**The education sector on-budget allocation increased in nominal terms by about 5% from MK149 billion in 2014/15 to about MK157 billion in 2015/16.**

Given the average inflation rate of about 22% in 2014/15 fiscal year, this means that the amount of resources allocated to the Ministry has decreased in real terms. Off-budget resources to the sector are estimated at about MK34 billion (or 22% of the on-budget allocation to the sector).

**The sector now receives the highest national budget share**, even though the share fell a little from 19% in 2012/13 to about 17% in 2015/16. Further it also falls below the minimum target of 21.1% of the GoM Budget as required by the MGDS II and also below the Education for All target of 20%.

Recognizing the limited fiscal space to increase education sector funding, **there is a need to ensure no reduction in expenditure in education**: Severe challenges remain, notably high pupil:teacher and high pupil:classroom ratios.

By the mid-year review of the 2015/16 budget, **recurrent expenditure was already overspent against the projection**, whereas development expenditure was not.

**Development expenditure should be given due priority and should not be sacrificed to pay for recurrent expenditure.**

In the short term, the scope for improvement in the delivery of education services lies more with increased efficiency in budget implementation rather than further increases in resource allocation as a proportion of the national budget, notwithstanding the need to ensure that allocations meet predetermined targets.

Malawi has a policy of cost-sharing at the secondary and tertiary levels, which requires students to contribute to their education. The policy has not contributed significantly to reducing government expenditure on higher education. **The government spends about MK1,710,360.00, (US$2685) for each student enrolled in higher education/public universities as opposed to MK69,110.40, (US$108) per secondary school student per annum. This is 24 times more per student in higher education than in secondary education.** This kind of spending creates an imbalance within the whole sector as about 350,000 students are enrolled in secondary school compared to less than 20,000 students in public higher education institutions.

**There is a need for the government to increase recurrent expenditure allocation to secondary education by reallocating from higher education.**

Education sector allocations to district councils are based on actual enrolment at primary level, and do not generally reflect the need to intervene in districts most in need of improvements in education outcomes. Mangochi and Salima have the lowest primary school net attendance (NAR) figures of 84.5% and 89.9% respectively, yet they receive below average per pupil allocation of MK1,499.70 (Mangochi) and MK1,775.50 (Salima). The comparison with Rumphi (NAR 97.1; MK3,265.60) and Chitipa (NAR 97.8; MK2,887.5) shows that school children in those districts are far better served.

**There is a need to use the budget as an instrument for intervening to achieve higher education sector outcomes where they are most lagging, rather than simply as a means of sustaining existing operations which favour some districts more than others.**
Total Population Malawi: 13.1 million
Population of Children under 18 years of age: 6.8 million (51%)
Population Growth rate: 2.8%
Population of school-going age: 2.1 million (37%)
Proportion of children of school going age out of school: 11%, (10% boys; 11% girls)
Primary Net enrolment Rate: 97%
Primary Completion Rate: 74%
Primary school Dropout rate: 11%
Youth Literacy Rate: 72%

Source: SAQMEC, 2011

1. How is the Education sector defined?

Understanding the education sector structure is important to understand budgeting and resource flow. The education sector public expenditure is programmed through five main channels, or votes. These are (i) the Ministry of Education, Science & Technology (MoEST); (ii) part of the district council votes covering recurrent expenditure in primary education; (iii) subventions which are dominated by funding for public universities; (iv) part of the Local Development Fund (LDF) region vote, covering school construction; and (v) a very low allocation to the Ministry of Gender, Child Development & Social Welfare (MoGCDSW), to cover early childhood development (ECD) coordination and vocational training.

The resource flow in the education sector is partially decentralized. Salaries are paid directly from the Ministry of Finance Accountant General’s Department into individual accounts. Resources meant for primary schools are distributed through the district councils and District Education Offices. Funding for personal emoluments meant for primary schools, ungraded community day secondary schools and grant aided secondary schools is channeled through the Divisional Education Offices. These offices also handle other recurrent allocations for ungraded community day secondary schools and grant aided secondary schools.
The Malawi Growth and Development Strategy (MGDS II 2011-16) recognizes education as a major catalyst for socio-economic development and a necessity for sustainable development. The sector is guided by the National Education Sector Plan (NESP) 2008–2017 and Second Education Sector Implementation Plan (ESIP II) 2014-2017. The NESP has three thematic areas of intervention: i) Expand equitable access to education to enable all to benefit, ii) Improve quality and relevance of education to reduce drop-out and repetition and promote effective learning, and iii) Improve governance and management of the system to enable more effective and efficient delivery of services. The national budget allocation to the sector is a key factor in the achievement of these objectives.

