



MALAWI GOVERNMENT

2010/11 BUDGET PERFORMANCE QUARTERLY REPORT (Q4)

Ministry Of Finance

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Foreword

This Quarterly Budget Performance Report is reporting on the performance of Government in implementing the 2010/11 Budget in quarter four. 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 stakeholders on the performance of budget including risks and challenges associated with it so that where necessary, corrective measures are instituted to salvage the situation.

The report is structured along the format of the Mid-Year Budget Review document and the End of Year Financial Report. The Fourth Quarter Report has a matrix of Development projects in order to present how each project performed in the Quarter 4 of the 2010/11 Financial Year and more generally throughout the financial year. The Ministry of Finance hopes that the information provided in this report will be valuable to various stakeholders. Any further suggestions for improvement of the report are welcome and can be submitted 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 in the fourth 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 undertook in the fiscal year.

Performance of Revenues

In the 2010/11 Financial Year, at the Approved Budget stage, Government projected to collect revenues to the tune of K202.0 billion. At mid-year, the revenues were revised upwards to K212.6 billion. Out of the revised sum, K175.0 billion, representing 82 per cent, were 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, were non-tax revenues such as Departmental Receipts and Dividends. In the fourth quarter of the 2010/11 Financial Year, domestic revenues were projected to reach K56.5 billion. Tax revenues were projected to be K49.0 billion (about 87% of total domestic revenues for the quarter), while non-tax revenues were projected to be K7.5 billion (13% of quarterly expected revenues).

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 per cent of the total receipts for the Financial Year. Of the revised sum, K16.8 billion were Program or Budget Support resources, K35.7 billion and K31.8 billion were Dedicated Grants and Project resources respectively. In the fourth quarter, Government had projected to receive K19.93 billion in total grants of which K5.02 billion were Budget Support resources, K5.34 billion were Dedicated Grants and K9.56 billion were Project Grants.

In the fourth quarter of the Financial Year, overall Grants underperformed by K10.67 billion. Dedicated Grants overperformed by K2.81 billion from a target of K5.31 billion. Project

Grants underperformed by K8.46 billion against an expected inflow of K9.56 billion. No disbursements were made under the Budget Support.

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 were Recurrent Expenditure comprising K57.9 billion Wages and Salaries and K164.7 billion Other Recurrent Transactions (ORT). Development Budget resources were pegged at K85 billion of which K32 billion were Part II Development Budget resources and K53 billion were donor supported projects. In the fourth quarter of the 2010/11 financial year, total expenditures were projected to be K64.0 billion, Wages and Salaries K14.4 billion, ORT K24.5 billion, Part II projects K6.9 billion and donor financed projects K12.7 billion.

Overall expenditures for the quarter were down by about K12.8 billion. Out of the projected expenditures of K64.0 billion for the quarter, Government spent K51.2 billion representing an under expenditure of around 20 per cent.

Performance of Development Projects

The total annual provision for the Development Budget for the 2010/11 Financial Year was K77.9 billion which was revised to K85.1 billion. Of this, K31.6 billion was Government Contribution (Part II) and K53.4 billion was donor supported projects (Part 1). In the fourth quarter of the Financial Year, the projected expenditure was K19.6 billion comprising K12.7 billion for donor funded projects and K6.9 billion for Government funded projects.

Total development expenditure underperformed compared to the budget target by K14.4 billion. Out of a quarterly target of K19.7 billion, only about K5.2 billion was spent. There was an underperformance of K11.4 billion on donor funded projects and domestically financed projects underspent by K2.9 billion.

Overall Fiscal Performance

Government planned total expenditures including net lending of K64.0 billion in the quarter against total projected revenues (including grants) of K76.4 billion resulting into a favourable overall balance of K12.4 billion.

Realities on the ground showed that the quarterly outturn on total revenue and grants as well as total expenditure and net lending resulted into an overall fiscal surplus of K22.88 billion against a target of K12.4 billion. The outturn translated into an overall debt repayment of K13.1 billion against an expectation of borrowing of K20.1 billion position in both domestic and foreign sectors. In this regard, a total of K12.9 billion was made towards domestic debt repayment. However, this repayment could not offset the net domestic debt stock of K123 billion to meet the quarter's IMF performance criteria of K98.1 billion.

INTRODUCTION

1.1 Background to the Report

This is a quarterly report on the implementation of the budget for the fourth quarter of the 2010/11 fiscal year. The key purpose of the report is to examine the performance of Government in mobilising resources, managing expenditures as well as assessing the performance of projects that the Government has implemented in the budget.

1.2 Key Objectives of the Report

The main objective of this report is to present the performance of Government in implementing the National Budget in the period under review. The specific objectives of the report include:

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

1.3 Methodology

The review and assessment of receipts and expenditures for the fourth quarter of the Financial Year was done in July 2011. The work involved analysis of data from Integrated Financial Management Information System (IFMIS), Expenditure Returns from various Spending Agencies, consultations with various stakeholders and spot checks on some of the projects throughout the country.

1.4 Layout of the Report

The report is presented in five key chapters. The first chapter introduces the report, its objectives and methodology in assessing performance. The second and third chapters discuss the performance of 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 for the implementation of the Budget in the 2011/12 Financial Year. The rest of the report discusses detailed progress reports of the projects in the 2010/11 Financial Year Budget.

Performance of Domestic Revenues

2.1 Introduction

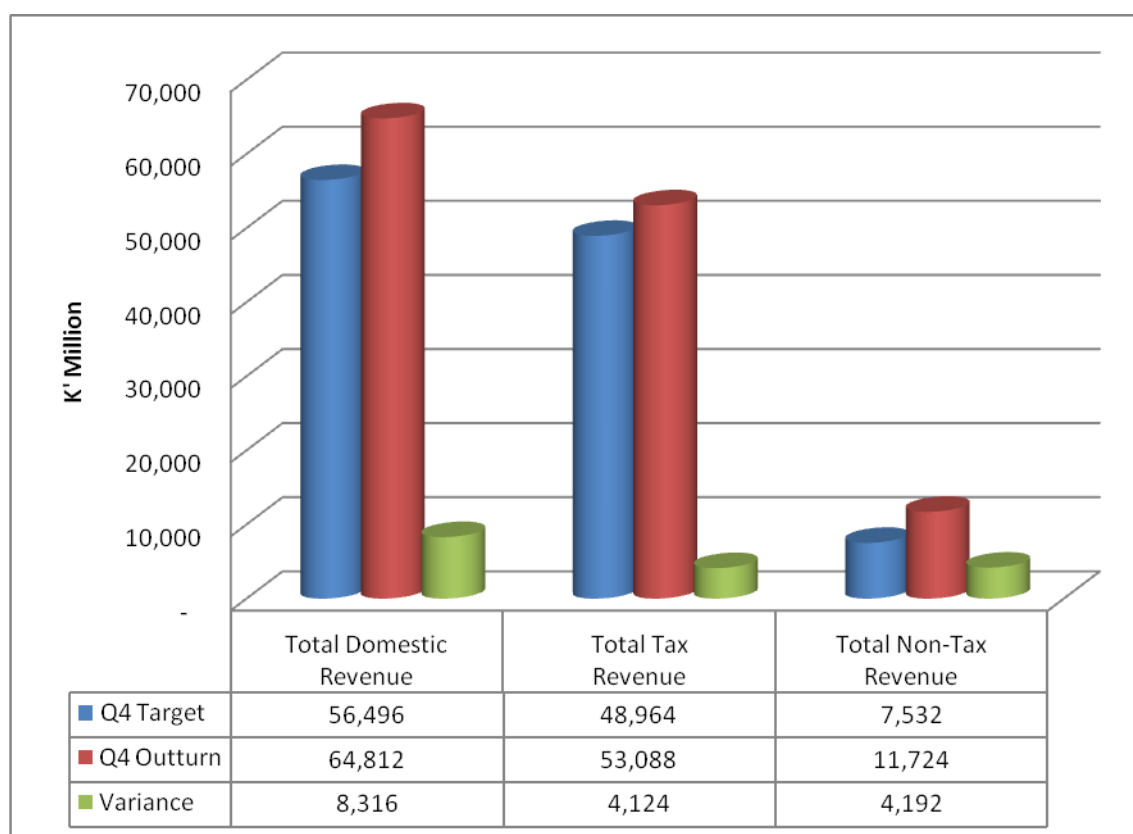
In the final quarter of the 2010/11 fiscal year, total domestic revenue collection was projected to reach K56.5 billion, thus about K1.6 billion less than the third quarter projection of K58.1 and about K6.2 billion more than actual collections for the third quarter which amounted to K50.3 billion. Tax revenues were projected to be in the tune of K49.0 billion (about 87% of total domestic revenues for the quarter) in the fourth quarter of the year, thus about 9% more than the third quarter tax projection of K44.5 billion, while non-tax revenues were projected to be in the tune of K7.5 billion (13% of quarterly expected revenues), thus about half the third quarter projection for non-tax revenues.

This chapter seeks to assess Government's performance in revenue collection during the last quarter of the year, comparing the revenue outturn for the quarter against the set targets; comparing the performance in the fourth quarter with performance in the third quarter and discusses some of the underlying factors that explain the performance of domestic revenues.

2.2 Overall Performance of Revenue Collection

Figure 2.1 compares the outturn in domestic revenues in the fourth quarter against their corresponding targets. As the figure shows, overall domestic revenues exceeded their set targets in the quarter, with total domestic revenues amounting to K64.8 billion against a target of K56.5 billion, thus an over collection of about K8.3 and representing about 14 percent collections over and above the quarterly projection. The fourth quarter performance also represents a considerable improvement in domestic revenue performance compared to the third quarter of the Financial Year when about K50.3 billion was collected. As the figure illustrates, the impressive performance in both tax and non tax revenues contributed to the overall over collection in domestic revenues in the final quarter of the financial year. Tax revenues registered a collection of K53.1 billion against a target of K49.0 billion while non-tax revenues registered a collection of K11.7 billion against a target of K7.5 billion.

