Budget Brief
Social Welfare
The MoGCDSW budget allocation declined in nominal terms by 27%, from MK5.1 billion in the 2014/15 budget to MK3.7 billion in the 2015/16 budget. Given an average inflation rate of 22%, the decline in budget resources in real terms is about 50%. In other words, this fiscal year, the MoGCDSW has received half the resources it was allocated last year.

More than MW14 billion of off-budget aid is provided to the sector. Of this, MK12.46 billion (86%) and MK0.52 billion (4%) are earmarked for system strengthening in the Social Cash Transfer Programme and the National Social Support Programme (NSSP) respectively.

There is a need to use on-budget expenditure to boost other areas, notably the social welfare workforce, as part of efforts to reduce violence against children and women.

The large amount of off-budget aid should be recorded on the government budget (even though it does not necessarily go through the Treasury).

Government contribution to the Social Cash Transfer Program is not visible in the 2015/16 approved budget. It is important for the government to clearly indicate its co-payment to strengthen the case for development partners to scale-up their funding of the SCTP program.

The increase in personnel costs between 2014/15 budget and 2015/16 is a welcome development, since the vacancy rate is at about 34% for established positions in MoGCDSW. In some cadres, such as Senior Assistant Social Workers (80 posts) and Senior Social Welfare Assistant (80 posts), all posts are vacant; moreover, only 10% of Social Welfare Worker posts are filled by fully qualified people.

Government is encouraged to continue capacitating the MoGCDSW by increasing the number of qualified social welfare workers in a way that achieves a balance between allocations for personnel and other recurrent expenditure, so that those employed have the necessary means to deliver.

Disbursement of budget resources to the MoGCDSW is not consistent throughout the year, making it difficult for the ministry to effectively plan and deliver services. The national budget performance review at mid-year reveals that MoGCDSW is not prioritized in budget disbursements.

Fiscal authorities are encouraged to release funding in a timely manner to the MoGCDSW throughout the year. The Ministry is also encouraged to adhere to its requirements to report regularly to Treasury prior to receiving further disbursements.
1. How is the social welfare sector defined?

The Ministry of Gender, Children, Disability and Social Welfare (MoGCDSW) leads in the implementation of social welfare programmes and drives the social inclusion agenda of the Government of Malawi. It is mandated with promoting gender equality and protecting the welfare of Malawian women, men, girls and boys. Review of the budget can reveal if the ministry is funded and capacitated to deliver on this mandate. The ministry has four technical departments (Gender Affairs, Child Development, Community Development and Social Welfare), and two supporting departments. With less than MK4 billion to be divided among these departments, the MoGCDSW ranks as one of the most poorly funded.

2. What trends emerge from the social welfare budget?

MoGCDSW was allocated MK3.7 billion in 2015/16, only 0.4% of the approved national budget of MK930 billion. Of this budget, MK 2.8 billion is from domestic resources (76%), while MK 895 million is from external resources (24%). By vote, MoGCDSW is ranked a distant 32nd. An estimated MK14.4 billion will be received through off-budget support, of which MK12.46 billion is earmarked for the Social Cash Transfer Programme (SCTP).

CONTEXT

Total population of Malawi: 13 million
Proportion of Malawi Population Poor: 52%
Proportion of Malawi Population in ultra-poverty: 20%
Population of Children under 18 years of age: 6.8 million
Proportion of children multidimensionally poor: 63%
Proportion of children monetarily poor: 43%

Source: UNICEF 2014
The MoGCDSW budget allocation declined in nominal terms by 62% from 2012/13 (MK10 billion) to MK3.7 billion in the 2015/16 budget. The shrink in the budget is largely accounted for by a reduction in foreign funded development expenditure, whose share declined from 91% of the ministry budget in 2012/13 to 24% in 2015/16. In nominal terms, on-budget external funding declined from MK9 billion in 2012/13 to MK894 million in 2015/16 as donors opted for off budget support. Detailed analysis is required to assess whether the off-budget support has fully compensated for decreased on-budget support, or whether the total allocation to the sector (on and off-budget) has declined over recent years.

