

1.7.4 The Committee also consulted civil society organisations that are involved in the monitoring of pro-poor spending and in the drafting of the PRSP. We acknowledge the Malawi Economic Justice Network (MEJN), the Civil Society Agriculture Network (CISANET), Civil Society Coalition for Quality Basic Education and the Malawi Health Equity Network (MHEN). The Committee notes the comments made by the IMF and the World Bank that, "Ultimately, civil society will be the best judge of the effectiveness of the poverty-reducing strategy" The Committee therefore encourages more organisations and individuals to become involved in the monitoring of PPEs.

1.7.5 The Budget and Finance Committee organised a public meeting at the Lilongwe Hotel on 6th and 7th May. The Committee wishes to thank all the people and organisations that attended that meeting. The Committee invited the Chairpersons and Vice-Chairpersons of Parliamentary Committees of Education, Health and Agriculture. Officials from the three Ministries also made submissions. Special appreciation goes to the Malawi Confederation of Chamber of Commerce and Industry (MCCCI), Society of Accountants (SOCAM), Canadian International Development Agency (CIDA) and the Private Schools Association of Malawi (PRISAM) for making presentations and participating in the meetings.

1.7.6 Other donors are coming forward to assist in capacity building for Parliament and to assist in tracking poverty expenditures. The Committee encourages them to expedite their interventions because the demand is enormous. The World Bank funded project Financial Management, Transparency, and Accountability Project (FIMAP), The African Capacity Building Foundation (ACBF) project within the National Economic Council, and CIDA's project for Malawi called "Capacity Development for Participatory Democracy", are all initiatives that the Committee applauds and welcomes.

2. NON-MINISTRY SPECIFIC RECOMMENDATIONS

The Budget and Finance Committee tabled a pre-budget parliamentary report last June that contained 22 recommendations to the House and to Government. Twelve of these recommendations are linked to the ministry-specific Priority Poverty Expenditures, some of which are discussed in Parts III, IV, and V of this report. Part II, on the other hand, reviews the status of the other ten Committee recommendation and what additional steps are necessary.

2.1 Budget Process (Recommendation 1)

2001 Committee Recommendation: Refer the budget to the Budget and Finance Committee for public hearings; subject to Section 178 of the Constitution. Allow at least 21 days for debate to consider all significant inputs.

2.1.1 The 2001/02 Budget was not referred to committee. The Minister of Finance tabled the Budget on 22 June 2001, without reference to committee, and it proceeded to third reading and approval in less than three weeks. Questions to individual ministers, regarding the specifics of their ministry's budgets, lasted only three days.

2.1.2 It is not only the Budget and Finance Committee that recommends the National Assembly allow at least 21 days to debate the budget. Parliament itself adopted this recommendation when it approved The Ad Hoc Committee Report on Parliamentary Development and Coordination. This report recommended that the budget be referred to committee, and that "Parliament should review statutes and Articles of the Constitution pertinent to the budget process, and ensure that at least three weeks is allowed for debating the budget in the House."

2002 Committee Recommendation: Parliament recommends that the budget be referred to committee and that the House allow 21 days for the budget debate.

2.2 Funds for Oversight (Recommendation 2)

2001 Committee Recommendation: Include funds in Parliament's budget for plenary sessions and for committees to do their work. Parliament should ensure that such funds are considered protected expenditures in accordance with Article 183(3) of the Constitution.

2.2.1 The 2001/02 Vote for the National Assembly included K14.73 million for Parliamentary Committees. Through the end of March, only a little less than K3 million had been allocated and spent on committee meetings. Those committees that regularly met relied on donor funding to assume the costs of their meetings.

2.2.2 During this year's pre-budget consultations with the Ministry of Finance, the Committee was informed that Parliament has spent more than its appropriation. However, the monitoring report from the same Ministry indicates that through March 2002, Parliament has only spent 70.7% of its Other Recurrent Transactions (ORT) allocation.

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2.2.3 The recurrent budget approved for the National Assembly was K346,222,809 (Personal emoluments = K142,360,394 and ORT = K203,862,415). This amount was revised downward, according to Parliamentary records, to K301,443,002.

2.2.4 The Committee is concerned that Parliamentary Committees are not funded, that the House did not meet in March, and that Parliament's arrears (K24 million as of March) are increasing. The arrearage includes payments to parastatals such as ESCOM, Lilongwe Water Board, and Malawi Telecom.

