



Education

MALAWI BUDGET BRIEF

Safeguarding Public Investments in Education in times of COVID-19

KEY MESSAGES AND RECOMMENDATIONS

- At 16.5% of the total budget for 2021/22, the education sector allocation missed the 20% Dakar Commitment on Education for All by the African Union for the second consecutive year.

Recommendation: Although the allocation to education remains the highest sectoral allocation in terms of share of the total budget, there still is a large staffing gap with many teachers not officially employed and Government contributions to strengthening educational outcomes only constitutes 16% of the total budget.

- The budget allocation to early childhood development (ECD) has declined by 14.5% in 2021/22, stalling at MK12.4 billion. Of these, 95% comes from the World Bank Investing in Early Years project.

Recommendation: Whilst donor resources cater for the infrastructural aspects of ECD, Government is encouraged to institutionalise ECD Service Provision through a gradual increment of caregivers placed on payroll from 4,000 to the required amount of 36,000.

- The Government's own contribution to education development budget has increased by 1.6 times from MK5.4 billion in 2020/21 to MK10.7 billion in 2021/22. Despite this increase, financing of development projects in the education sector is dominated by external financing.

Recommendation: Government is encouraged to explore ways of achieving sustainable development financing mix, leveraging on the available donor resources where necessary to help close the infrastructure gap whilst maintaining its development budget allocations by strategically investing its limited own resources.

- The education sector is the largest fiscally decentralized sector, receiving 49.6% (MK153 billion) of total budgeted transfers to Local Councils in 2021/22. Yet, allocations are not calculated based on the challenges and needs of each district.

Recommendation: The highly decentralized nature of the education sector and the relatively high proportion of resources allocated to the local level calls for continuous efforts to strengthen sub-national education financing and expenditure systems and ensure the adequacy, reliability, timeliness and equity of the transfers.

INTRODUCTION

This brief assesses the extent to which the 2021/22 National Budget addresses the education financing needs for children in Malawi. It provides an analysis of the size and composition of the education budget and a summary of and recommendations on critical financing issues related to adequacy, allocative efficiency, effectiveness and equity of the current and past education spending. In this budget brief, the total education budget, which include Appropriation in Aid¹, is the sum of allocations to education related ministries, Local Councils

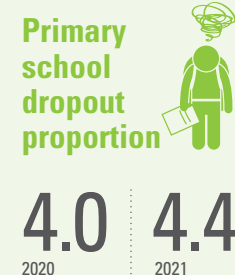
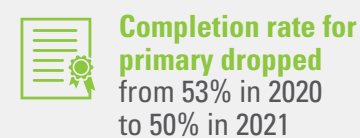
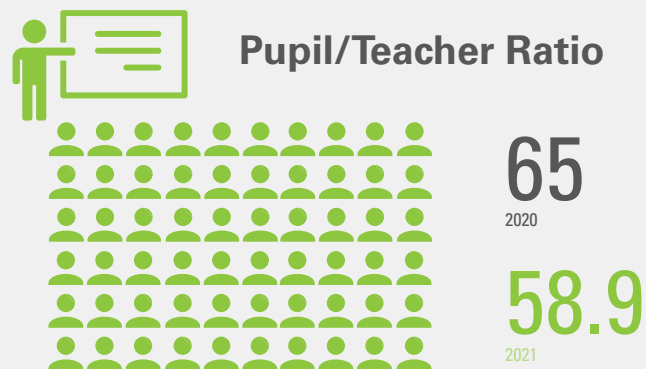
and Subvented Education Institutions (SEIs) (Table 1). The 2021/22 FY will run for nine months from July 2021 to March 2022, as the Government prepares for a new fiscal calendar starting in 2022/23, which will run from April to March. As such, this brief adjusts all absolute comparisons to previous fiscal years to reflect the shorter fiscal year of 2021/22. Additional information on the specifics of the Education sector in Malawi can be found in UNICEF’s Education Budget Brief 2020/21 available on UNICEF’s website.