Figure 2.1 Total Domestic Revenues Performance



Taxes on incomes and profits recorded the most satisfactory performance with a collection of K26.1 billion against a quarterly target of K21.4 billion, thus exceeding the quarterly target by about K4.7 billion. Taxes on goods and services exceeded their target by K0.3 billion. Despite the favourable performance in overall tax collections, international trade taxes marginally underperformed during the quarter registering about K4.8 billion against a target of K5.6, hence missing the target by about K0.8 billion.

Non-tax revenues also performed satisfactorily in the quarter as they recorded a higher outturn against their target. Total non-tax revenues amounted to K11.7 billion against a target of K7.5 billion, thus an over collection of about K4.2 billion. Departmental receipts and fuel levies registered higher outturn against their targets. Departmental receipts mounting to K6.5 billion against a target of K3.2 billion while net fuel levies amounted to K4.6 billion against a target of K3.5 billion. Compared to the third quarter of the 2010/11 Fiscal Year, all categories of both tax and non-revenues generally registered higher collections.

2.3 Tax Revenue Performance

Overall, tax revenues in the last quarter of the year performed quite satisfactorily well as most categories of taxes, apart from excise duties as well as international trade taxes, registered higher outturn than their set targets. The general satisfaction in the performance of tax revenues in the quarter under review was largely on account of over collection in taxes on incomes and profits which registered a collection of about K26.1 billion against a target for the quarter of K21.4 billion, thus exceeding the performance of individual taxes which performed poorly in the quarter under review by about K4.7 billion. The outstanding performance of incomes and profit taxes helped to nullify the performance of individual taxes which performed poorly in the quarter. Within this category of taxes, PAYE registered the best performance with an over collection of K4.2 billion against a quarterly target of K10.3 billion. Non-resident tax as well as withholding tax also marginally exceeded their targets amounting by recording K0.8 billion and K4.3 billion against their respective quarterly targets of K0.4 billion and K3.7 billion. Taxes on goods and services also performed quite satisfactorily, exceeded their quarterly targets by about K0.2 billion. Despite the overall favourable performance in this category, performance of individual taxes was rather mixed; value added tax (VAT) had an outstanding performance with an over collection of about K1.3 billion on its target of K13.9 billion while excise duties underperformed, missing their K7.7 billion quarterly projection by about K1.1 billion. International trade taxes underperformed in the last quarter of the year, registering a collection of K4.8 billion against a target of K5.6 billion, thus an under collection of about K0.8 billion.

Compared to the third quarter of the financial year, there was significant improvement in tax revenue collection in the period under review. In contrast to the third quarter when total tax revenues had registered an under collection of K4.6 billion, the fourth quarter performance exceeded its target by about K4.1 billion with collections amounting to K53.1 billion against a target of K49.0 billion. In the third quarter, almost all categories of taxes registered outturns that were less than their set targets while in the fourth quarter, international trade taxes were the only major category of taxes that had their outturn less than the quarterly target, while excise duties were the major individual taxes that had registered a negative variance on their target.

Table 2.1 points to the fact that the performance of domestic taxes in the fourth quarter of the 2010/11 fiscal year was substantially on account of the outstanding performance of PAYE collections. This has been achieved as a result of increased enforcement of income and profit

taxes, modernisation of domestic tax operations as well as capacity building in tax administration at the Malawi Revenue Authority (MRA). The performance in VAT in the fourth quarter improved from that of the third quarter due to the slight stabilisation of imports during the quarter.

Table 2.1: Tax Revenue Performance in the Fourth Quarter

Type of Tax	Q4 Target	Q4 Outturn	Variance
TOTAL TAX REVENUE	48,964.00	53,088.00	4,123.90
Tax on Income and profits	21,409.30	26,088.50	4,679.20
Individual	10,287.20	14,519.10	4,231.90
PAYE	9,043.10	13,197.40	4,154.30
Other	1,244.10	1,321.60	77.6
Fringe benefit	875.2	537.4	-337.8
Non-Resident tax and Others	368.8	784.2	415.4
Corporate	7,354.70	7,244.00	-110.7
Company Assessments	2,435.00	2,146.50	-288.5
Provisional Tax	4,919.70	5,097.50	177.8
Withholding Tax	3,767.50	4,325.50	558
Tax on Goods and services	21,596.60	21,862.20	265.6
VAT	13,924.80	15,251.20	1,326.50
Domestic VAT	6,864.90	7,473.90	609
Import VAT	7,059.80	7,777.40	717.5
Excise Duties	7,671.90	6,611.00	-1,060.90
Local Excise	2,107.60	1,717.80	-389.7
Import Excise	5,564.30	4,893.20	-671.1
International trade	5,602.70	4,827.70	-775
Import Duty	5,602.70	4,760.60	-842.1
Prepayment	-	67.1	67.1
Other	355.4	309.5	-45.9
Misc. duties	81.8	128.1	46.3
Tax refunds	-	-433	-433
Penalties	34	4.9	-29.1
Dividend	239.6	608.6	369
Turn-over tax	-	0.9	0.9

2.4 Non – Tax Revenue Performance

Table 2.2 below presents the outturn in non–tax revenues in the last quarter of the 2010/11 FY against their set targets. As the table depicts, actual non–tax revenues amounted to K11.7 billion against their target of K7.5 billion, thus an over collection of about K4.2 billion.

The table demonstrates that the major explanation to the over performance in non – tax revenues in the final quarter was due to the significant increases in departmental receipts which totalled K6.5 billion against a quarterly target of K3.2 billion, thus an over collection of about K3.0 billion. Fuel levies also performed well in the quarter registering a total collection of K4.6 billion against a target of K3.5 billion. Fuel levies performed so well largely due to favourable collections in PIL receipts to NRA (with an over collection of about K0.8 billion) as well as PIL receipts to Safety Nets and storage levy that exceeded their targets by K0.1 billion and K0.4 billion respectively.

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

Non-Tax Revenue type	Q4 Target	Q4 Outturn	Variance
Departmental Receipts			
Immigration	809.9	1,363.40	553.6
Civil Aviation	248.6	456.6	208
Road Traffic	640.2	1,309.80	669.7
Marine	3.3	6.1	2.7
Met. Services	0.3	0.3	0
Police	44.3	118.2	73.9
Geological Survey	0.4	1	0.7
Trade and Industry	19.8	37.3	17.6
Forestry	182.9	501.1	318.1
Agriculture	18.1	19.9	1.7
Youth, Sports	8.7	10.8	2.1
Labour & Social Services	4.4	3.3	-1.1
Judiciary	171.4	3.9	-167.5
Fisheries Department	1.4	3	1.7
Mines	103	168	65.1
NSO	0.2	0.6	0.3
Education	639.4	897.2	257.8
Finance	19.6	256.7	237.1
Audit	23.4	-	-23.4
Government Stores	0.8	0.8	-0.1

Non-Tax Revenue type	Q4 Target	Q4 Outturn	Variance
ODPP	1.7	-	-1.7
Lands & Phy. Planning	97.9	347.7	249.8
Health & Population	27	14.8	-12.3
Information	2.5	5.4	2.9
Tourism & Parks	30	67.9	37.9
Water & Irrigation	4.4	1.3	-3
Women & Children	14.4	25.5	11.1
Justice	-	400	400
Legal Aid	-	-	-
National Assembly	0.3	0.06	-0.2
Prisons	0.3	0.24	-0.1
Administrator General	0.3	0.2	-0.1
Accountant General	30.3	22	-8.4
Registrar General	85.4	164	78.6
Total Departmental Receipts	3,235.00	6,475.40	2,972.30
Other Non-Tax Revenues			
PIL Receipts to NRA	1,013.20	1,851.80	838.5
PIL Receipts for Safety Nets	1,352.20	1,446.80	94.6
Rural Electrification Levy	1,106.80	899.5	-207.3
Storage Levy		374.4	374.4
Total Fuel Levies	3,472.30	4,572.40	1,100.20
Parastatal Dividends	824.8	676.1	-148.7
Total Non-Tax Revenue	7,532.00	11,723.90	4,191.90

Although the overall outturn for departmental receipts gives an impressive variance on the quarterly target, some departments still registered underperformance in the quarter which continues to be a cause for concern. Such departments include the Judiciary which missed its target of K171.4 million by K167.5 million and the Accountant Generals Department whose collection amounted to K22.0 million against a target of K30.3 million

Generally, the performance of non tax revenues in the quarter improved due to frequent monitoring and auditing activities during the quarter which ensured revenue collectors not to relax in terms of treatment of revenues according to the Public Finance Management (PFM) Act. Gazetting of revised fees in the Forestry and Road Traffic Departments also led to significant increases in the revenue collection in these departments, while completion of the

implementation of the new passport system also resulted in significant over collection in the Immigration department.

3.5 Conclusion

The report has revealed that generally revenue collection in the last quarter of the 2010/11 FY has been satisfactory as most of the revenue categories exceeded their set targets. This has been attributed to a number of factors which include increased enforcement of income and profit taxes, modernisation of domestic tax operations as well as capacity building in tax administration at the Malawi Revenue Authority (MRA). Frequent monitoring and auditing of revenue collecting entities also ensured that all the revenues collected were deposited in the government account number one as opposed to being used at source. Gazetting of the revised fees in the Forestry and Road Traffic Departments and completion of the implementation of the new passport system also contributed significantly to the revenues of the respective ministries and departments.