In 2015/16, the education sector was allocated a total of MK157 billion, about 17% of the total national budget of MK930 billion. About 73% of the education sector resources in 2015/16 budget are programmed through the MoEST, 22% through subvented organizations, and 5% is devolved to local councils. The 17% share of the national budget to Education falls below the Education for All target of 20%. Off-budget resources to the sector are estimated at about MK34 billion (or 22% of the on-budget allocation to the sector).

2. What trends emerge from the Education sector budget?

Budget trends reflect government priorities over time. This trend analysis considers the period from 2012/13 to date. 2011/12 is excluded due to the major devaluation of the currency.

The education sector on-budget allocation increased in nominal terms by about 5% from MK149 billion in 2014/15 to about MK157 billion in 2015/16. The 5% increase is well below the average inflation rate of 22% experienced during the 2014/15 fiscal year, therefore much less resources in real terms are available to the education sector in 2015/16 compared to 2014/15. Figure 1 provides an overall picture of the education budget and summarizes the approved allocations within the education sector. Note that donors do not provide budget support in Malawi, hence the allocations in Figure 1 exclude off-budget support for education (estimated at MK34 billion).

Fast Facts

The resource flow in the education sector is partially decentralized.

The Malawi Growth and Development Strategy (MGDS II 2011-16) recognizes education as a major catalyst for socio-economic development and a necessity for sustainable development.

In 2015/16, the education sector was allocated a total of MK157 billion, about 17% of the total national budget of MK930 billion.

The education sector on-budget allocation increased in nominal terms by about 22% from 2014/15 approved estimates of MK139 billion to about MK157 billion in 2015/16.
Although the national budget allocation grew in nominal terms from 2012/13 to 2015/16, the rate of growth has not fully translated to the education sector. The share of education allocation in the national budget reduced from 19% in 2012/13 to about 17% in 2015/16 (Figure 2). While the overall budget has grown by 128% between 2012/13 and 2015/16 budget allocations, the education sector budget has only grown by 108% in nominal terms.

With 17% of the budget share in 2015/16, the education sector has overtaken agriculture, which was previously receiving the largest share (about 19% in 2013/14 down to 15% in 2015/16). Despite the economic challenges faced by the country, the education sector share only fell two percentage points in 2015/16 as opposed to a 4% drop in the agriculture sector (Figure 2). In the context of declining fiscal space, this demonstrates some level of commitment to prioritizing the education sector budget, particularly relative to agriculture.
3. How are education sector resources spent?

The balance between recurrent and development is one of the key considerations in budget formulation. This means that a delicate balance between capital, operational and labour inputs has to be achieved to ensure the MDAs1 do deliver on their mandates. Underspending in development can impair the operational activities and outputs, because lack of investment causes facilities to become unfit for purpose; having many teachers but too few or poor quality classrooms and teaching facilities does not yield the optimal quality of education. Imbalances may also develop within recurrent expenditure; having many teachers but inadequate learning and teaching materials means that teachers cannot provide the quality education they were trained to deliver. Imbalances between recurrent and capital expenditure may exist within different levels of education - basic, secondary and higher education.

Recurrent expenditure is financed by domestic resources. Development expenditure is financed by both domestic and foreign resources. The Ministry of Education, Science & Technology (MoEST) has seen increased personnel costs absorbing 57% of the education sector budget (up from 45% in 2014/15), crowding out other expenditures. The Ministry has recruited about 10,000 more teachers in order to reduce the very high pupil to trained teacher ratio in primary schools (78 pupils per trained teacher in 20142). This expenditure has however come at the expense of Other Recurrent Expenditure (ORT3), whose share has shrunk by 3 percentage points.

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1 Ministries, Departments and Agencies
2 EMIS 2014
3 Other Recurrent Transactions
Figure 3: Distribution of allocations in the Education sector by program area

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Allocation Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development</td>
<td>7%</td>
</tr>
<tr>
<td>Basic education</td>
<td>53%</td>
</tr>
<tr>
<td>Secondary education</td>
<td>15%</td>
</tr>
<tr>
<td>Higher education</td>
<td>22%</td>
</tr>
<tr>
<td>Administration</td>
<td>3%</td>
</tr>
<tr>
<td>ECD</td>
<td>0%</td>
</tr>
<tr>
<td>Complementary basic education &amp; vocational training</td>
<td>0%</td>
</tr>
</tbody>
</table>

The allocation share to development\(^4\) has drastically declined over the years, from 16% in 2012/13 to 7% in 2015/16, which derails government commitment to lower the high pupil to classroom ratio. It is more worrying to note that in the 2015/16 budget there is no allocation for primary school construction, which is usually administered through LDF\(^5\). This does not augur well for efforts to improve quality of education in Malawi, especially since the current pupil to classroom ratio stands at a highly unsatisfactory 111:1\(^6\). The Government committed to reducing that ratio to 60:1 by 2019, as part of the presidential Commitments to Children & Youth, signed in the run-up to the 2014 presidential elections. To be able to meet this commitment, 33,500 new classrooms are needed at the current enrolment rates. The government would need to build at least 2,650 classrooms (40% of total requirement) in primary schools annually for the next five years, and hope that other players will pick up the remaining 60% of the total target of 6,700 classrooms annually for the following five years. This huge construction effort would require up to MK20 billion from the government - clearly unaffordable.

