

Budget Document Number 5



2011/12 Output Based Budget Document

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Introduction

The Output Based Budget Document, also referred to as Budget Document Number 5 according to the Public Finance Management Act (PFMA) 2003, is one of the Budget Documents that is prepared by the Ministry of Finance and submitted to the National Assembly during the Budget Session of Parliament. The document links allocations and expenditures to their corresponding outputs thereby making it one of the most handy and important documents for scrutinizing provisions in the Budget Vote by Vote and Budget line by Budget line. The Document clearly shows what each allocation in the Budget is likely to achieve. It also shows what allocations in the previous financial year had achieved.

For the 2011/12 Budget Document, the Output Based Budget document marks a dramatic departure from the past as considerable efforts have been made to improve the presentation and outlook of the document. The greatest improvement is in the clarity in the linkages between allocations and in the budget and planned programs and outputs of Ministries and Departments. All Ministries and Departments have endeavoured to clearly define what exactly they achieved with the provisions they were given in the 2010/11 fiscal year as well as justify in clearest terms what is it they will achieve with the provisions in the 2011/12, 2012/13 and 2013/14 fiscal years. This information is invaluable for scrutinizing the Budget provisions as well as for considering and approving the provisions. During implementation of the Budget, this information will be critical for monitoring and measuring performance of every Ministry and Department objectively.

Past documents were also marred by lack of clear distinction between the core functions of the Ministries and the programs Ministries indicate in the Output Based Budget Document. In 2011/12, **the programs that Ministries have budgeted for are relevant to their core functions only.** Considerable work has also been done to support Ministries and Departments in defining **Specific, Measurable, Achievable, Relevant and Time-bound Outputs** that can be monitored and evaluated in order that all Ministries and Departments can be held accountable for their use of budgeted resources.

Finally, most policies take more than one year to be implemented, as do implementation of infrastructure projects. It is therefore vital that budgets are planned not just for the coming fiscal year, but rather for the medium-term, so that resources can be committed to programs and projects for the necessary duration. It is for this reason that from 2011/12, the Budget is presented according to the Medium Term Expenditure Framework (MTEF).

The Output Based Budget Document contains 3 Sections – the first Section outlines the budget for Statutory Expenditures, Section Two presents the Output Based Budget for each Central Government Ministry and Department; while Section Three contains an overview of the allocations for Local Councils.

Section I

Estimates and Projections of Statutory Expenditures

2011/12- 2013/14

Financial Years

Statutory Expenditures: Introduction

According to the Public Finance Management Act:

Details of statutory expenditure, shall be included in the [Budget] Estimates in order to present the total expenditure proposed in the Government's programmes or activities, but shall not be submitted to the vote of the National Assembly.

These are payments that Government has a constitutional obligation to pay.

Included in Statutory Expenditures are four separate headings:

010 – Presidency

020 – Compensations and Refunds

030 – Pensions and Gratuities

040 – Public Debt

The Presidency

Vote Number: 010

1. Overview

The salaries of the President and Vice President are drawn from this Vote. The 2011/12 Budget Estimate is MK43.36 million.

	Million Malawi Kwacha				
	2010-11 Approved	2010-11 Revised	2011-12 Estimate	2012/13 Projection	2013/14 Projection
PE	42.00	42.00	43.31	46.45	51.67
Recurrent - Total:	42.00	42.00	43.31	46.45	51.67
010 – The Presidency - Total:	42.00	42.00	43.31	46.45	51.67

Compensations and Refunds

Vote Number: 020

1. Overview

Statutory Expenditures comprises statutory payments that Government is legally obliged to make: such as compensations and tax refunds. In 2011/12, payments are projected to reach K7.2 billion, down from K9.1 billion in 2010/11.

