
Project Brief	The increase of commercial related cases prompted the separation of the Commercial Court Division from the General Division of the Court to create a conducive environment for the administration of commercial court cases. Currently, the Commercial Court Division is housed in rented premises.	
Implementation Timeframe	July 2010 – June 2013	
Total Estimated Cost	K1.6 billion	
Total funding disbursed in 2010/11 FY as of end of Q3	K100,000,000	
Problem the Project intends to address	Lack of structures to house the Commercial Court. Commercial cases are distinct in nature and need to be separated from the other cases which fall under the General cases for easy and speedy administration.	
Scope of Project	Construction of court room and chambers for the Commercial Court	
Development Objective	To construct the Commercial Court	
Specific Output(s) of the Project	Court room and chambers constructed for the Commercial Court.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
There is good progress. Basement has been done now works are at concrete level. Two certificates have been issued and paid; one certified is issued and is yet to be paid.		
Comment on General Progress and any other underpinning issues		
Due to scarcity of cement at one point in time, the works stalled. Hence construction is behind schedule by 2 weeks. However, the contractor reported that the delay will not affect the overall project period because he has already added extra personnel to make up for the lost time.		

Vote 120 Ministry of Local Government and Rural Development

Project Title	Rural Growth Centres	
General Project Information		
Project Brief	The majority of rural areas do not have necessary infrastructures and services capable of attracting investors and businesses to open up in such areas and create jobs. As a result, many people are migrating from rural areas to urban areas and this is creating problems in urban areas. This project is intended to develop rural growth centres for rural growth.	
Implementation Timeframe	July 2005 – July 2015 (10 years)	
Total Estimated Cost	K32 billion with K800 million estimated for each of the 40 rural growth centres funded by the Government	
Total funding disbursed in 2010/11 FY as of end of Q3	K216,717,350	
Problem the Project intends to address	Reduce rural - urban migration.	
Scope of Project	Construction of markets, bus depots, police units, and recreational halls. The construction works targeted 40 Rural Growth Centres where Neno, Nthalire, Enukwenu, and Nambuma are in the first phase.	
Development Objective	To resuscitate the rural economies and transform them into potential engines for economic growth that will contribute to sustainable growth that will result in re-distribution of wealth to all citizens while also mitigating the negative consequences of rural-urban migration	
Specific Output(s) of the Project	Markets, bus depots, police units, and recreational halls constructed in selected Rural Growth Centres.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
A. Enukwenu Rural Growth Centre		
<p>The structures which were planned for phase one have all been constructed and are all at completion stage. These are construction of a bus depot, market shade and a kiosk. Phase one of construction at Enukwenu in Mzimba started in 2009 and was expected to finish in 2010.</p> <p>The project therefore awaits the commencement of phase two which will see the construction of toilets, a fence around the center, two kaunjika shades, an access road, a butchery, a slaughter house and a water tank. Phase 2 will start after compensations have been paid.</p>		
B. Ekwendeni Rural Growth Centre		
<p>Construction of structures started in September, 2009. So far, a slaughter house, 24 kiosks, two depot structures, council office, an ablution block, a butchery and a fence have been constructed. The works that are still outstanding and are awaiting the second phase are graveling and brick tilling of the car park and construction of an access road to the center. There are two houses within the center whose owners are still awaiting compensation. The general progress of the project is very good.</p>		
Comment on General Progress and any other underpinning issues		
There has been a slow progress on the project in general to complete the first phase sites due to lack of qualified Local Contractors. However on the sites that were already started, progress is good.		