Fast Facts

- Although the national budget allocation grew in nominal terms from 2012/13 to 2015/16, the rate of growth has not fully translated to the education sector.

- With 17% of the budget share in 2015/16, the education sector has overtaken agriculture.

- The Ministry of Education, Science & Technology (MoEST) has seen increased personnel costs absorbing 57% of the education sector budget (up from 45% in 2014/15), crowding out other expenditures.

- The allocation share to development has drastically declined over the years, from 16% in 2012/13 to 7% in 2015/16, which derails government commitment to lower the high pupil to classroom ratio.

Government has to maintain its commitment to tackle the shortage of classrooms, and also leverage external funding in this area.
in the current economic conditions. **Government has to maintain its commitment to tackle the shortage of classrooms, and also leverage external funding in this area.**

The government spends about MK1,710,360 (US$2685) for each student enrolled in higher education/public universities as opposed to MK69,110.40 (US$108) per secondary school student per annum. This is 24 times more per student in higher education than in secondary education. This kind of spending creates huge disparity and imbalance within the whole sector, as about 350,000 students are enrolled in secondary school compared to less than 20,000 students in public higher education institutions. Figure 3 shows that 53% (recurrent) is spent in basic education, followed by higher education at about 22% and secondary education at about 15%. ECD and complementary basic education are the least funded with less than 1% of the sector budget share.

**Development expenditure in education is largely externally financed.** Externally funded development expenditure (Dev 1, about 4% of the sector allocation) constitutes almost two thirds (65% or MK6.5 billion) of the development funding in the 2015/16 budget allocations (Table 1).

### Table 1: Education sector development allocation (MK Millions)

<table>
<thead>
<tr>
<th>Allocation channel</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>MoEST Foreign funded development (Dev 1)</td>
<td>5,126.45</td>
<td>8,102.90</td>
<td>5,641.25</td>
<td>6,520.34</td>
</tr>
<tr>
<td>MoEST Domestic funded development (Dev 2)</td>
<td>4,371.79</td>
<td>4,834.26</td>
<td>3,375.00</td>
<td>3,600.00</td>
</tr>
<tr>
<td>LDF</td>
<td>2,200.00</td>
<td>5,880.10</td>
<td>2,850.00</td>
<td>-</td>
</tr>
<tr>
<td>ECD &amp; Vocational training</td>
<td>80.00</td>
<td>310.00</td>
<td>316.56</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Development</strong></td>
<td>11,778.24</td>
<td>19,127.26</td>
<td>12,182.81</td>
<td>10,120.34</td>
</tr>
</tbody>
</table>

| % Share in education sector                  | 16%      | 17%      | 9%       | 7%       |

Source: MoF, various detailed budgets
4. To what extent has Education expenditure devolved to the districts?

Education allocation to local councils reduced by 6% from MK8.2 billion in 2014/15 to MK7.7 billion in 2015/16 due to low resource absorption arising out of delays in procurement processes and inefficiencies in budget management. Although constituting only about 5% of the education sector budget the devolved allocation is critical for supporting other recurrent expenditure in primary schools.

Recurrent allocations for primary school teachers’ emoluments and other minor ORT expenses are devolved to local assemblies. As these are largely dominated by personal emoluments, they are an indicator of primary teacher deployment per district, hence also the level of primary school service delivery at that level.

Allocations to districts vary widely and do not generally reflect the need to intervene in districts most in need of improvements in education outcomes, but rather on actual enrolment at primary level. According to the Inter-Governmental Fiscal Transfer System (IGFTS), the current practice is that allocations are 100% based on the school-going age group as a principle, but the actual formula used varies depending on function devolved. If this principle were applied robustly, we would expect to see allocations per school-going child (i.e., allocations per capita) would be roughly equalised across districts. Rumphi with a net attendance ratio (NAR) of 97.1 was allocated MK3,265.60 and Chitipa with a NAR of 98.7 had an allocation of MK2,887.5, the highest allocations per pupil. Yet some districts with high rates of population with poor primary school attendance actually received low per capita allocations. For instance, Mangochi and Salima, which have the lowest NAR figures of 84.5% and 89.9% respectively, received per pupil allocations of MK1,499.70 and MK1,775.50 respectively—below the national average. The comparison with Rumphi and Chitipa shows that school children in those districts are far better served. Meanwhile, low spending in districts such as Mangochi and Salima is likely to be a key factor driving the poor attendance, as Figure 4 shows.