Compared to 2014/15 figures, the 2015/16 on budget allocation declined by 27%. Given an average inflation rate of 22%, the decline in budget resources in real terms is about 50%. In other words, this fiscal year, the MoGCDSW has received half the resources it was allocated last year. Figure 1 gives an overview of MoGCDSW budget allocation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Dev 2</th>
<th>Dev 1</th>
<th>ORT</th>
<th>PE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>295.00</td>
<td>9,153.08</td>
<td>169.53</td>
<td>415.72</td>
<td>10,033</td>
</tr>
<tr>
<td>2013/14</td>
<td>810.00</td>
<td>2,965.95</td>
<td>269.53</td>
<td>720.60</td>
<td>4,756</td>
</tr>
<tr>
<td>2014/15</td>
<td>316.56</td>
<td>3,645.08</td>
<td>745.82</td>
<td>393.97</td>
<td>5,101</td>
</tr>
<tr>
<td>2015/16</td>
<td>250.00</td>
<td>894.57</td>
<td>1,324.00</td>
<td>1,250.55</td>
<td>3,719</td>
</tr>
</tbody>
</table>

Source: MoF, various detailed budgets

Figure 1: MoGCDSW budget allocation

Disclaimer
All analysis was carried out using publicly available information. Exchange rate prevailing on the first month of the fiscal year was used for US$ conversions. Average inflation rate for fiscal year (July to June) was used for real value conversions.
Budget cuts to the MoGCDSW occur even when the national budget is increasing. Figure 2 shows that the revised budget allocation to the MoGCDSW went down by 22% in 2013/14 in comparison to 2012/13, further declining by 24% and 37% in the 2014/15 and 2015/16 budgets respectively. Meanwhile, the national budget has increased year on year. There is a sharp difference between the estimated increase of 16% in the 2015/16 national budget, and the drop of 37% in the MoGCDSW budget. As a result, the MoGDCSW vote, which ranked 25th in the 2014/15 financial year, dropped to position 32 in the 2015/16 budget. The projected Medium Term Expenditure Framework (MTEF) estimates shown in Figure 2 suggest some improved funding in the medium term. After a further cut by about 36% in the 2016/17 fiscal year compared to 2015/16, projections for 2017/18 suggest that MoGCDSW will receive a 3% increase, much closer to the projected increase in the national budget.

Disclaimer
All analysis was carried out using publicly available information. Exchange rate prevailing on the first month of the fiscal year was used for US$ conversions. Average inflation rate for fiscal year (July to June) was used for real value conversions.

Fast Facts

- The MoGCDSW budget allocation declined in nominal terms by 62% from 2012/13 (MK10 billion) to MK3.7 billion in the 2015/16 budget.
- Compared to 2014/15 figures, the 2015/16 budget allocation declined by 27%.
- Budget cuts to the MoGCDSW occur even when the national budget is increasing.

Figure 2: MoGCDSW % change in budget resources, 2013-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>MoGCDSW</th>
<th>National Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14 Revised</td>
<td>-22%</td>
<td>-40%</td>
</tr>
<tr>
<td>2014/15 Revised</td>
<td>-24%</td>
<td>-30%</td>
</tr>
<tr>
<td>2015/16 Approved</td>
<td>-37%</td>
<td>-22%</td>
</tr>
<tr>
<td>2016/17 Projections</td>
<td>-36%</td>
<td>-10%</td>
</tr>
<tr>
<td>2017/18 Projections</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>2018/19 Projections</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: MoF, various financial statements
3. How are social welfare resources spent?

The balance between recurrent and development expenditure 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 that the MoGCDSW does deliver on its mandate. Underspending in development can impair the operational activities and outputs, because lack of investment causes facilities and equipment to become technologically inappropriate and no longer fit for purpose. Imbalances may also develop within recurrent expenditures; as the number of social workers increases, this must be matched by well-funded systems and the operational means to coordinate and deliver services. Recurrent expenditure is financed by domestic resources, while development expenditure is financed by both domestic and foreign resources.