Performance of Inflows of Grants and Loans

3.1 Introduction

This Chapter examines the performance of inflows of grants to Government in the fourth quarter and end of year position and discusses factors that explain performances displayed in the respective grants.

In the 2010/11 Budget, Government projected to receive grants from Cooperating Partners to the tune of K85 billion representing 30 percent of the total receipts for the fiscal year. However, during the Mid-Year budget review, the figure was revised downwards to MK84.3 billion. Of this sum, K19.89 billion was Program or Budget Support resources, K33.6 billion and K31.8 billion were Dedicated Grants and Project Grants respectively. During the Mid-Year review, the Dedicated Grants were revised upwards from MK33.6 billion to MK35.7 billion while Project grants remained unchanged. In the fourth quarter, Government projected to receive K19.93 billion in total grants of which K5.02 billion were Budget Support resources, K5.34 billion were Dedicated Grants and K9.56 billion were Project Grants.

3.2 Performance of Overall Inflows of Grants in the Financial Year

In the fourth quarter, overall grants were down by K10.67 billion. Out of the total prospective inflows of K19.93 billion, grants amounted to K9.25 billion in the quarter. To the end of the financial year, total grants were down by K18.71 billion. Total grants disbursed during the 2010/11 fiscal year amounted to K65.62 billion down from K84.33 billion which was the revised projection for the financial year. This is depicted in Table 3.1 below:

Table 3.1: Details of Performance of Grants.*(Million Kwacha)*

	Approved Provision 2010/11	Fourth Quarter			Annual		
		Target	Outturn	Variance (Outturn- Target)	Revised Provision 2010/11	Outturn	Variance (Outturn- Target)
Grants	85,369	19,922	9,252	-10,670	84,334	65,623	-18,711
Program	19,888	5,024	0	-5,024	16,828	14,922	-1,905
Dedicated grants	33,630	5,341	8,153	2,812	35,655	31,824	-3,831
Food security	3,043	0	0	0	3,832	2,682	-1,150
NAC	11,421	1,654	0	-1,654	11,079	9,630	-1,449
Health SWAP	13,729	1,343	4,383	3,040	14,188	11,298	-2,890
Education SWAP	5,446	2,344	3,770	1,426	6,555	24,910	18,355
Project Grants	31,851	9,557	1,099	-8,458	31,851	18,876	-12,975

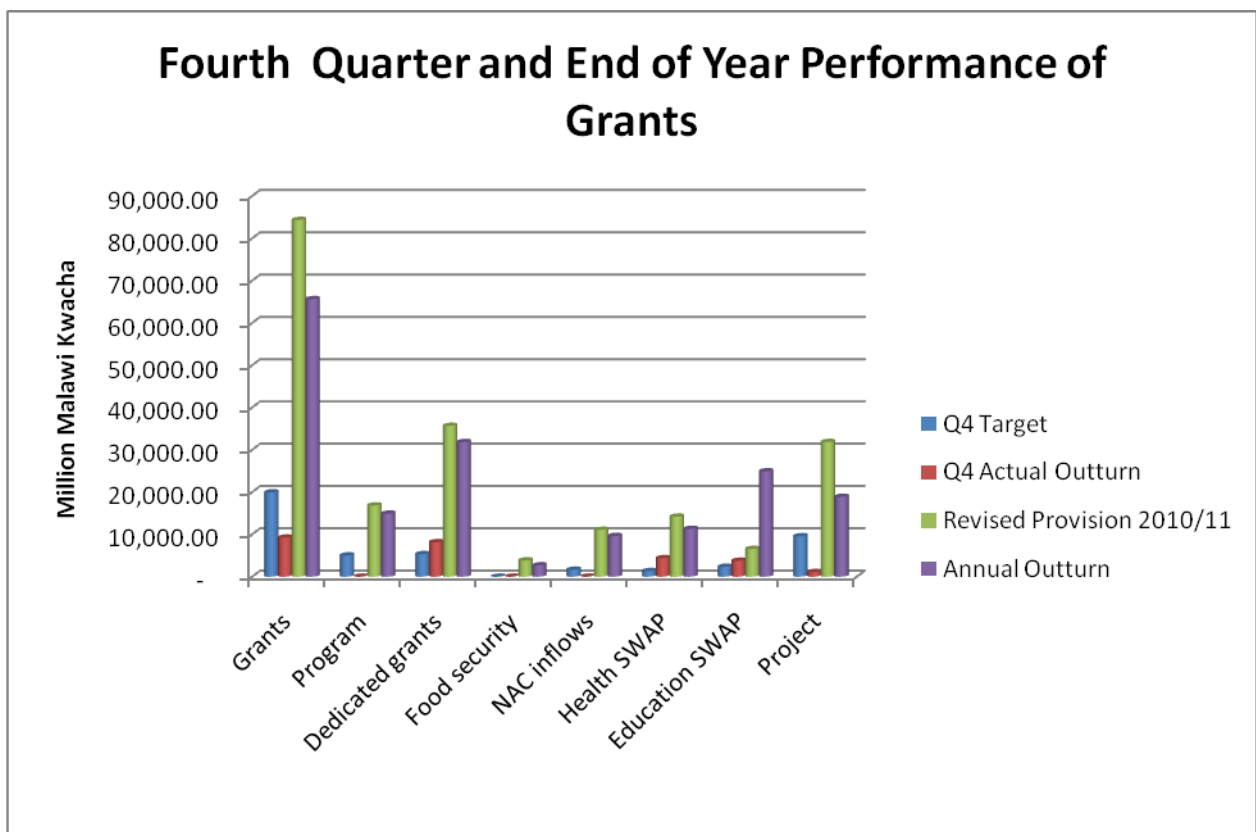
Project Grants underperformed in the quarter as shown by an unfavourable variance of K8.46 billion. This is the continuation of the underperformance which also existed in the third quarter. The actual outturn for Project Grants in the fourth quarter was only K1.10 billion against a target of K9.56 billion. As at the end of June, 2011, total Project Grants underperformed significantly. Out of a projected amount of K31.85 billion, a total of K18.88 billion was disbursed leaving a shortfall of K12.98 billion.

3.3 Performance of Dedicated Grants.

Overall, dedicated grants over-performed in the fourth quarter by K2.81 billion from a target of K5.34 billion to actual disbursement of K8.15 billion. This comes against an under-performance of K3.28 billion in the third quarter. The over-performance in dedicated grants in the fourth quarter is explained by over-performances in Health and Education Sector Wide Approach (SWAPs) grants. Health SWAP disbursements were above the target by K3.04 billion in the fourth quarter. Out of a target of K1.34 billion, a total of K4.38 billion was disbursed in the fourth quarter. The Education SWAP grants also over-performed during the fourth quarter. The actual outturn of Education SWAP grants during the quarter was K3.8 billion against a projection of K2.34 billion. Despite the over-performance of the Dedicated

Grants in the fourth quarter, by the end of the 2010/11 financial year, Dedicated Grants underperformed by K3.83 billion. A total of K31.82 billion was disbursed out of a total projected amount of K35.66 billion. Chart 3.1 below illustrates the performance of Dedicated Grants.

Chart 3.1 Grants Performance of the Second Quarter



Program grants underperformed during the quarter as the Chart 3.1 shows. No Program Grants were disbursed during the quarter against planned inflows of K5.02 billion. This was mainly on account that some donors had disbursed program grants in the first and second quarters of the financial year. However, by the end of the financial year, a total of K14.92 billion had been disbursed against a revised target of K16.83 billion leaving a balance of K1.91 billion annual underperformance.

3.4 Summary on Grants

The above figures show that the disbursement of grants during the fourth quarter had not been consistent with projections. During the quarter, total grants were down by over 53

percent. Except for Dedicated Grants, which over-performed, both Program and Project grants under-performed significantly during the quarter. This underperformance was also observed for the whole financial year. Total grants dropped by 22 percent by the end of June, 2011. This had a negative impact on the implementation of the 2010/11 Budget. Government had to either borrow domestically or some programs and project had to be scaled down in the financial year thereby affecting the overall performance of the implementation of the budget.