2.2.5 In regard to training, the Malawi Poverty Reduction Strategy Paper (MPRSP) states that MPs, particularly Members of the Budget and Finance and Public Accounts Committees, should receive training in public finance. However, funding has not been made available for such training. The World Bank's FIMTAP project holds promise for training in public finance for these two committees, as does the African Capacity Building Initiative. Unfortunately, none of the sectoral committees are included in these programs.

2.2.6 It is worth noting that the United Nations Development Program does fund a Parliamentary training program at Chancellor College. The curriculum, however, is broad-based and does not focus on public finance and economic issues.

2002 Committee Recommendation: Include funds in Parliament's budget for convening Parliament and its committees. Parliament should ensure that such funds are considered protected expenditures in accordance with Article 183(3) of the Constitution.

2.3 Finance Legislation (Recommendation 3)

2001 Committee Recommendation: Consult with the Budget and Finance and Public Accounts Committees before new finance and audit legislation is drafted. Ideally, meetings of these committees with Cabinet Committees on the economy and budget would also help.

2.3.1 The Ministry of Finance and Economic Planning (MoFEP) did not officially consult with the Committee in drafting the new legislation. The Committee's Task Force on the finance act took the initiative, however, to review early drafts of the legislation and engage officials from the Ministry. The Budget and Finance Committee drafted its recommendations and submitted these to the Ministry's Task Force in February.

2.3.2 The finance and audit acts are the centrepiece of public expenditure management. As such, the Committee must be a major player in the ongoing review. Members of the Committee were not included in the Ministry's task force or study missions, and have not been invited to discuss this legislation.

2002 Committee Recommendation: The Ministry of Finance and Economic Planning should carefully consider the Committee's recommendations, begin consultations with the Committee, and present the new finance and audit bills to Parliament at the next sitting of the House.

2.4 Budget Priorities (Recommendation 4)

2001 Committee Recommendation: Designate in the budget a limited number of specific programmes that are likely to be most important for reducing poverty. Cost the inputs for these programmes realistically, and code all funds budgeted for these programmes from all sources as Priority Poverty Expenditures.

2.4.1 The 2001/02 Budget neither identifies what the Committee and the *PRSP Findings to Date* document defined as Priority Poverty Expenditures nor does it cost all the inputs. The Ministry of Finance and Economic Planning, however, initiated a mechanism for tracking what were sometimes called Priority Poverty Expenditures, and sometimes called Pro-Poor Expenditures. The system tags certain budget lines that either meet or approximates poverty reduction expenditures. In the jargon of the IMF/World Bank, these are called *virtual poverty funds* and such systems are used in other highly indebted countries, e.g., Uganda.

2.4.2 However, the monitoring reports do not define what is a Priority Poverty or Pro-Poor Expenditure. In its Pre-Budget Report of 2001, the Committee defined 12 such allocations, which were subsequently adopted by the PRSP's Findings to Date document of May 2001. The Priority Poverty Expenditures currently reported by the monitoring unit at the Ministry of Finance and Economic Planning differ from the Committee's list and the Findings to Date. They also differ from what is found in Budget Documents. It is also appears that Cabinet made changes to the allocations during the year.

2.4.3 To complicate monitoring further, the Ministry's aggregations of allocations for reporting purposes changed during the course of the year. In December, the Ministry's spreadsheet reported that the Ministry of Health and Population's Priority Poverty Expenditures were: purchase of drugs, nurses' training, primary health care, and health workers' salaries. A recent monitoring report lists primary health care, preventative health care, secondary curative care, and drugs. Nowhere to be found are the allocations for salaries and training.

2.4.4 The Committee recognizes that the Ministry of Finance and Economic Planning did take seriously the task of tagging and monitoring of the Priority Poverty Expenditures. However, without reporting consistent aggregations throughout the year, monitoring Priority Poverty or Pro Poor Expenditures over time is difficult.

2002 Committee Recommendation: Even though Priority Poverty Expenditures are not specifically identified in the final version of Malawi's Poverty Reduction Strategy Paper, the tagging implemented in 2001/02 should be continued. Further, the Committee remains convinced that the recommendation to code for Priority Poverty Expenditures is necessary if poverty interventions are to be monitored.

2.5 Budget Format (Recommendation 5)

2001 Committee Recommendation: Present the budget, at least for Priority Poverty Expenditures, in a format that is readily understandable, and provides total spending from all sources, costs for headquarters/administration, costs for personal emoluments, estimates approved by Parliament, and quantified, verified results expected.

2.5.1 The 2001/02 budget documents were difficult to understand, untimely, incomplete in not listing spending from all sources, and did not include quantified, verified results for all of the Priority Poverty Expenditures. The Ministry's monitoring reports did correct some of these deficiencies during the year.