Despite the decline in the overall budget, personnel costs and other recurrent expenditure have increased since 2012/13 both in nominal terms and as a share of the ministry budget (Figure 1). The share of personnel costs to MoGCDSW jumped from 4% in 2012/13 to 34% in 2015/16 as the government responded to salary hike demands from the civil service; other recurrent expenditure (ORT) has also increased, from 2% to 36% of the total Ministry budget. In the 2015/16 the Ministry took up the functions of the Ministry of Disability and Elderly Affairs, and this contributed to the upward adjustment of both personnel and ORT.

Because the increase in personnel costs between the 2014/15 budget and 2015/16 is greater than other recurrent expenditure, this has created an imbalance with operational needs.

Much of the foreign financed development expenditure is now off budget as donors withdrew on budget support.

The Malawian Government implements a range of initiatives aimed at reducing poverty and vulnerability.

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Fast Facts

Despite the decline in the overall budget, personnel costs and other recurrent expenditure have increased since 2012/13 both in nominal terms and as a share of the ministry budget (Figure 1).

Because the increase in personnel costs between 2014/15 budget and 2015/16 is greater than other recurrent expenditure, this is likely to create an imbalance with operational needs.

Much of the foreign financed development expenditure is now off budget as donors withdrew on budget support.

The Malawian Government implements a range of initiatives aimed at reducing poverty and vulnerability.
Much of the foreign financed development expenditure is now off budget as donors withdrew on budget support. Foreign development funding (Dev1) constituted the lion’s share (91%) of the MoGCDSW on-budget funding in 2012/13. This funding reduced drastically to 62% in 2013/14, falling further to a 24% share of the MoGCDSW budget in 2015/16.

The Malawian Government implements a range of initiatives aimed at reducing poverty and vulnerability. The Social Cash Transfer Program (SCTP) is a flagship intervention under the National Social Support Program, benefiting 170,000 households and more than 450,000 children. Approximately 90 percent of the funding for the SCTP comes from Development Partners. This funding is primarily off-budget.

Fast Facts

Government commitment to the SCTP is a real challenge. No domestically funded development allocation to the SCTP has been indicated in the 2015/16 budget, but doing so would strengthen the case for development partners to scale-up their funding of the SCTP programme. Development partners to the SCTP programme requested 10% co-payment (about MK1.3 billion for 2015/16 financial year) from the government to the SCTP. The budget has about MK279 million indicated for SCTP as part of recurrent expenditure. It is however critical for the government to clearly indicate its co-payment. At present, the SCTP is operational in 18 out of 28 districts (of which 16 are at full scale).

The SCTP accounts for the largest share of development expenditure of the MoGCDSW and it is largely foreign funded (Dev 1). About 70% (Dev 1: MK625 million) of the 2015/16 budget development allocation is earmarked for the SCTP programme, and the SCTP accounted for 92% (Dev 1: MK3.65 billion) in the 2014/15 approved budget. In 2013/14 the share to the SCTP was 90% (Dev 1: MK2.96 billion, Dev 2: MK450 million) and in 2012/13 it was 99% (Dev 1: MK6.53 billion, Dev 2: MK250 million).

About 86% of the off-budget support to the MoGCDSW is earmarked for the SCTP, leaving other crucial areas underfunded. Of the estimated MK14.43 billion off-budget support to MoGCDSW in 2015/16, MK12.46 billion (86%) and MK0.52 billion (4%) are earmarked for system strengthening of the SCTP and National Social Support Programme (NSSP) respectively. There is very little support across the sector – either by DPs or government – for other critical functions of the MoGCDSW, such as social welfare.
Disaggregation analysis shows that social welfare receives a lower proportion of funding, on or off budget, than most other areas. By programme, 24% of the MoGCDSW allocation recorded on-budget goes to the SCTP followed by 21% to educational and vocational training. The community, youth and sports development programme receives 20% of the budget, while 16% is for social welfare services (Figure 3). Yet global research has demonstrated that the cost of inaction to fight violence against children is estimated to be between 3% and 11% of GDP globally. Malawi could be losing up to US$22 to the economy annually for each case of violence against children. Taking appropriate action in fighting violence against children has the potential to yield benefits of between US$11 and US$17 per dollar spent.