Performance of Expenditures in the Quarter

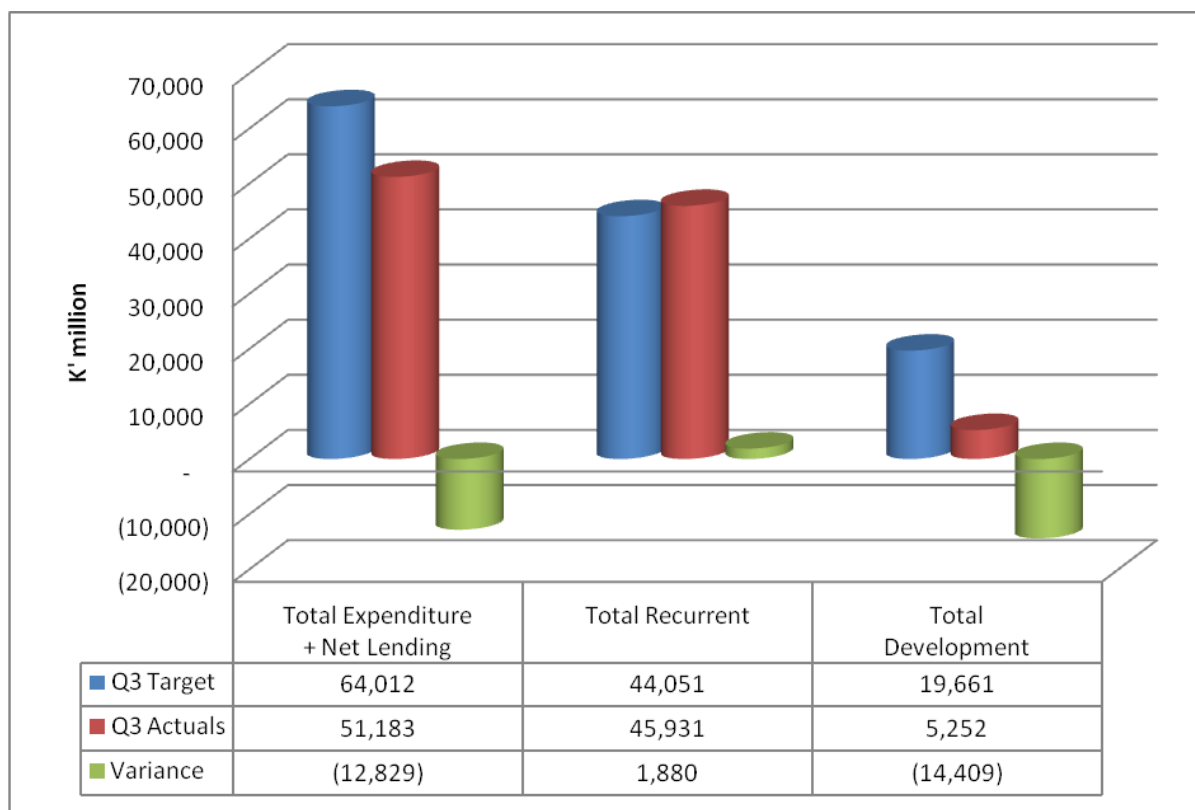
4.1 Introduction

In the fourth quarter of the 2010/11 financial year, total expenditures were projected to be K64.0 billion, Wages and Salaries K14.4 billion, ORT K24.5 billion, Part II projects K6.9 billion and donor financed projects K12.7 billion. This chapter analyses expenditures of Government during the fourth quarter of the financial year and explains some of the underlying factors behind the patterns of expenditures shown.

4.2 Performance of the Overall Expenditures in the Fourth Quarter of the Financial Year

Chart 4.1 presents the overall expenditures of Government against the targeted expenditures for the fourth quarter of the 2010/11 Financial Year. As it is depicted in the Chart, overall expenditures for the quarter went down by about K12.8 billion. Out of the projected expenditures of K64.0 billion for the quarter, Government spent K51.2 billion representing an under expenditure of around 20 per cent. The Chart further shows that the under expenditures were mainly due to under performance in the Development Budget expenditures of K14.4 billion.

Chart 4.1 Total Government Expenditure in the Fourth Quarter of the 2010/11 Financial Year



4.2.1 Performances of Recurrent Expenditures in the Quarter

Overall, Recurrent Expenditures in the fourth quarter were above the target by K1.9 billion. Compared to projected Recurrent Expenditures of K44.0 billion, actual expenditures came to K45.9 billion. Table.4.1 presents the expenditures on the Recurrent Budget for each of the expenditure lines.

Table 4.1 Recurrent Expenditures in the Quarter

Category	Q4 Target (K' million)	Q4 Outturn (K' million)	Variance between Target and Outturn (K' million)
Recurrent Expenditure	44,051	45,931	(1,880)
Wages and Salaries	14,359	14,517	(158)
Interest on Debt	5,185	4,677	508
Foreign	299	372	(73)
Domestic	4,886	4,305	581
Goods and Services	16,634	20,329	(3,695)
Subsidies and Transfers	7,873	6,408	1,465

Performance of Expenditures of Wages and Salaries

It can be noted from Table 4.1 that Wages and Salaries are slightly above the projected amount of K14.4 billion by K158 million. The increase in the wage bill is primarily on account of settlement of salary and hardship allowances arrears for rural teachers in the Ministry of Education.

Interest on Debt Repayments

Interest payments on both Domestic and Foreign debts are within the projected amount of K4.7 billion for the fourth quarter, with the domestic component taking up about K4.3 billion whereas the foreign component is about K0.4 billion.

Goods and Services

Overall expenditure on Goods and Services amounts to K20.3 billion for the fourth quarter compared to a projection of K16.6 billion.

Subsidies and Transfers

Second quarter expenditures under subsidies and transfers amount to K6.4 billion, which is within the target of K7.9 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 fourth 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.*

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

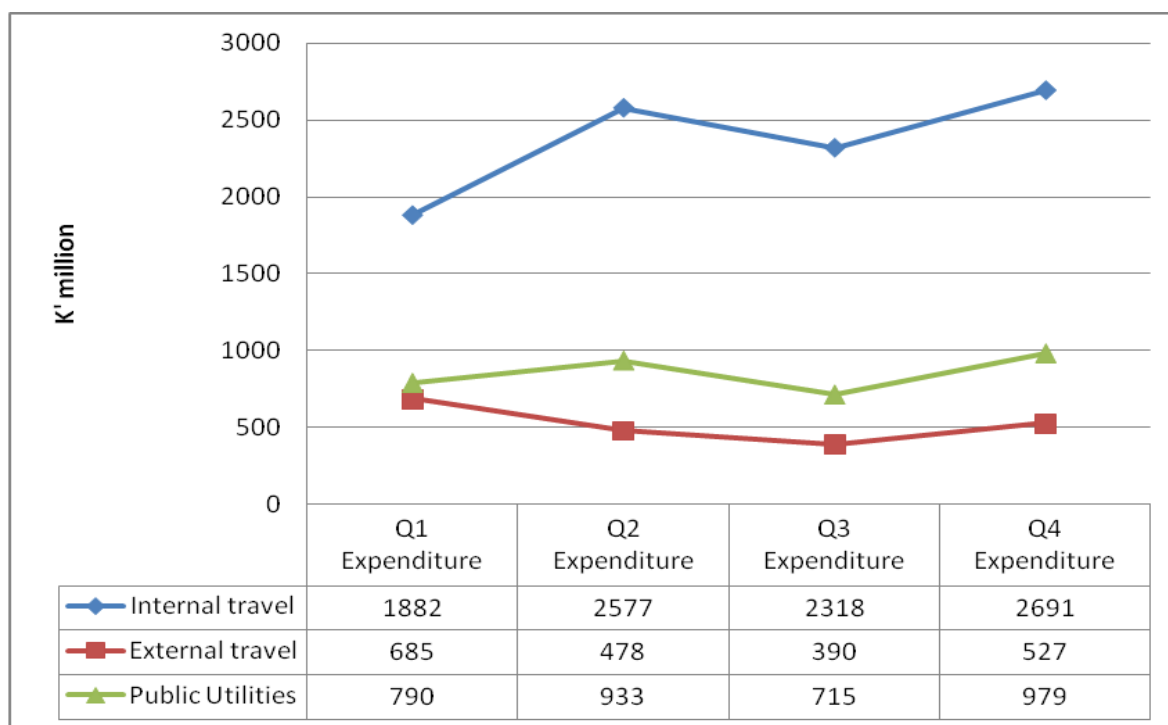
Table 4.2 Item Summary of Q4 Expenditure

Item Summary	2010/2011 Budget	Q1 Expenditure	Q2 Expenditure	Q3 Expenditure	Q4 Expenditure	Budget Balance	% Spent in Q4
	K' million						
Internal travel	8,438	1,882	2,577	2,318	2,691	(1,030)	32
External travel	2,119	685	478	390	527	39	25
Public Utilities	3,432	790	933	715	979	15	29
Agricultural Inputs	2,688	1,351	301	42	118	876	4
Agricultural Subsidies	18,059	7,765	8,630	1,647	2	15	0
Interest Payments	20,127	4,964	3,076	8,003	15,729	(11,645)	78
Pensions and Gratuities	7,217	1,948	2,733	2,182	793	(439)	11
Acquisition of fixed assets	18,947	3,286	11,375	4,976	5,303	(5,993)	28

Analysis of Expenditures on Travel

Table 4.2 shows expenditures on *internal travel* has increased to 32 per cent in the fourth quarter as compared to 27 per cent in the third quarter. The jump in expenditure is attributed to increased monitoring activities in readiness of financial year closure and also to input into the 2010/11 financial year plans. *External travel* expenditure has also gone up from 18 per cent in the third quarter to 25 per cent. However this expenditure is within the quarterly expectation of 25 per cent. In general, external travel has been contained within the approved annual provision. Expenditure on internal travel, on the other hand, has gone beyond the approved annual provision by 12 per cent. It is therefore imperative that a tight grip should be exerted on this item in the 2011/12 financial year to circumvent a recurrence.

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



Analysis of the Utilities Budget

Expenditures on utilities in the fourth quarter stand at 29 per cent against an expectation of 25 per cent as shown in Table 4.2. The expenditures have gone up from 21 per cent in the third quarter. This is due to clearance of utilities arrears in readiness for the financial year closure. However, expenditures on utilities were contained within its approved annual provision.