2002 Committee Recommendation: The Committee recommends that the budget, and particularly the Priority Poverty Expenditures in the budget, should be in a format that is readily understandable, provides total spending from all sources, costs for headquarters/administration, costs for personal emoluments, estimates approved by Parliament, and quantified, verified results expected.

2.6 Quarterly Reports (Recommendation 6)

2001 Committee Recommendation: Provide timely quarterly reports with expenditures from all sources, explanations of all spending variances, current estimates of quantifiable results, and explanations of variances from the anticipated results. Information that was posted was invariably late.

2.6.1 The Ministry of Finance and Economic Planning does monitor Priority Poverty or Pro Poor allocations and this information is available on the ministry's Website. Monitoring reports do identify the sources of all income (HIPC and GOM). However, there is no explanation of variances and there is little information on the status of quantifiable results.

2.6.2 Despite promises that quarterly revenue and expenditure information for each Vote in the Budget would be made public, the Ministry of Finance and Economic Planning issued no such reports to Parliament or the public during this financial year.

2002 Committee Recommendation: Provide quarterly reports with expenditures from all sources, explanations of all spending variances, current estimates of quantifiable results, and explanations of variances from the anticipated results.

2.7 Actual Funding (Recommendation 7)

2001 Committee Recommendation: Guarantee that total funds actually spent on programmes designated as Priority Poverty Expenditures will not be less than the amount budgeted for them from all sources, and seek prior approval from Parliament for any change in funds.

2.7.1 There were verbal assurances that Priority Poverty Expenditures would be protected during the year but there was no formalised system to safeguard these allocations. Downward revisions were made, without consultations with the Committee or Parliament. For example, the allocation for agriculture extension was reduced by K125 million, the allocation for drugs was reduced by K483 million, and the allocation for community policing by K3.2 million. Other allocations were also reduced. The Ministry provided no explanations for these variances.

2.7.2 During its most recent meetings, the Budget and Finance Committee was informed that the ceiling for drugs in the 2002/03 budget will be reduced from its

current allocation of more than MK1 billion to MK500 million. While the final 2002/03 budget has not been submitted to Parliament, the Committee expressed grave concerns over a reduction of this magnitude in a critical Priority Poverty Expenditure. During a financial crisis, such as the one now facing Government, it is expected that cuts will be made, but consultations with Parliament through its committees are needed.

2002 Committee Recommendation: Guarantee that total funds actually spent on programmes designated as Priority Poverty Expenditures will not be less than the amount budgeted for them from all sources, and seek prior approval from Parliament for any change in funds.

2.8 HIPC Funds (Recommendation 8)

2001 Committee Recommendation: Include in the budget a complete accounting of all HIPC funds for 2000/01, and commit to use HIPC funds exclusively for designated Priority Poverty Expenditures.

2.8.1 The quarterly Priority Poverty Expenditure monitoring reports provided expenditure data from 2000/01. As already mentioned, the Ministry of Finance and Economic Planning does provide monitoring data on the allocation of HIPC funds (see Table 1 in Annex).

2002 Committee Recommendation: Government should commit to use HIPC funds exclusively for designated Priority Poverty Expenditures.

2.9 PRSP Membership (Recommendation 9)

2001 Committee Recommendation: Increase membership of PRSP working groups and participation in district consultations to ensure participation by poor Malawians, women, people with front-line service delivery experience, and MPs. Include representatives from the Budget and Finance Committee and civil society on the Technical Committee for the PRSP.

2.9.1 The Chair of the Budget and Finance Committee and a handful of MPs participated in PRSP working groups. No MPs or civil society representatives served on the PRSP Technical Committee. Civil Society representatives were included as members of the Drafting Committee.

2002 Committee Recommendation: PRSP monitoring and evaluation committees should include a wide range of people including the poor themselves, service delivery representatives, and MPs.

2.10 Surtax Bill (Recommendation 22)

2001 Committee Recommendation: Refer Bill No. 2, 2001, the Surtax Bill, for extension of the surtax to retail and wholesale trade, to a Committee for public hearings.

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2.10.1 After some debate in the House, the Ministry of Finance and Economic Planning referred this bill to the Committee on Commerce, Industry, and Tourism. The Committee held eight meetings where comments were received from civil society, the private sector, officials from the Ministry of Finance and the Malawi Revenue Authority, and technical consultants. The Committee drafted a full report recommending a number of amendments, which was adopted by the House in November of 2001.

2002 Committee Recommendation: Accomplished.