Project Title	Construction of Urban and Rural markets	
General Project Information		
Project Brief	The project is to construct urban and rural markets where people can go and sale their produce easily and in friendly business environment	
Implementation Timeframe	10 years	
Total Estimated Cost	K4 billion	
Total funding disbursed in 2010/11 FY as of end of Q3	K238,164,981	
Problem the Project intends to address	Lack of proper market infrastructure	
Scope of Project	To improve the infrastructure of markets across the country	
Development Objective		
Specific Output(s) of the Project	Various markets constructed in the Districts	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
<p>Matawale Urban Market in Zomba The fence, butchery, office, 2 blocks for selling of miscellaneous item have been constructed. The shops are yet to be completed. Other remaining works are the construction of corridors connecting the buildings in the market.</p>		
Comment on General Progress and any other underpinning issues		
The matawale project was awarded to 2 contractors. One to contract a fence, 2 market block, office, corridors and butchery. He has completed everything except for the corridors. The other one was given the construction of shops. He is far from completing and the workmanship is substandard.		

Vote 180 Ministry of Youth Development and Sports

Project Title	Integrated Youth Development Initiative	
General Project Information		
Project Brief	The national unemployment rate in the formal sector amongst youth aged 15-24 is estimated at 9% with more females (10%) than males (8%) being unemployed. This indicates that the formal sector is failing to absorb all the employable youths hence the need to create other avenues through the non-formal sector to complement the formal sector. There has been poor access to credit especially amongst young women and disabled youths are contributing to poverty amongst the youth groups.	
Implementation Timeframe	July 2008 to June 2013	
Total Estimated Cost	K6,269,733,200	
Total funding disbursed in 2010/11 FY as of end of Q3	MK 14,050,000	
Problem the Project intends to address	High unemployment rate amongst the youth who are not formally employed	
Scope of Project	<ul style="list-style-type: none"> • Provision of support services and linkages to credit • Conduct baseline assessment and identify value chains Capacity building needs • Training of project beneficiaries • Construction of infrastructure in centers • • Construction of house, kitchen and hostels 	
Development Objective	<ul style="list-style-type: none"> • To contribute to the economic empowerment and poverty alleviation among young men and women • Improving youth livelihoods and their participation in development initiatives 	
Specific Output(s) of the Project	<ul style="list-style-type: none"> • 2400 young people trained in various vocational and technical skills • 6 National Youth Development Centers established and self sustainable by the end of the project cycle 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The construction under this project is done by Tapita Building Contractors and Phale Building Contractors. The project involves construction of a Hall, two semi detached staff houses, and two hostels (one for girls and one for boys). The project started on 26 th March, 2011 and is expected to run for 26 weeks.		
Comment on General Progress and any other underpinning issues		
There is need to provide for more resources in the 2011/12 Financial Year to ensure its completion.		

Vote 190 Ministry of Agriculture and Food Security

Project Title	Improvement of Irrigation Infrastructure in Agriculture Research Station	
General Project Information		
Project Brief	Some Agricultural Research Stations have irrigation facilities that could be used to implement irrigation research and seed multiplication that is required throughout the country and also for supplemental irrigation of breeders seed during rain season. The challenge is that the available irrigation infrastructure (irrigation equipment and dams) are either dilapidated or outdated. In some cases, these facilities have never been installed at some Research Stations Through this project, the Department would like to improve irrigation infrastructure at selected Research Stations in order to improve irrigation research and provide improved breeders seed through multiplication of breeder seed using irrigation	
Implementation Timeframe	July 2006 to July 2012	
Total Estimated Cost	MK379925500	
Total funding disbursed in 2010/11 FY as of end of Q3	MK 51,352,324	
Problem the Project intends to address	Dilapidated and outdated irrigation structures deterring agricultural output.	
Scope of Project	Agricultural Research Stations; Chitedze, Bvumbwe, Kasinthula, Makoka, Mbawa, Mkondezi and Chitala within DARS will be provided with required facilities to strengthen seed research	
Development Objective	To modernize irrigation infrastructures within the Agricultural Research Stations for quality breeder seed multiplication and irrigation research programmes in Malawi.	
Specific Output(s) of the Project	Small earth dam structures for water resources storage at Chitedze, Bvumbwe, Kasinthula, Mbawa, Makoka and Chitala Research Stations rehabilitated and constructed; Sprinkler irrigation infrastructure to cover at least 10 hectares at the following Research Stations: Chitedze, Bvumbwe, Kasinthula and canal alignment at Mbawa, Makoka and Chitala for breeders seed multiplication and national irrigation research programmes; weather monitoring instrumentation at all Research Stations for monitoring the agricultural environment; Irrigation and drainage laboratory at Kasinthula Research Station rehabilitated;	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Kasinthula Research Station	The project involves the construction and rehabilitation of irrigation scheme. Secondary and tertiary canals were completed in 2007. A reservoir dam was constructed as well. A pump has been purchased and is awaiting installation.	
Comment on General Progress and any other underpinning issues		
Although the construction of secondary and tertiary canals has been completed, there are technical errors which need to be corrected. There is a general view that secondary canals are on the same level with Tertiary canals such that it will be difficult for water to flow into the tertiary canal from the secondary canal. The dam that has been constructed has a lesser volume considering that the pump is huge and this will result into underutilisation of the pump and also that the dam may not store adequate water for irrigation.		