4.2.2 Performance of Development Projects Budget

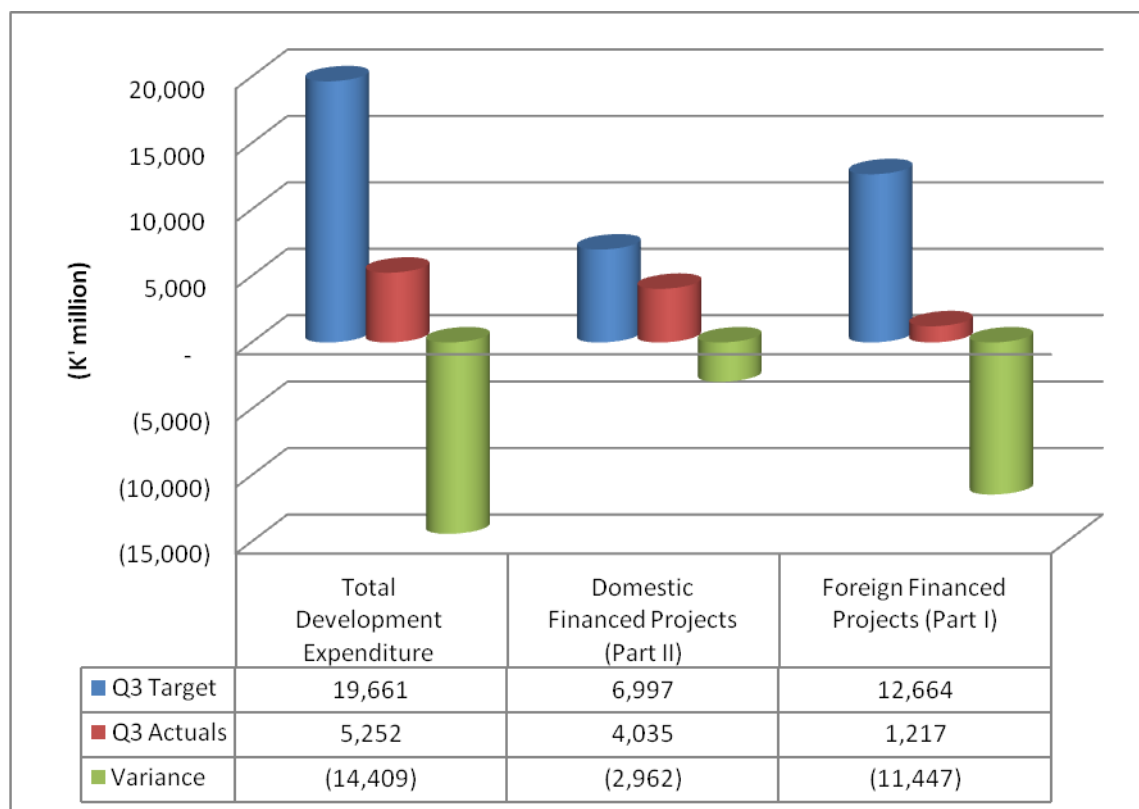
This section presents and discusses the performance of implementation of these development projects in the second quarter of the Financial Year.

Overall Performance of the Development Projects Budget

Overall, Government underperformed on Development Budget expenditures in the fourth quarter of the financial year. As depicted from Chart 4.2 below, total development

expenditure underperformed compared to the budget target by K14.4 billion. Out of a quarterly target of K19.7 billion, about K5.2 billion has been spent. There was an underperformance of K11.4 billion on donor funded projects and domestically financed projects underspent by K2.9 billion.

Chart 4.2 Performance of Development Projects



Low donor inflows as shown in Chapter 3 are attributed to the underperformance of the development budget. Annex 1 gives an outline of projects monitored in the quarter under review

Overall Fiscal Performance

5.1 Introduction

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

5.2 Fourth Quarter Outturn on Fiscal Position

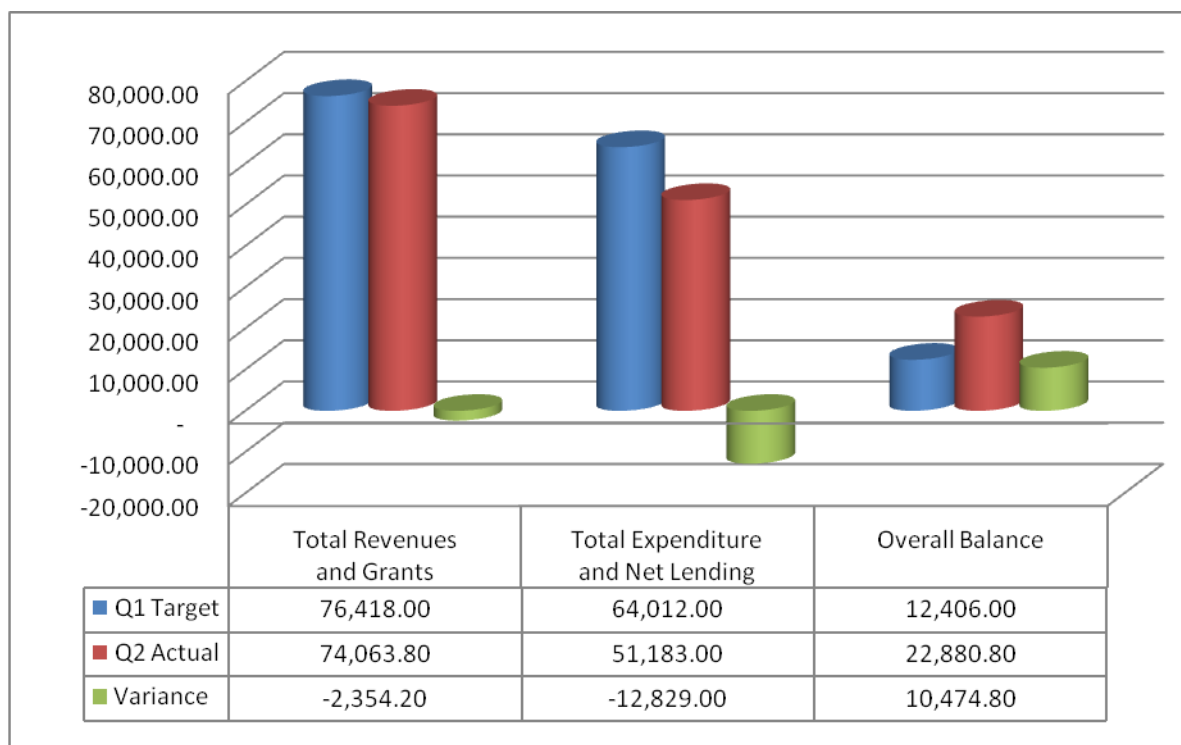
Chart 5.1 below presents the net fiscal position as at the end of the fourth quarter of the 2010/11 financial year. As shown on the chart, total revenues and grants were K74.06 billion against a target of K76.41 billion thereby underperforming by K2.35 billion. The underperformance in the Fourth Quarter was mainly notable on grants with a variance of K10.6 billion. Programme grants registered under performance of K5 billion while NAC grants registered under performance of K1.65 billion. However, most of the development partners also did not meet their pledges on projects grants with a total variance of K8.46 billion. On the other hand, revenues over performed with a total collection of K64.81 billion against a target of K56.49 billion thereby over performing by K8.3 billion of which tax revenues over performed by K4.12 billion while non-tax revenues over performed by K4.43 billion.

Total expenditure and net lending in quarter four was K51.18 billion against a target of K64.01 billion thereby underperforming by K12.83 billion. This resulted in Government closing the quarter with a surplus of K22.88 billion.

Recurrent expenditure registered K45.9 billion against a target of K44.05 billion while development expenditures registered a total of K5.25 billion against a target of K19.66 billion

of which domestic development expenditure recorded K4.03 billion against an expectation of K6.99 billion.

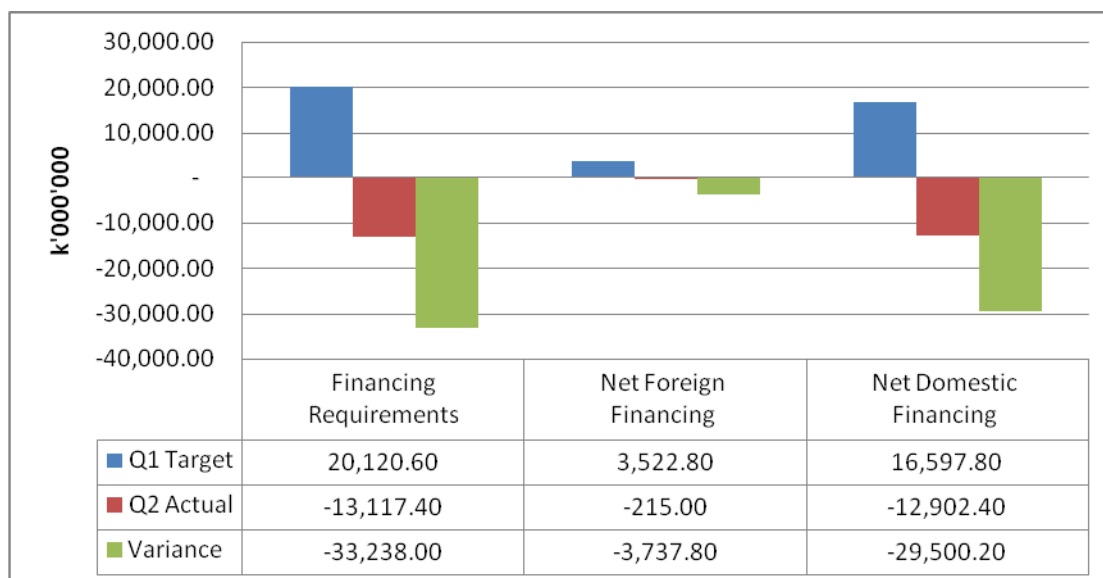
Chart 5.1 Overall Balance including Grants in Q4



5.3 *Outturn on the Financing Position*

Chart 5.2 below presents the outturn on debt financing for the fourth 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 in an overall fiscal surplus of K22.88 billion against a target of K12.41 billion. The outturn translated into an overall debt repayment of K13.12 billion against an expected borrowing of K20.1 billion position in both domestic and foreign sectors. In this regard, a total of K12.9 billion was made towards domestic debt repayment in the quarter.