4. How well has the social welfare sector executed its budget?

The 2015/16 mid-year budget projections and performance provide an indication of the likely outturns from the overall 2015/16 budget. The 2015/16 revised budget has increased resources to MoGCDSW by 5%. This increase is against a 2.5% reduction made to the overall budget at mid-year review. In the previous year, MoGCDSW managed to expend 94% of the revised budget allocations by the end of the 2014/15 fiscal year, compared to 89% of overall budget performance.

Disbursement of budget resources to the MoGCDSW are not sufficiently consistent throughout the year to allow the ministry to effectively plan and deliver services. By mid-year 2014/15, the MoGCDSW had received 62% of the projected allocation against overall national budget performance of 98%. Figure 4 below shows that disbursement to the ministry is often delayed. By mid-year 2015/16, the MoGCDSW had received 85% of the projected allocation against overall national budget performance of 80%. While the Ministry had already received 114% of the resources allocated for personal emoluments, overturns for development activities from domestics resources (Dev 1) was still very low. Timely and accurate reporting by the Ministry to the Treasury will support its case to receive scheduled disbursements meant for development activities.

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**Table 1: MoGCDSW Mid-year budget performance, 2014/15**

<table>
<thead>
<tr>
<th>Component</th>
<th>Mid-year projection (MK)</th>
<th>Mid-year outturn (MK)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOGCDSW Total Vote</td>
<td>2,064,524,229</td>
<td>1,746,619,604</td>
<td>0.85%</td>
</tr>
<tr>
<td>PE</td>
<td>625,274,292</td>
<td>781,537,982</td>
<td>1.14%</td>
</tr>
<tr>
<td>ORT</td>
<td>781,537,982</td>
<td>781,537,982</td>
<td>1%</td>
</tr>
<tr>
<td>Dev 1</td>
<td>447,286,955</td>
<td>134,186,086</td>
<td>0.3%</td>
</tr>
<tr>
<td>Dev 2</td>
<td>210,425,000</td>
<td>115,600,000</td>
<td>0.55%</td>
</tr>
<tr>
<td>National Budget</td>
<td>480,498,437,500</td>
<td>385,932,141,260</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: MoF, 2014/15 Mid-Year Budget Review

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**Figure 4: MoGCDSW Mid Year Budget Performance, 2015/16**

**Fast Facts**

Disaggregation analysis shows that social welfare receives a lower proportion of funding, on or off budget, than most other areas.
CONCLUSION

The budget allocation to MOGCDSW is key to uplifting the status of poor and other vulnerable sections of the society in Malawi, particularly women, children, elderly and other marginalized groups. However, the sector suffered drastic reductions in on-budget allocations over recent years. Considering the enormous task the MoGCDSW has of ensuring delivery of quality social services to vulnerable populations, and also that the Ministry has taken over the combined functions of the Ministry has Disability and Elderly Affairs, the government should seriously consider an appropriate allocation to support the well-being of these vulnerable and marginalized groups.

The significant off-budget support to the MoGCDSW for the SCTP paints a picture that the ministry is well resourced to deliver on its mandate, at the expense of other areas of activity, such as social welfare. The recent increase in staff costs is not matched by an increase in operational costs, and this may leave the ministry with a huge imbalance in recurrent expenditure. Staff in posts will have few resources to deliver services in other areas outside the largely donor-funded SCTP programme. Outside the SCTP, the MoGCDSW budget allocation is too thinly spread to be effective. For this reason, the government should not reduce funding to the MoGCDSW because of its off-budget support. In lieu of increased on-budget support, there is need to improve expenditure in under-resourced departments, notably social welfare.

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