Vote 200 Persons with Disability and the Elderly

Project Title	Construction of Hostels for Neno Elderly Care Centre	
General Project Information		
Project Brief	Malawians have enviable traditions of respecting older persons and providing care to them. Older persons have been excluded and marginalized purely on the basis of their age and face a number of barriers that prevent them from participating fully in development activities. They have difficulties in accessing healthcare, nutritious foods, public and private buildings, transport and communication systems among others.	
Implementation Timeframe	July, 2008 – July, 2015	
Total Estimated Cost	MK450,000,000	
Total funding disbursed in 2010/11 FY as of end of Q3	MK2,153,412	
Problem the Project intends to address	Lack of care, wellbeing and support of older persons in communities.	
Scope of Project	<ul style="list-style-type: none"> • Construction of fully furnished hostels • Orchards establishment • Fishponds creation 	
Development Objective	To maintain and promote the status, wellbeing, safety and security of older persons and empower them to contribute to the development of the country.	
Specific Output(s) of the Project	<ul style="list-style-type: none"> • 400 rooms hostel constructed • Orchards established • Fishponds created 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
There is no progress on this project. So far 15,000 bricks have been moulded. Works stopped in November, 2010 and is expected to resume in April, 2011.		
Comment on General Progress and any other underpinning issues		
There is very poor workmanship on the 15, 000 bricks that have been moulded. Therefore there is need to critically analyse the project if it is going to be financed in the 2011/12 financial year. In general, the project has not started. Pumping in more resources will not be a good idea unless the project is re-oriented.		

Vote 210 Ministry of Irrigation and Water Development

Project Title	Water Retention Structure Development Programme- Multipurpose Dams	
General Project Information		
Project Brief	Considering that water demand for irrigation, domestic and municipal water supply purposes, ground water recharge, fish keeping, recreation, environmental needs, and hydropower generation is growing and further minimize the impact of water related disaster such as drought and floods, the development and conservation of the countrys water resources through the development of water retention structures such as dams and weirs is vital and essential for ensuring availability of water to meet the growing water demands	
Implementation Timeframe	July 2008 to June 2015	
Total Estimated Cost	K39,192,995,483	
Total funding disbursed in 2010/11 FY as of end of Q3	K60,000,000	
Problem the Project intends to address	Inadequate water reservoirs and poor rehabilitation of existing waters retention structures. Poor management and conservation of catchment areas.	
Scope of Project		
Development Objective	To provide adequate and sustainable water retention structures to ensure availability of water resources for various purposes such as irrigation, domestic and municipal water supply, and flood control.	
Specific Output(s) of the Project		
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Comment on General Progress and any other underpinning issues		
4 old dams, namely Chisoka in Thyolo, Mbiridzi in Rumphu, Khwangwa in Chitipa and Namiseche in Phalombe have been identified and surveyed for rehabilitation, Chisoka Dam in Thyolo has been rehabilitated. Three new water retention structures, namely; Kadamsana in Mwanza, Thundu in Nsanje, and Ncholi in Nkhotakota have been identified and surveyed. So far land for Lunchenza Dam in Thyolo has been cleared, 80,000 cubic metres of the off channel storage reservoir and an earth embankment to the height of 2.5m has been constructed.		