Chart 5.2 Financing



Conclusion

The Quarterly outturn on total revenue and expenditure enabled Government to repay debt more than projected. This outcome mainly came about due to prudent fiscal performance. Going forward, Government should continue reducing unnecessary expenditures and engage on robust campaign on collection of both non-tax 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 fourth quarter of the Financial Year was impressive as most of the revenue collection categories exceeded their set targets. This has been attributed to a number of factors which include increased enforcement of income and profits taxes, modernisation of domestic tax operations as well as capacity building in tax administration at the Malawi Revenue Authority (MRA), frequent monitoring and auditing activities during the quarter which ensured revenue collection departments and entities do not relax in revenue collection in accordance to the Public Finance Management (PFM) Act; gazetting of revised fees in the Forestry and Road Traffic Departments; and completion of the implementation of the new passport system.

Disbursements of funds under dedicated grants overperformed in the fourth quarter of 2010/11 financial year. This was attributed to overperformance under Education and Health SWAPs. However, the annual performance of dedicated grants fell short by 10 per cent against its target. On the other hand, project and program grants underperformed significantly by 88 per cent and 100 per cent respectively during the quarter under review.

On expenditures, the report shows that Government has put a tight grip on expenditures as overall expenditure did not exceed the target. However, item by item analysis shows that some items overspent. For instance, internal travel overspent due to increased monitoring activities.

ANNEX 1 COMPEDIUM 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 Q4	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 in Blantyre	
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
The activities at the construction site have been slowed down since April on advice from the contractor (S R Nicholas). Despite the slowdown, form-works and reinforcement beams for the first floor are being put up. If it were not for the slowdown of works, they were expected to have been putting reinforcement beams for the third floor.		
Comment on General Progress and any other underpinning issues		
Works were expected to have been completed around September 2012, however due to the delay; the construction period is most likely to be extended to a later date.		

Project Title	Construction and Rehabilitation of Courts	
General Project Information		
Project Brief	Most of the District Courts are dilapidated due to lack of maintenance. The problem dates back to 1995 when the Ministry of Justice took over the management of the Courts. As a result of the appalling state of Court structures delivery of Justice especially in remote areas has been made difficult. It is against this background that this project was identified.	
Implementation Timeframe	July 2009 – July 2014	
Total Estimated Cost	K 500 million	
Total funding disbursed in 2010/11 FY as of end of Q4	K 180 million	
Problem the Project intends to address	Poor delivery of justice in remote areas due too poor cour infrastructure.To make the District Courts, which are currently in bad state, usable in the delivery of Justice in the remote areas.	
Scope of Project	To construct and Rehabilitate Courts in the country.	
Development Objective		
Specific Output(s) of the Project	Court Rooms and offices Rehabilitated	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Nkhatabay, Chintheche, Tukombo and Khosolo Courts have been rehabilitated and ready for use.		
Comment on General Progress and any other underpinning issues		
The progress has generally been satisfactory.		

VOTE 120 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 Q4	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
<p>Construction of Matawale Market The construction work was awarded to two contractors, namely, Mwendanjira and Keni.</p> <p>Mwendanjira has completed the construction of a fence, two market blocks, an office block and butchery. The remaining work is the corridor which will connect the shops. However, the contractor has demobilised and it is very unlikely that this work will be done.</p> <p>Keni has finished the construction of market shops. The only major outstanding work is painting and putting glasses. The construction is expected to be completed by end of September, 2011.</p> <p>Construction of Markets-Salima The project has seen two toilets being constructed at Chipoka and Chikombe. Selling counters and shades have been constructed at Senga Bay and Ngozi markets respectively.</p> <p>Enukweni Market and Bus Depot There is no progress on both the Market and the bus depot. There is no assembly house, no fence, no toilets and no roads around the depot area. There is also no slaughter house, butchery, assembly house at the market site.</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.		

190 AGRICULTURE

Project Title	Use of Small Metallic Silos	
General Project Information		
Project Brief	In the past few years, food security has been improved and Malawi has enjoyed years of food surpluses following sound policies implemented by government especially subsidized inputs programme. The food surplus is not sustained in the country following postharvest grain losses estimated at over 30% in six months of storage.	
Implementation Timeframe	July 2010 to June 2013	
Total Estimated Cost	MK52,100,920	
Total funding disbursed in 2010/11 FY as of end of Q4	MK 11,394,015	
Problem the Project intends to address	Postharvest crop losses	
Scope of Project	15,000 metallic silos, 10,000 concrete silos and artisanal skills in production and management of small metallic silos.	
Development Objective	To reduce post harvest crop losses specifically of stored maize grain as the main food crop in the country.	
Specific Output(s) of the Project	15,000 metallic silos of various capacities produced and distributed to organized rural communities; 10,000 concrete silos of various capacities produced and distributed to organized rural communities; Artisanal skills in production and management of small metallic and concrete silos; Farmer knowledge and skills in use and management of silos improved.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The project started in the Southern and Central region and has just moved to Northern Region. In all the three districts, sites have been identified in Karonga, Chitipa and Mzimba.		
Comment on General Progress and any other underpinning issues		
Materials for fabrication have been procured for all the project sites. The next thing they want to do is to train artisans to fabricate the silos and this has not been funded yet.		

210 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	
Implementaion Timeframe	July 2008 to June 2015	
Total Estimated Cost	K39,192,995,483	
Total funding disbursed in 2010/11 FY as of end of Q4	K 31,444,158	
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 Avearege	Average	Below Average
At Luchenza, the dam is being constructed by Mota Engil. There is commendable progress as the main beam for blocking water has been completed. Construction of mirror side walls has started.		
The dam at Chimvu has been constructed by the Ministry of Water and Irrigation. The works here only involved blocking of water using rudimentary technology on the main part of the river and construction of a water outlet on the other end. This dam seems to have been completed, however the works leave a lot to be desired.		
Comment on General Progress and any other underpinning issues		
Progress is rather slow at Luchenza due to fuel shortage		

Project Title	Small Farms Irrigation Projects .	
General Project Information		
Project Brief	<p>SFIP intends to develop about 1,600 ha for . irrigation . . at Lweya and Nkopola in Nkhata-Bay and Mangochi Districts respectively.</p> <p>The Nkopola Scheme site covers an area of about 890 ha and Lweya Scheme site covers an area of about 664 ha.</p> <p>SFIP implementation programme has broadly grouped implementation components into four major operational components: Project Management; Irrigation Scheme Development; Scheme Mechanization; Farmers' Supporting Services.</p>	
Implementation Timeframe		
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q4	K 141,963,876	
Problem the Project intends to address	Reduce dependence on rain fed agriculture.	
Scope of Project	Construction of water reservoir, pump houses and canals	
Development Objective	To improve household . food security and incomes. ..	
Specific Output(s) of the Project	2 Water Schemes developed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
The progress is fair.		
Comment on General Progress and any other underpinning issues		
Construction of Pump House, Reservoir, main and secondary canals has been completed at Lweya Nkhatabay. Work in progress includes the lining of the carrier canal and the clearing of plots.		

VOTE 250 EDUCATION

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 Q4	K 641,278,055	
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><i>Nyamadzele Community Day Secondary School (Nsanje)</i></p> <p>The work is being done by Chiwachi Contractors. The construction of 4 hostels each with a capacity of 56 students has been completed. Currently the contractor is fixing the beds and the rockers.</p> <p>The maize mill has also been installed and is awaiting electricity connection to be tested. The construction of the kitchen has also been completed. What remains to be done is the installation of electric pots which have already been bought.</p> <p>The construction of a Matron's house is at ring beam level. The work stalled due to lack of diesel used in the transportation of bricks. However, with the availability of fuel the work is expected to be expedited.</p>		
Comment on General Progress and any other underpinning issues		
<p>The construction of a Matron's house is at ring beam level. The work stalled due to lack of diesel used in the transportation of bricks. However, with the availability of fuel the work is expected to be expedited.</p>		

Project Title	Rehabilitation of 4 National Secondary Schools	
General Project Information		
Project Brief	Government National Secondary Schools, namely Dedza, Blantyre, Lilongwe Girls and Mzuzu Secondary Schools have been the nation's pride in terms of quality of secondary education. Such pride, however, has been dwindling due to dilapidating infrastructure in the said schools. Government, in an effort to revive the nations pride in these schools, initiated this project. The project is being co-funded by the World Bank through IDA and the Malawi Government.	
Implementation Timeframe	Was supposed to start in 2002 but delayed and started in 2008 and expected to finish in 2011	
Total Estimated Cost	K5,180,000,000	
Total funding disbursed in 2010/11 FY as of end of Q4		
Problem the Project intends to address	Dwindling state of infrastructure in the national secondary schools.	
Scope of Project	Rehabilitation of hostels, kitchens, halls, classrooms, laboratories, administration blocks and staff houses.	
Development Objective	Improve access to quality secondary education by improving the learning environment.	
Specific Output(s) of the Project	All 4 national secondary schools completely rehabilitated. Hostels,kitchens,recreational halls,classrooms,laboratories,administration blocks,and staff houses rehabilitates at Dedza,Blantyre,Lilongwe Girls,and Mzuzu secondary schools	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
<p>Dedza Secondary School: works done include painting of some classrooms, laboratories, the library, hostels , staff houses, and the kitchen where new electric pots were installed. The administration block which is in seriously bad shape was left out. Apart from the works that was done on the staff houses, the rest of the work leaves a lot to be desired.</p> <p>For instance, the hostels were supposed to be fixed with new beds but only one hostel was done. The kitchen which was fitted with new electric pots is not being used as there is not enough power supplied by the current transformer. Currently the cooking is done outside using firewood. The administration block needs to be attended to urgently because as it stands now, it is in a pathetic condition.</p> <p>Lilongwe Girls Secondary School: the rehabilitation works have only included the painting of the class rooms, kitchen, hostels, construction of a new library and installation of new beds in the hostels. The administration block was left out and yet its walls are falling apart such that when it rains some water goes through the walls (made of wood) into the offices.</p> <p>Not all hostels are fixed with new beds and the condition in such hostels is very bad. Only one pit latrine instead of two was constructed. Apart from the painting, the laboratories are in bad shape such that the sinks and the gas pipes are not working.</p> <p>As for the kitchen, only 2 of the 6 pots are new and there is no cold room to help the school store food stuffs.</p>		
Comment on General Progress and any other underpinning issues		
Not much has been done in the current financial year as the allocation of K100 million for the project remain untapped.		