Table 1
List of Education Budget Lines included in this Brief

Ministry, Department or Agency (MDA)	Programme/Sub-programme/Cost Centre included
Ministry of Education (Vote 250)	Entire Vote
Ministry of Gender, Community Development and Social Welfare (MoGCDSW) (Vote 320)	Early Childhood Development (including Investment in Early Years Project – World Bank)
Local Councils	Personnel Emoluments Other Recurrent Transactions (ORT)
Ministry of Labor	Vocational School Management; Technical Colleges; Community Colleges and Trade Testing Services
Subvented Education Institutions (SEIs) (Vote 275)	University of Malawi; Malawi Institute of Education; Malawi College of Health Sciences; National Library Services; Malawi National Examinations Board; Mzuzu University; Malawi Universities Development Programme; Lilongwe University of Agriculture (LUANAR); Malawi University of Science and Technology; National Council for Higher Education; Technical Vocational Education Training (TEVET) Authority; National UNESCO Commission; National Commission for Science and Technology; Higher Education Students’ Loans Board; Kamuzu Universities of Health Sciences; Malawi University of Business and Applied Science; Transitional Unit (UNIMA); National UNESCO Commission; National Library Services; Malawi National Examinations Board; Malawi Institute of Education

SITUATIONAL ANALYSIS

Sources: EMIS Reports 2021



¹ Appropriation in Aid refers to the revenue assigned to and collected by public bodies which they are permitted by the Treasury to appropriate against expenditure approved by Parliament.

SIZE OF EDUCATION SPENDING

Budget allocations to the education sector have increased by 4.3% in adjusted real terms², compared to the previous year. The Government allocated a total of MK328 billion to the education sector in 2021/22, compared to MK389 billion in 2020/21 (Figure 1). Compared to 2020/21, the education sector budget has increased by 12% in nominal terms roughly in line with the overall increase in the total Government budget of 14%.

The education sector was allocated 16.5% of the 2021/22 total budget, as compared to the 17% of 2020/21. This is the second year in a row for Malawi to miss the 20% Dakar Commitment on Education for All by the African Union in five years (Figure 2). Despite the decline, the education sector continues to receive the highest share of the total budget compared to public debt charges (15.1%), agriculture (14.3%) and health (9.4%).

The share of the education budget to GDP has declined from 4.2% in 2020/21 to 3.2% in 2021/22, reaching the lowest level since 2016/17. This has made the education GDP share go below the level recommended by the Incheon Declaration on Inclusive Education which recommends Governments to allocate between 4-6% of their GDPs to education if they are to achieve SDG 4 (UNESCO, 2017).

Malawi spends less on education than its peers in the Eastern and Southern Africa Region (ESAR), on per student basis, but not as percentage of GDP and Total Government Expenditure (TGE). Latest available data from UNESCO Institute of Statistics (UIS) show that average per student spending in Malawi is about US\$52. However, when viewed in relation to total TGE and GDP, education spending in Malawi is above the ESAR average (Table 2).

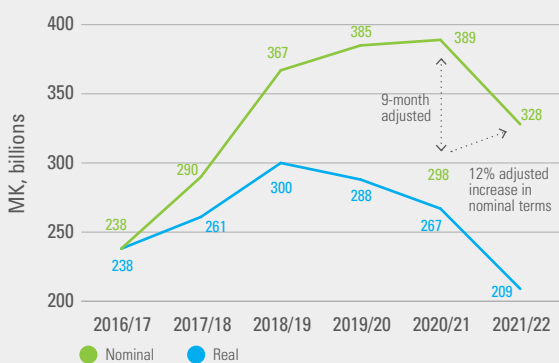
Table 2
Education Spending in Malawi compared to Neighbours, Average 2017-19