Vote 250 Education, Science and Technology

Project Title	ADF V Education Project	
General Project Information		
Project Brief	When Distance Education Centres were converted into Community Day Secondary School, it was realised that the Centres did not have adequate structures for learning. This project was started to improve the learning environment in the Centres. It is an extension of ADF IV.	
Implementation Timeframe	ADF IV started in 2004 and completed in 2009. ADF V was expected to end in Dec 2010.	
Total Estimated Cost	K4,950,000,000	
Total funding disbursed in 2010/11 FY as of end of Q3	K 183,890,841	
Problem the Project intends to address	Poor learning structures in Community Day Secondary Schools.	
Scope of Project	<ul style="list-style-type: none"> • Construction of additional classroom blocks, science laboratories, libraries, 2 teacher's houses, toilets, sports facilities and fence in 20 schools. • Training of CDSS teachers.Provision of Teaching and Learning Materials. 	
Development Objective	Improve quality of Community Day Secondary School education by improving the learning environment in Community Day Secondary Schools.	
Specific Output(s) of the Project	Construction in 20 CDSS	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
<p>Nyungwe CDSS The project entails the construction of an administration block, two classroom blocks, library, laboratory and a fence around the school.</p> <p>Progress This is the ADB funded project and work is almost finished. The contractor who was doing the work is NICHOLUS and the work has seen the construction of cement brick fence, two classroom blocks (four classrooms), a library, two laboratories, AN ADMINISTRATION BLOCK and a water tank</p>		
Comment on General Progress and any other underpinning issues		
In general, this is one of the best performing project in terms of progress in the Ministry of Education Development budget. Progress is on track and it is very likely that all the schools will be completed by the end of the financial year.		

Project Title	Construction of Girls' Hostels	
General Project Information		
Project Brief	One of the reasons for high drop out of girls from schools has been the long distance to school that girls have to walk. In order to improve retention of girls in secondary schools, Government embarked on construction of Girls Hostels in various secondary schools. This project is fully funded by the Malawi Government.	
Implementation Timeframe	2006 to 2013	
Total Estimated Cost	K2,700,000,000	
Total funding disbursed in 2010/11 FY as of end of Q3	K469,852,422	
Problem the Project intends to address		
Scope of Project	Construction of buildings in the 14 schools currently involved.	
Development Objective	<ul style="list-style-type: none"> To improve retention of girls in secondary schools` 	
Specific Output(s) of the Project	<ul style="list-style-type: none"> Construction in all the 14 secondary schools of 4 hostels each having a 56 bed capacity Kitchen Matrons house In some cases installation of a maize mill 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
<p>Nyungwe CDSS (Karonga) Construction of the hostels started in 2010. The construction contract was offered to J and J construction company. The project aims at the construction of 4 hostels each to accommodate over 200 girls, kitchen and the matron's house.</p> <p>Progress</p> <p>There is good progress. All the four hostels, kitchen and the matron's house have been constructed and currently, the finishing part is the one that is being done. Some of the work currently being done is fixing of beds, doors, doing the final touches on the walls and floor.</p> <p>The major concern is the source of electricity, water and access road.</p> <p>Chamakala CDSS The works here are at completion stage. Almost everything has been finalized and the only works remaining are the fixing of additional electric ports in the kitchen and electricity connection to the structures. Apart from the planned works that have done and are of good quality, the school. In general, the school is in bad shape, there is need to extend the project to take on board the remaining structures.</p>		
Comment on General Progress and any other underpinning issues		
<p>Construction has tremendously progressed in the first half of the 2010/11 fiscal year. Works in the second phase of the project should be completed in more than half of the sites by the end of the fiscal year.</p> <ul style="list-style-type: none"> ➤ Construction completed in 2 of the 6 schools that were part of the first phase. In the other 6 schools, over 80% of works were completed. ➤ Construction in all sites (6 schools) of the second phase is currently underway and expected to be finished by the end of June, 2011. 		