Project Title	Rehabilitation and Re-equipping 7 Technical Colleges	
General Project Information		
Project Brief	<p>One of the major components of transforming Malawi from a predominantly importing and consuming economy to a producing and exporting one is by enhancing technical and vocational education through the improvement of human capacity. Technical and vocational education centres offer artisanal skills leading to self employment.</p> <p>Technical colleges were built a long time ago and not only have they deteriorated in state over time but also lack modern tools of trade.</p>	
Implementation Timeframe	Initiated in 2008 and was expected to end in 2010, but actual works commenced in 2009/10 fiscal year and hence expected to end by June 2011.	
Total Estimated Cost	K2,700,000,000	
Total funding disbursed in 2010/11 FY as of end of Q4	K 41,376,475	
Problem the Project intends to address	Dilapidated infrastructure	
Scope of Project	Rehabilitation (construction and installation of equipment) works in the 7 technical and vocational colleges.	
Development Objective	<ul style="list-style-type: none"> To improve learning environment in technical colleges 	
Specific Output(s) of the Project	All buildings in 7 Technical Colleges rehabilitated and re-equipped	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
<p>The project entails rehabilitation (construction and installation of equipment) works in the 7 Technical and Vocational Colleges of which Salima Technical College is one.</p> <p>Administration block and car park have been constructed. The dining hall, kitchen, class rooms, toilets and 2 hostels have been rehabilitated</p>		
Comment on General Progress and any other underpinning issues		
The works have left out 3 hostels which are in bad shape.		

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 Q4	K 641,278,055	
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 Community Day Secondary School The construction of the Community Day Secondary School was finished and the building has since been handed over to the school. However, there is still no furniture and electricity at the school. The Dining Hall has been roofed with the exception of the transparent roof. Cooking equipment and other finishing materials have not yet been installed.</p> <p>The Girls Hostels are almost complete but the beds have not been fixed. Showers, taps and other plumbing works are yet to be done.</p>		
<p>Lukalazi Community Day Secondary School The project is almost complete. What remains is the painting of both the Girls Hostels and the dining hall, installation of cooking equipment and electricity in the dining hall. The other challenge is that there is no water at the site and they haven't got any feed back from Northern Region Water Board since the time they had applied for water. The school doesn't have a hall and has few classroom blocks.</p>		
Comment on General Progress and any other underpinning issues		

VOTE 271 ACCOUNTANT GENERAL

Project Title	IFMIS Roll Out	
General Project Information		
Project Brief	IFMIS Roll Out project is a project that aims at rolling out IFMIS accounting system to districts. This is a form of financial decentralization.	
Implementation Timeframe	2008/ July to 2012/June	
Total Estimated Cost	MK3, 374, 911, 145	
Total funding disbursed in 2010/11 FY as of end of Q4	MK 2,626,000	
Problem the Project intends to address	To reduce operational costs of the system when it is being managed at the Accountant General's Department only.	
Scope of Project	Installation of the system in all District Councils (DC).	
Development Objective	To have IFMIS operational in all the DCs by 2012	
Specific Output(s) of the Project	IFMIS rolled out to all councils	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Average.		
Comment on General Progress and any other underpinning issues		
The system has been installed at Salima District Council. What is remaining is to furnish the newly set up IFMIS laboratory at the council.		

VOTE 310 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 Q4		
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
<p>The work stalled in the last quarter of the financial year due to financial constraints. The work on the hospital road network also stalled in the fourth quarter. Only the sub-base was done before the fourth quarter. Work is expected to resume in the first quarter of the 2011/12 financial year.</p>		
Comment on General Progress and any other underpinning issues		
<p>The 4 wards and an office block completed in the second quarter have not yet been handed to Ministry of Health because the contractor needs to rectify some defects which were observed by the Consultant.</p>		

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 Q2	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
<p>ZOMBA: The work on the remaining 8 houses and 2 flats has been completed. Seven houses have since been occupied. Two flats and one house have been reserved for Medical Doctors who have been posted to Zomba Central Hospital but have not yet reported.</p> <p>LILONGWE: A building contract was awarded to Hualong Construction PVT LTD for a sum of K183, 658,466 to build 21 houses, 25 pit latrines in Mitundu, Nathenje, Nyanja and Kabudula, and rehabilitate 16 existing houses in the areas. Almost 98% of the building works have been completed and about K 139,886,348 of the contract amount has been paid out. The contractor is now correcting defects before the final payment is released.</p> <p>DEDZA: Delta Construction Company were awarded a building contract to construct 12 standard houses, 7 professional houses and 26 pit latrines and to rehabilitate 9 existing houses in Dedza. The areas benefitting in Dedza are Dedza DHO, Chitowo and Kaphuka Health centres.</p> <p>In the course of the project 8 professional houses and 8 pit latrines have been built at Dedza DHO. The houses have been handed over to the hospital and are in use.</p>		
Comment on General Progress and any other underpinning issues		
Major challenge in most sites is the failure by ESCOM to connect the facilities to the grid.		

Project Title	Construction of New Nkhatabay District Hospital	
General Project Information		
Project Brief	The current Nkhatabay District Hospital is very small and old to service the high population of the district and huge demand for medical services in the area. Currently, Nkhatabay has a population of nearly 240,000 people.	
Implementation Timeframe	June 2006 to June 2013	
Total Estimated Cost	K1,500,000,000	
Total funding disbursed in 2010/11 FY as of end of Q4	K 43,437,083	
Problem the Project intends to address	Small capacity of the current District Hospital coupled with population increase	
Scope of Project	Construction of new buildings	
Development Objective	To improve on healthy delivery services in the District and to increase hospital space due to the ever increasing population in the lakeshore.	
Specific Output(s) of the Project	Hospital constructed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Overall progress: construction is at window level, however progress has been very slow in the fourth quarter.		
Comment on General Progress and any other underpinning issues		
Stakeholders need to sort out the issues surrounding the slow down of the project.		

VOTE 320 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 Q4		
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
Work on the rehabilitation of the library and computer laboratory has started and is expected to be completed within a period of 8 weeks. So far there is good progress and work is expected to be completed in time.		
Comment on General Progress and any other underpinning issues		
For the construction of an office block, the College is waiting for a No Objection from the Office of the Director of Public Procurement (ODPP).		

VOTE 340 INTERNAL AFFAIRS AND IRRIGATION

Project Title	Staff Houses Programme (Immigration)	
General Project Information		
Project Brief	The Immigration Department has been increasing the work force without improving and increasing the housing stock. Apparently, some institutional houses are in bad shape hence requiring immediate attention.	
Implementation Timeframe	July 2009 – June 2013	
Total Estimated Cost	K590 million	
Total funding disbursed in 2010/11 FY as of end of Q4	K 27,619,994	
Problem the Project intends to address	Inadequate housing for immigration staff	
Scope of Project	Construction of 100 staff houses and rehabilitation of the existing houses	
Development Objective	To provide institutional houses to immigration staff	
Specific Output(s) of the Project	100 staff houses constructed by 2013	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
All staff houses have been renovated. Major works in the rehabilitation included paint work and rehabilitation of the sewer system. Rehabilitation works at Chileka Airport have been completed.		
Comment on General Progress and any other underpinning issues		
No new structure has since been constructed. However, a project proposal has been drawn and submitted to the Ministry of Development Planning and Cooperation for appraisal.		

Project Title	Construction and Rehabilitation of Police Offices and staff houses	
General Project Information		
Project Brief	<p>The Malawi Police Service workforce has been increasing for the past 45 years in order to match the demands of an ever-increasing population that requires public safety while adhering to the rights of individuals. In a bid to strength the workforce, the Malawi Police Service has been increasing the recruitment of officers without improving and increasing the houses that are entitled for the workforce as a result there is a huge deficit of houses.</p> <p>Currently, the strength of the Malawi Police Service stands at 9998 police officers. Out of this number, a total of 4,001 (about 40%) are accommodated in institutional houses and Government leased houses; and 60% of the officers are either renting on an average of 3 kilometres away from the station of duty or renting substandard houses.</p>	
Implementation Timeframe	July 2008 – July 2013	
Total Estimated Cost	K2 billion	
Total funding disbursed in 2010/11 FY as of end of Q4	K 65,359,702	
Problem the Project intends to address	Inadequate and inappropriate housing and office accommodation for the police service	
Scope of Project	The project involves construction of offices and additional 1000 staff houses.	
Development Objective	To provide institutional housing	
Specific Output(s) of the Project	Staff houses and offices constructed and rehabilitated.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
All works on the 20 staff houses planned to be constructed in Area 47 are complete as planned except for water and power connections. During the 20 July, 2011 demonstrations, however, some window panes on the houses were broken		
Comment on General Progress and any other underpinning issues		
It is recommended that the utility providers do their part in good time and the broken windows be fixed so that the houses are ready for use.		