Country	Per capita (US\$)*	% of TGE	% of GDP
Malawi	52	22.7	6.6
Mozambique	66	17.2	5.8
Tanzania	111	14.9	3.6
Zimbabwe	116	26.5	2.7
Zambia	175	15.9	4.2
ESAR Average	240	16.5	4.5

Source: UNESCO Institute of Statistics (UIS) (2020) and Government Spending Watch (2020)

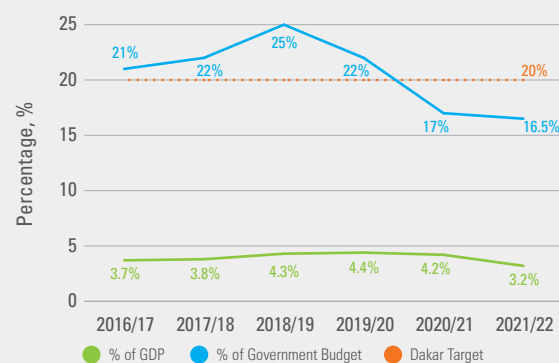
* in per capita constant 2011 US\$

Figure 1
Evolution of Education Spending



Sources: Government Budget Estimates (2017/18-2021/22)

Figure 2
Trends in Education Sector Spending as a Share of Government Budget and GDP



Sources: Government Budget Estimates (2017/18-2020/21)

This is the second year in a row for Malawi to miss the 20% Dakar Commitment on Education for All by the African Union in five years

² Since 2021/22 financial budget is only 9 months, the increase has taken this into account.

The share of the basic education budget out of the total education budget increased in 2021/22 (Figure 3). The increase of the basic education budget is linked to a 63% nominal increase in the allocation to the Basic Education Programme under the MoE. This is the first time the basic education budget under the MoE has increased since 2017/18. Higher education budget declined by 9.9% in adjusted absolute terms from 2020/21.

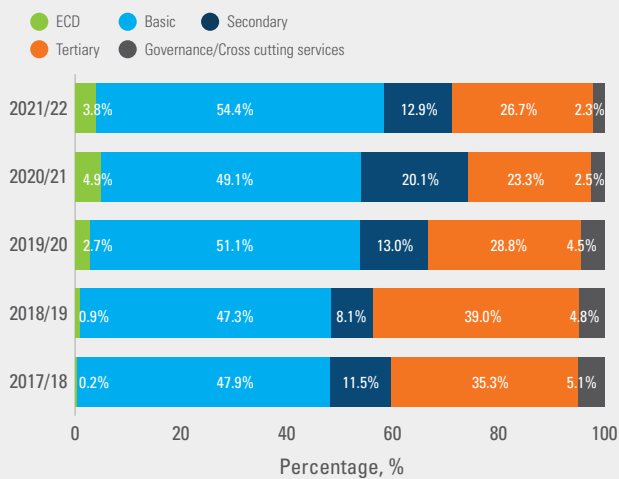
The budget for pre-primary education, commonly known as early childhood development (ECD) in Malawi, has declined by 14.5% in 2021/22. This translate

into shrinking of annual ECD budget spent per child accessing ECD service in Malawi from about MK8,000 to MK5,147 per child. To address a long outstanding challenge of relying on volunteer caregivers in the provision of ECD services, Government has committed to include 4000 certified caregivers on payroll. However, this represents only 11% of the current 36,000 caregivers, a number which is likely to grow as a result of the investments in ECD under the Investing in Early Years Project (IEYP) financed by the World Bank.

The decrease of the ECD budget is worrisome and a regression from the positive steps Malawi has been taking over the last four years.

As demonstrated by Heckman (2017), investing in early years of a child has a significant positive impact on building a productive human capital. It is also a crucial step towards increasing the proportion of children accessing integrated ECD services which is still at 47%. Improving budgetary allocations to ECD does not only increase children’s access to ECD services but also potentially addresses several challenges facing ECD such as poor ECD infrastructures, inadequate capacity to implement ECD programmes and inadequacy of WASH facilities in ECD/CBCCs centers.