Vote 310 Ministry of Health

Project Title	Rehabilitation of Zomba Central Hospital	
General Project Information		
Project Brief	<p>Zomba Central Hospital as one of the referral hospital in Malawi which caters for a recommendable part of the southern region had inadequate hospital infrastructures and staff houses.</p> <p>The project is divided into three phases comprising construction and rehabilitation of the hospital; construction of staff houses; and construction of an office block</p>	
Implementation Timeframe	June 2006 to June 2012	
Total Estimated Cost	K1,000,000,000	
Total funding disbursed in 2010/11 FY as of end of Q3	118,369,837	
Problem the Project intends to address	Inadequate and dilapidated hospital facility	
Scope of Project	<ul style="list-style-type: none"> • Construction and Rehabilitation of hospital • Construction of staff houses • Construction of an administration block 	
Development Objective	To increase capacity and facilities of the hospital so that it can accommodate more patients hence being a referral hospital	
Specific Output(s) of the Project	<ul style="list-style-type: none"> • Houses constructed • Hospital rehabilitated 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
At this site 27 staff houses, 2 flats and Hospital Ward have been completed. So far 19 houses have been occupied and four wards are being used. The Contractor is now commencing works on the road network.		
Comment on General Progress and any other underpinning issues		
There is tremendous progress. The remaining wards and houses are waiting for electricity and this is expected to be completed by Friday Week beginning 4 th April, 2011. Installation of air conditioners and repositioning of distribution boards for B3, and B2 houses have not been done.		

Project Title	Rehabilitation of Balaka Hospital	
General Project Information		
Project Brief	Balaka District Hospital is the only referral hospital in the district	
Implementation Timeframe	June 2007 to June 2012	
Total Estimated Cost	K150,000,000	
Total funding disbursed in 2010/11 FY as of end of Q3	K 26,805,885	
Problem the Project intends to address	Increased population in the district which leads to increased disease burden	
Scope of Project	Rehabilitation of the hospital	
Development Objective	Improved quality and equal access to health services	
Specific Output(s) of the Project		
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
However, construction works were completed except for the corridors and installation of electricity. The contractor has demobilized because he has not paid for some time.		
Comment on General Progress and any other underpinning issues		

Project Title	Umoyo Housing	
General Project Information		
Project Brief	A Joint Program of Work (POW) for a Sector Wide Approach by the Ministry of Health aims at developing a health delivery system that is pro actively responsive to the prevailing disease burden and morbidity. One of the key components of the POW is enhancement of infrastructure and its support services	
Implementation Timeframe	July, 2006 to June 2013	
Total Estimated Cost	K7,260,000,000	
Total funding disbursed in 2010/11 FY as of end of Q3	K 555,854,922	
Problem the Project intends to address	Lack of quality health care services to reduce maternal and infant mortality rates	
Scope of Project	<ul style="list-style-type: none"> • Construction of Health Centers • Procurement of Hospital standard equipment • Construction of staff houses 	
Development Objective	To improve the delivery of primary health care services in the Districts hence reducing the current disease burden and later on morbidity.	
Specific Output(s) of the Project	<ul style="list-style-type: none"> • Health centers constructed • Staff houses constructed 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Comment on General Progress and any other underpinning issues		