	Million Malawi Kwacha				
	2010-11 Approved	2010-11 Revised	2011-12 Estimate	2012/13 Projection	2013/14 Projection
ORT	9,062.62	9,062.62	7,202.62	4,004.84	3,715.75
Recurrent - Total:	9,062.62	9,062.62	7,202.62	4,004.84	3,715.75
020 – Compensations and Refunds - Total:	9,062.62	9,062.62	7,202.62	4,004.84	3,715.75

Pensions and Gratuities

Vote Number: 030

1. Overview

Pensions and Gratuities are part of Statutory Expenditure and they include Gratuities, Separation Benefits, Ex-gratia Payments, and Death Gratuities. In 2011/12 Budget, Pensions and Gratuities will amount to MK 12 billion, largely reflecting the increase in numbers of retirees in the public service.

From 2012/13 fiscal year, Pensions and Gratuities are rising even much higher due to the new Pensions Act which requires that Government should commence contributions to the Pension Fund in the 2012/13 Fiscal Year.

	Million Malawi Kwacha				
	2010-11 Approved	2010-11 Revised	2011-12 Estimate	2012/13 Projection	2013/14 Projection
ORT	7,400.00	7,600.00	12,000.00	20,706.59	23,077.26
<i>Of Which Pension Fund Contribution</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>7,686.59</i>	<i>8,950.56</i>
Recurrent - Total:	7,400.00	7,600.00	12,000.00	20,818.84	22,789.39
030 – Pensions and Gratuities - Total:	7,400.00	7,600.00	12,000.00	20,818.84	22,789.39

Public Debt Charges

Vote Number: 040

1. Overview

Interest on debt payments is projected to amount to K19.79 billion in 2011/12 down from 20.127 billion in 2010/11. From 2012/13 fiscal year, interest on debt is projected to go down further mainly on account of restructuring of domestic debt from short to long-term paper.

	Million Malawi Kwacha				
	2010-11 Approved	2010-11 Revised	2011-12 Estimate	2012/13 Projection	2013/14 Projection
ORT	20,127.00	20,127.00	19,794.93	16,690.62	14,981.87
<i>Of which Domestic Interest</i>	<i>19,171.00</i>	<i>19,171.00</i>	<i>18,671.00</i>	<i>15,407.03</i>	<i>13,551.07</i>
<i>Foreign Interest</i>	<i>956.00</i>	<i>956.00</i>	<i>1,123.93</i>	<i>1,283.59</i>	<i>1,430.80</i>
Recurrent - Total:	20,127.00	20,127.00	19,794.93	16,690.62	14,981.87
040 – Public Debt Payments - Total:	20,127.00	20,127.00	19,794.93	16,690.62	14,981.87

Section II

Output Based Estimates for Expenditures for 2011/12– 2013/14 Financial Years for Government Ministries and Departments

Introduction

Each Central Government Vote has its own section within the Output Based Budget. This section provides a summary of the financial allocations being made for that vote, and the expected outputs as a result. Each section is divided into a number of components as follows:

Overview

The Overview outlines the mission of each vote as well as the strategic objectives and strategies it will follow in implementing its activities. In addition, it provides the reader an opportunity to look at the major achievements made in the current financial year as well as looking forward to the outputs that are of highest priority in the coming 3 years.

Budget Summary

This part of the document provides a high level summary of each vote's budget. This is presented in a medium term format with the approved and revised budget for 2010/11, the estimates for 2011/12 and forward projections for 2012/13 and 2013/14.

This section contains the following tables:

- Table 2a: Summary of the budget for the vote by type (e.g. PE, ORT);
- Table 2b: Summary of the budget by programme;
- Table 2c: Summary of the Development Budget by Project; and
- Table 2d: Summary of the Revenue Budget.

Past Performance and Planned Outputs

This section contains a more in-depth analysis of the planned and actual output for each sub-program and project both in the 2010/11 Financial Year and also the forthcoming 2011/12 financial year.

- Table 3a: Outputs for the Recurrent Budget
- Table 3b: Outputs for the Development Budget

In each of the tables, the budgeted allocation is shown in millions of Malawian Kwacha as well as an explanation of the specific outputs.

Itemized Budget Summary

The Itemized Budget summary gives a breakdown by item of both the recurrent and development budget allocations.