VOTE 342 PRISONS

Project Title	Construction of Prison Cells and Staff Houses	
General Project Information		
Project Brief	Congestion in almost all the Prison Centres and lack of decent and adequate accommodation for officers working in prisons necessitated the conception of this project	
Implementation Timeframe	July 2001 – June 2015	
Total Estimated Cost	K1.8 billion	
Total funding disbursed in 2010/11 FY as of end of Q4	K79,855,021	
Problem the Project intends to address	Congestion in prisons and lack of staff housing	
Scope of Project	Construction of Staff houses and Prison cells	
Development Objective	To provide institutional houses and create more space for humane custody of the inmates.	
Specific Output(s) of the Project	Construction of houses and cells	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
<p>Karonga Prison There is literally no progress. The project is at foundation stage and activities seem to have stopped way back because they have changed the site of the prison. At the new site, nothing has been done.</p>		
Comment on General Progress and any other underpinning issues		
It is imperative that issues surrounding the project are resolved so that progress can be made.		

VOTE 360 TOURISM, WILDLIFE AND CULTURE

Project Title	Development of Chongoni Rock Art World Heritage Site	
General Project Information		
Project Brief	<p>Chongoni Rock Art World Heritage site was inscribed on the UNESCO World Heritage List in 2006. This means that the site is recognized globally as a site with significance to humanity and is therefore open to the public for appreciation and for tourism purposes. The inscription brings an inevitable and welcomed awareness and curiosity about the site and its outstanding values. It also increases the various activities at the site and the number of tourists who visit it. This attracts important funds and inkind contributions to the site to the national economy.</p> <p>Therefore, there is need to develop this site inline with the international convention concerning the protection of the world cultural heritage.</p>	
Implementation Timeframe	July 2009 to December 2012	
Total Estimated Cost	MK350,000,000	
Total funding disbursed in 2010/11 FY as of end of Q4	MK 35,883,111	
Problem the Project intends to address	Continued deteriorating of the site which would affect the outstanding universal value of the site.	
Scope of Project	Heritage information centre; offices; Staff houses; visitors facilities and upgrading road network to the site.	
Development Objective	To promote cultural tourism through the development of chongoni world heritage rock art	
Specific Output(s) of the Project	Information centre constructed by end of 2011; 1 office block constructed by end of 2011; 1 workshop and sells room constructed by end 2012; 6 staff houses constructed by end 2012; 1 guest house constructed by end 2013; Road networks and visitors pathways maintained by end 2011.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Of the infrastructure expected to be constructed, four structures had been put up two of which were at the roofing level and the others were over window level. At the current levels, it can be projected that if supported with funds, the project could achieve what is expected to be done by end 2011 which includes construction of office block and information centre		
Comment on General Progress and any other underpinning issues		
At the time of our visit, the contractor had demobilized and there was no body at the site. This means that there has been no meaningful progress for the fourth quarter.		

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 Q4		
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
This project is comprised of two parts. The first part is 37km and will be done by Mota Engil. This part will be funded by the EU. The second part is 50km long and will be funded by the Malawi Government. On the first part, 34 km has been completed and the contractor is currently working on the last bridge on the remaining 3km. Work has not started on the part funded by the Malawi Government because a contractor has not been identified.		
Comment on General Progress and any other underpinning issues		
The delay in completing the first part of the project is due to fuel shortages in the recent past. However, the contractor indicated that with the fuel crisis almost over, the remaining works should soon be completed.		

Project Title	Chiradzulu-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 Q4	K870,979,336	
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
There is generally slow progress in the construction of this road. Not much progress has happened since the last visit (quarter 3 monitoring visit). Overall performance is estimated at about 20 percent. Chiringa – Migowi (14.78 KM) is done up to base level of which 11km is primed. Migowi –Phalombe is done up to sub-base level. Two bridges have been completed and the contractor is currently working on the third one.		
Comment on General Progress and any other underpinning issues		
During the third quarter monitoring, it was stated that fuel shortages had delayed the progress of the road construction. With the resumption of normal fuel supply in the country, it is expected that progress will rapidly improve.		

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 Q4	K 183,572,161	
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
It would seem not much work has been done on the road in the last quarter of the year but the road is almost completed. One section of the road (from Chiperoni - Goliati) has loose chippings scattered awaiting the last layer of tar to be applied and lines drawn. The Malowa – Goliati section has been completed.		
Comment on General Progress and any other underpinning issues		
The works progress is at 95%.		

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 Q4	K952,580,419	
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
The construction of this road has been completed and the contractor has since demobilised.		
Comment on General Progress and any other underpinning issues		

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 Q4	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
<p>Level of completion of the road is estimated in the range of 45% to 50%. There is currently very slow progress. The whole stretch of the road is being worked on, with work progressing 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). Unfortunately, due to heavy rains some parts of the road where they had reached final stages of construction have been severely damaged.</p> <p>The slow progress of the project has been largely attributed to unpaid certificates of over MK 1.5 billion, fuel shortages in the recent past and heavy rains late in the just ended rainy season.</p>		
Comment on General Progress and any other underpinning issues		
Works started in May 2009 and were expected to be completed by April 2011. However, progress on the site indicates that this deadline will not be met as there is still some significant works yet to be done.		

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 Q4	K 713,416,025	
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		

Project Title	Mchinji – Kawere Road	
General Project Information		
Project Brief	This project is being financed by EU under the EDF feeder roads programme. The works consist of sealing of the 26 km S118 (unsealed) road from Mchinji to Kawere. The road will be designed with a life span of 15 years. The contractor is Raubex Construction (Z) Limited and the supervisors are Nicholas O'Dwyer & Company Ltd.	
Implementation Timeframe	18 Months starting from May 2010	
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q4		
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The works consist of sealing of the 26 km S118 (unsealed) road from Mchinji to Kawere	
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
Due to some challenges, only 35% of the works had been done by July, 2011 which was when 433 days of the 548 days for the contract had gone by. The works done so far are 23 km by-pass, 23 km clearing and grubbing, 18 km top soil removal, 16 km roadbed preparation, culverts for Km 10 to km 26 and 26 km of earth works. All the bridges are also under construction.		
Comment on General Progress and any other underpinning issues		
It was observed that Kawere, where the construction is supposed to come to an end, is just 10 km away from Kapiri which is the main trading centre and as such Government should look at means of extending the construction to Kapiri without necessarily closing the current contract.		

Project Title	Lilongwe-Dedza Nsipe Road	
General Project Information		
Project Brief	Lilongwe – Blantyre road is one of the busiest roads in Malawi as it also serves as a link road to neighboring Zambia, Tanzania and Mozambique.	
Implementation Timeframe		
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q4		
Problem the Project intends to address	The project intends to reduce the problems that the motorists being serviced by thi road were facing due to the degrading nature of the current road.	
Scope of Project	The scope of this project include pavement reprocessing/reconstruction, shoulder reconstruction, single-seal surface dressing to carriageway and single seal surface dressing to shoulders for the stretch between Lilongwe-Nsipe.	
Development Objective	The project aims at maintaining the Lilongwe-Nsipe stretch of the Lilongwe –Blantyre road which has detoliarated.	
Specific Output(s) of the Project	<ul style="list-style-type: none"> ➤ 6.4 km of pavement reconstructed ➤ 47.7 km of road shoulder reconstructed Single seal surface dressing to carriageway: 81.9 km done ➤ Single seal surface dressing to shoulders: 44.9 km done 	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
74% (23.9 km) of pavement reconstructed, 65% (105 km) of shoulder gravelling single sealed, 20 of 20 bus bays completed, road marking done up to 5.6 km. Overall, permanent works are 535 complete, equivalent to 86 km of the total length of 162.2 km with 92% of the time elapsed.		
Comment on General Progress and any other underpinning issues		
The main problem has been the severe shortage of fuel. This led to the contractor stopping all works on 27 th June, 2011.		

Project Title	Lumbadzi-Dowa-Ntchisi and Salima Spur	
General Project Information		
Project Brief	The policy of Government is to rehabilitate, upgrade and maintaining 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. In line with this policy, the Roads Authority obtained funds from the Government of Malawi for the construction of Lumbadzi-Dowa-Ntchisi and Salima Spur.	
Implementation Timeframe		
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q4	K 1,117,150,495	
Problem the Project intends to address	Poor road infrastructure Transport problems between these areas both for social and economic/business purposes.	
Scope of Project	The project involves construction of a 38 km Lumbadzi-Dowa-Ntchisi and Salima Spur.	
Development Objective	Improved road infrastructure	
Specific Output(s) of the Project	Road constructed.	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Of all works, 22 km of clearing and grubbing has been done, earth works are in progress, Asphalt surfacing has been done up to 7 km. Overall, not much progress has been achieved.		
Comment on General Progress and any other underpinning issues		
The main problem has been the severe shortage of fuel and delayed payments which have adversely affected progress of works.		

Project Title	Mzimba-Eswazini-Mzlangwe 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 of such project is the construction of the Mzimba – Eswazini - Mzlangwe road that is currently underway.	
Implementation Timeframe		
Total Estimated Cost		
Total funding disbursed in 2010/11 FY as of end of Q4	K 270,219,051	
Problem the Project intends to address	Poor road infrastructure	
Scope of Project	The project scope comprises upgrading of the earth road to a Class II bitumen standard road.	
Development Objective	To improve road infrastructure	
Specific Output(s) of the Project	The road upgraded and the bridges constructed	
Achievements to Date and in particular 2010/11		
Above Average	Average	Below Average
Only 3 km from Mzimba Boma has been tar marked. The earthworks done cover a 10km stretch.		
Comment on General Progress and any other underpinning issues		
Work is in progress		