Vote 320 Ministry of Women and Child Development

Project Title	Refurbishment of Magomero College	
General Project Information		
Project Brief	Magomero College is not fenced and therefore very prone to frequent cases of burglary and theft. The infrastructure is very old and dilapidated, not adequate for the demands of the College. Library Books, Teaching and Learning materials are outdated therefore need to rehabilitate and expand the College to accommodate enough students and to restock the library.	
Implementation Timeframe	July,2008 to June 2013	
Total Estimated Cost	MK681,480,000	
Total funding disbursed in 2010/11 FY as of end of Q3	K17.2 million	
Problem the Project intends to address	Poor teaching and learning environment at the college	
Scope of Project	<ul style="list-style-type: none"> • Rehabilitation of Central Administration offices • Renovation of staff houses • Renovation of hostels and classrooms 	
Development Objective	To rehabilitate the College to a modern standard so as to make it a Centre of excellence in the field of Social Welfare and Community Development Services.	
Specific Output(s) of the Project	<ul style="list-style-type: none"> • All hostels rehabilitated • College fence constructed • Guest houses renovated • Classrooms rehabilitated • Staff houses renovated 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Average		
Comment on General Progress and any other underpinning issues		
<ul style="list-style-type: none"> ➤ Designs are complete. ➤ Tendering process underway 		

Project Title	Social Cash Transfer	
General Project Information		
Project Brief	<p>According to the Integrated Household Survey (IHS2) of 2005, 45% of the households in Malawi live below the poverty line. The Ultra poor and labor constrained households of Malawi urgently require socio support interventions that will enable them to improve their livelihoods and protection against economic shocks, thereby increasing their opportunity for survival.</p> <p>The Malawi Social Cash Transfer Program was designed to alleviate poverty, reduce malnutrition and improve school enrolment by delivering regular and reliable cash transfers to ultra poor labor constrained households. The program is being implemented in 7 districts.</p>	
Implementation Timeframe	July 2010 to June 2015	
Total Estimated Cost	MK30,510,282,584	
Total funding disbursed in 2010/11 FY as of end of Q3	K20.43 million	
Problem the Project intends to address	Poverty of the ultra poor and labour constrained households	
Scope of Project	<ul style="list-style-type: none"> • Capacity building on the part of government in the District and National levels. • Monitoring and evaluation of programs enhanced • Mobilization of financial resources to scale up the program nationwide 	
Development Objective	To contribute to the social development of the country through investment in human capital and economic development of the country through an economic multiplier effect.	
Specific Output(s) of the Project	<ul style="list-style-type: none"> • Improved food security amongst the community • Economic shock resilience • Improved overall health status of the country • Increased school enrolment and attendance • Increased accumulation of households assets and reduced need for a emergency aid 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Below Average		
Comment on General Progress and any other underpinning issues		
Nothing has been done so far despite being funded		

Vote 420 Road Fund Administration

Project Title	Chikhwawa-Bangula Road	
General Project Information		
Project Brief	The Malawi Backlog Road rehabilitation and Maintenance Programme (MABARM), of which this project is of part, shall tackle the backlog of periodic maintenance and rehabilitation, which the Road Fund has not been able to cover. This project in particular was identified for financing under the 9 th EDF which is one of a number of separate schemes for the NABARM.	
Implementation Timeframe	Nov 2008 to Nov 2012	
Total Estimated Cost	K3,459,804,725	
Total funding disbursed in 2010/11 FY as of end of Q3	K0.00	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The project involves upgrading of 81 km road from Chikhwawa to Bangula.	
Development Objective	The objective of the project is to upgrade the current road to a well maintained tarmac road.	
Specific Output(s) of the Project	Road constructed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The project's progress has been assessed to be below average .		
Comment on General Progress and any other underpinning issues		
There not much progress on the road.		

Project Title	Zomba-Jali-Kamwendo-Phalombe-Chitakale Road	
General Project Information		
Project Brief	In its quest to continue improving the road network of the country to a good standard, the Malawi government continues to implement road construction projects across the country.	
Implementation Timeframe	July 2008 to June 2013	
Total Estimated Cost	K3, 6000, 000, 000	
Total funding disbursed in 2010/11 FY as of end of Q3	K0.00	
Problem the Project intends to address	Poor road infrastructure.	
Scope of Project	The project's scope is mainly to construct a bitumen road of a good standard connecting the places in question.	
Development Objective	To construct a new road connecting Zomba, Phalombe and Mulanje	
Specific Output(s) of the Project	Road constructed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The projects progress is below average		
Comment on General Progress and any other underpinning issues		
Works on the project have been suspended.		