There is a need to revisit the district allocation formula to respond to needs, particularly for Salima, Mangochi and Nkhotakota and Lilongwe Rural, which have very poor primary school attendance ratios.

**Figure 4: District Level per-pupil education expenditure and primary school attendance rate, Malawi**
5. How well has the Education sector executed its past budgets?

The 2015/16 midterm budget projections and performance provide an indication of the likely outturns from the overall 2015/16 budget. **Resources declined slightly in key votes in the education sector when the budget was revised at mid-year of 2015/16 fiscal year.** For example, the MoEST declined by MK496 million (0.4%) when the 2015/16 budget was revised, against a 2.5% overall national budget reduction. In the previous year, MoEST managed to expend their entire allocation of MK96.7 billion of its revised budget, and by the end of the 2014/15 fiscal year, it had an expenditure of MK97.2 billion, exceeding the budget.

But the mid-term updates show that the high budget performance was not uniform. It is common for development expenditure to be sacrificed in favour of recurrent expenditure. **The above average achievement is due to over-expenditure in recurrent expenditure,** which recorded 102% expenditure in salaries and 100% in ORT by mid-year against the projection. Foreign funded development (Dev1) expenditure was at 40% while locally funded development expenditure (Dev 2) was at 65%. **These figures suggest that domestic development expenditure (Dev 2) was sacrificed to pay for recurrent expenditure.** Given a tight 2015/16 environment, it is very unlikely that development expenditure will perform as planned in the current financial year (Table 2).

### Fast Facts

- Education allocation to local councils reduced by 6% from MK8.2 billion in 2014/15 to MK7.7 billion in 2015/16 due low resource absorption arising out of delays in procurement processes and inefficiencies in budget management.
- Allocations to districts vary widely.
- There is a need to revisit the district allocation formula to respond to needs.
- Resources declined slightly in key votes in the education sector when the budget was revised at mid-year of the 2015/16 fiscal year.

<table>
<thead>
<tr>
<th>Component</th>
<th>Projection Mid-year</th>
<th>Outturn by Mid-year</th>
<th>Expenditure %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Education</td>
<td>57,312</td>
<td>55,335</td>
<td>97%</td>
</tr>
<tr>
<td>Personnel Emoluments</td>
<td>45,090</td>
<td>45,791</td>
<td>102%</td>
</tr>
<tr>
<td>Other Recurrent Transactions</td>
<td>6,874</td>
<td>6,874</td>
<td>100%</td>
</tr>
<tr>
<td>Foreign funded development (Dev1)</td>
<td>3,260</td>
<td>1,304</td>
<td>40%</td>
</tr>
<tr>
<td>Domestic funded development (Dev2)</td>
<td>2,087</td>
<td>1,366</td>
<td>65%</td>
</tr>
<tr>
<td>Local council</td>
<td>7,206</td>
<td>7,206</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>121,830</td>
<td>117,877</td>
<td>97%</td>
</tr>
<tr>
<td>Overall budget</td>
<td>480,498</td>
<td>385,732</td>
<td>80%</td>
</tr>
</tbody>
</table>
CONCLUSION

Expenditure allocation to the education sector has remained relatively constant over the recent past, although there was a decrease in the 2015/16 budget. Severe challenges remain, including high pupil: teacher and high pupil: classroom ratios. In order to improve education outcomes at all levels, the government must not decrease its real expenditure in the short term, maintain its commitment to build more classrooms, and also leverage external resources.

There is also a marked disparity in intra-sector resource distribution, with secondary education receiving a significantly lower share per capita than higher education. The government may need to increase recurrent expenditure allocation to secondary education by reallocating some resources from higher education.

Devolved expenditure allocations to districts councils are based on actual enrolment at primary level and do not reflect the need to intervene in districts most in need of improvements in education outcomes. This pattern suggests that there is need to use the budget as an instrument for intervening to achieve sector outcomes where they are lagging, rather than simply as a means of sustaining existing operations which favour some districts more than others. In this regard, allocations based on the number of eligible pupils – rather than actual pupils – would be more credible.

Glossary of Budget Terms Used

Approved budget: budget passed by parliament at the beginning of fiscal year, usually by June
Revised budget: budget revised usually at mid-year and approved by parliament, usually in February
Allocation: approved budget used to guide expenditure. May be different from outturn
Outturn: actual expenditure in a given period