Project Title	Thyolo-Thekelani-Muona-Bangula Road	
General Project Information		
Project Brief	The policy of the Government of the Republic of Malawi is to rehabilitate, upgrade and maintenance economic and efficient road network for the transportation of goods and services within the country to meet the current and future needs of the economy. It is in this respect that Malawi is implementing Thyolo – Thekerani- Bangula road project.	
Implementation Timeframe	July 2008 to June 2014	
Total Estimated Cost	K9, 108, 662, 988	
Total funding disbursed in 2010/11 FY as of end of Q3	K0.00	
Problem the Project intends to address	Poor road infrastructure.	
Scope of Project	The project's scope is mainly to construct a bitumen road of a good standard connecting the two places.	
Development Objective	To construct a new road connecting the places in question	
Specific Output(s) of the Project	Road constructed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The project's progress is below average		
Comment on General Progress and any other underpinning issues		
Only surveying has been done and not much progress has been made since then.		

Project Title	Chiradzulu-Migowi-Phalombe-Chiringa Road Upgrading	
General Project Information		
Project Brief	The project intends to construct a class I bitumen road between Chiradzulu and Chiringa	
Implementation Timeframe	Aug 2008 to Aug 2011	
Total Estimated Cost	K6, 448, 493, 888	
Total funding disbursed in 2010/11 FY as of end of Q3	K2,467,082,916	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The project involves construction of a 97 km class I bitumen road	
Development Objective	To improve road infrastructure	
Specific Output(s) of the Project	The road is constructed.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The overall performance is estimated at 17 percent. Chiringa – Migowi (14.78 km) is done up to base level of which 11km is primed. Migowi –Phalombe is done up to sub level. Two bridges have been completed and the contractor is currently working on the third one, and 21 box culverts have been completed at 20. 11km Culverts on the Migowi –Phalombe part have been constructed.		
Comment on General Progress and any other underpinning issues		
The works being done so far are of good quality and if maintained, the project will give the road users a good standard road. However, the road is a 100km stretch but so far compensation has been paid for a 50km stretch. If compensation is not paid in time, it will delay the construction of the remaining stretch. Currently, the contractor is remaining with only 6km to clear in the compensated stretch.		

Project Title	Msulira – Nkhotakota Road	
General Project Information		
Project Brief	The project involves construction of a 33km road from Msulira in Kasungu to Nkhotakota Boma through Nkhotakota Forest and Game Reserve	
Implementation Timeframe	May 2009 to April 2011	
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q3	K659,676,715	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	Construction of a 33km stretch from Kasungu to Nkhotakota .	
Development Objective	To upgrade the Kasungu – Nkhotakota Road to Class I bitumen road by 2011	
Specific Output(s) of the Project	33km Class 1 Bitumen Road	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Work on this road is in progress and the work can be estimated at 60% to 65%. The whole stretch of the road is being worked on, with work being at different stages on different parts of the stretch. Formation had been done for over 25km while sub base covered a stretch of about 20km, about 13km of the road has been covered with base gravel dumping (final layer), however due to heavy rains some parts of the road where they had reached final stages of construction have been severely damaged.		
Comment on General Progress and any other underpinning issues		
Progress at the site indicates the project will not meet its deadline as there is still some significant works yet to be done. At the time of the visit, the team did not meet the consultants or the contractors at the camp site as they had gone for a meeting at their District Office. The team therefore only met the works foreman who was able to give some of the information on the progress of the works.		

Project Title	Malowa-Goliati-Chiperoni Road	
General Project Information		
Project Brief	In its quest to continue improving the road network of the country to a good standard, the Malawi government through the RA and RFA continues to implement road construction projects across the country. One such project is the construction of the Malowa – Goliati - Chiperoni road that is currently underway.	
Implementation Timeframe	July 2008 to June 2012	
Total Estimated Cost	K3, 637, 209, 230	
Total funding disbursed in 2010/11 FY as of end of Q3	K782,915,916	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The project entails upgrading of the road to a Class I bitumen standard, construction of three bridges and seven box culverts as major structures and installation of 900mm culvert lines.	
Development Objective	To improve road infrastructure	
Specific Output(s) of the Project	Road constructed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The project's objective achievement is assessed above average.		
Comment on General Progress and any other underpinning issues		
The works progress is at 88%.		

Project Title	Mzimba Street-Paul Kagame Roundabout	
General Project Information		
Project Brief	Lilongwe is continuously facing an every day growth in the traffic. Congestions are becoming the order of the day. In an attempt to reduce traffic jams, the Road Authority is in the process of upgrading and construction new roads within the city. On of the roads being upgraded is the Mzimba street-Paul Kagame Roundabout.	
Implementation Timeframe		
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q3	K 250,150,754	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The project entails the upgrading of the 1.83 km from Mchinji turn off roundabout to Paul Kagame round about to a Class I bitumen road coupled with construction of drainage structures.	
Development Objective	To improve road infrastructure	
Specific Output(s) of the Project	The road is upgraded and constructed.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The achievement to date for this project is above average.		
Comment on General Progress and any other underpinning issues		
The project is almost complete. The only works remaining are marking of the road, and completion of the drainage works.		

Project Title	Bangula - Nsanje Road	
General Project Information		
Project Brief	The Nsanje –Bangula Road is a section of the M1 Road that runs from Karonga and traverses across Malawi. The 46 Km Nsanje to Bangula section which is being upgraded was the only remaining part of the M1 road that was not upgraded up to Class I bitumen road.	
Implementation Timeframe	July, 2007 to June, 2014	
Total Estimated Cost	K7, 415, 365, 797	
Total funding disbursed in 2010/11 FY as of end of Q3	K 3,824,161,604	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The works comprise; upgrading of a 46 Km road from Nsanje to Bangula to class I bitumen road, constructing of 2 new loop roads to class I around Nsanje town	
Development Objective	To upgrade the Nsanje – Bangula road to Class I bitumen road by 2014	
Specific Output(s) of the Project	The project scope achieved.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
<p>Works on this road are almost complete and physical progress is estimated at 99 percent. Financial progress is at 100 percent. However it is expected that the contractor will issue other certificates regarding claims and loss of production and cost escalation.</p> <p>The only works remaining are marking of the road, completing construction of access culverts, smoothing of bridges and a bit of stone pitching.</p>		
Comment on General Progress and any other underpinning issues		
The overall progress of the works is now 99%.		

Project Title	Chilinga-Mloza Road	
General Project Information		
Project Brief	The upgrading of the Chilinga-Mloza road to class I bitumen road will benefit a lot of people in the roads catchment area.	
Implementation Timeframe	2008 to 2011	
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q3	K0.00	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	Works are for the construction of Class I bitumen road between Chilinga and Mloza.	
Development Objective	To improve poor road infrastructure	
Specific Output(s) of the Project	Road upgraded to Class I bitumen road.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Average		
Comment on General Progress and any other underpinning issues		
Works behind schedule		

Project Title	Bunda-Mitundu Road	
General Project Information		
Project Brief	The project involves the construction and upgrading of the S125 Bunda – Mitundu gravel road to Class II bitumen standard road.	
Implementation Timeframe	July, 2008 to June 2012	
Total Estimated Cost	K795, 234, 027	
Total funding disbursed in 2010/11 FY as of end of Q3	K 481,832,809	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The project involves upgrading of the road to Class II bitumen standard road.	
Development Objective	I To improve road infrastructure	
Specific Output(s) of the Project	Class II bitumen road constructed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Completed		
Comment on General Progress and any other underpinning issues		
The contractor is yet to do the road markings.		