Figure 3
Trends in the Allocations to Different Educational Levels



Sources: Government Budget Estimates (2017/18-2021/22)

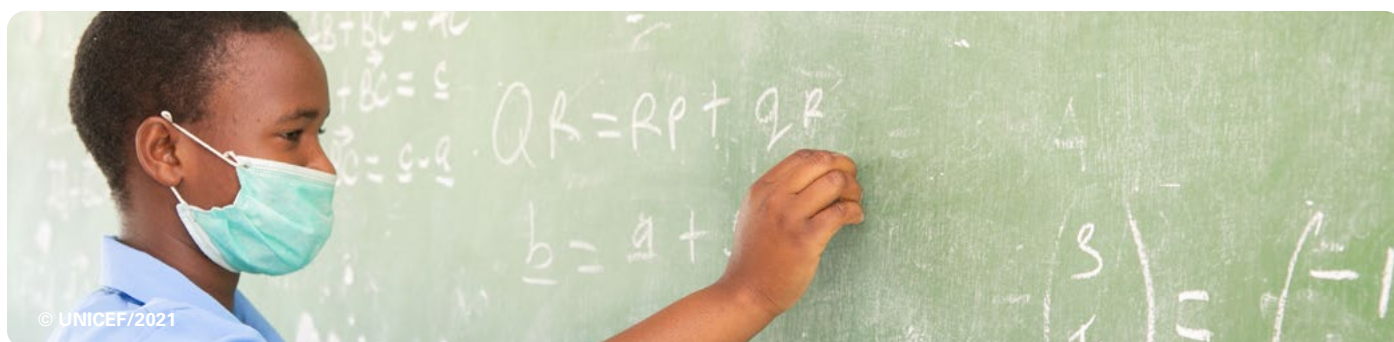


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The budget for pre-primary education, commonly known as ECD in Malawi, has declined by 14.5% in 2021/22

COVID-19 continue to affect the delivery of education in Malawi. Since reopening of schools after a six months closure in 2020, Government and development partners have been investing in ensuring learners and teachers are safe from contracting COVID-19. For instance, Government allocated MK3.2 billion to Local Government Authorities (LGAs) for COVID-19 response in schools especially primary schools. However, the school closures disproportionately affected vulnerable children, especially

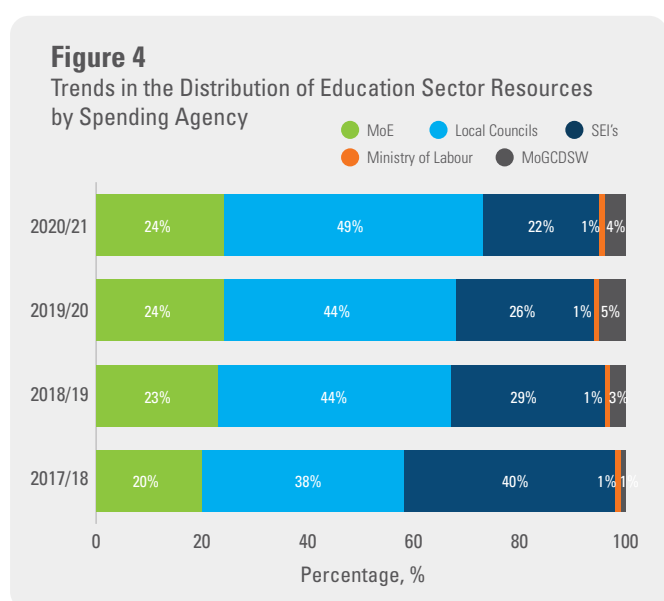
those in remote areas and some of them dropped out of school due to increased rates of child marriages and teenage pregnancies. This entails that, efforts need to be made to continuously invest in bringing back and retaining children –especially girls – to school. Further, sustainable measures such as creating more learning space at all education levels and improving teacher’s welfare need to be prioritized to avoid school closures during pandemic.



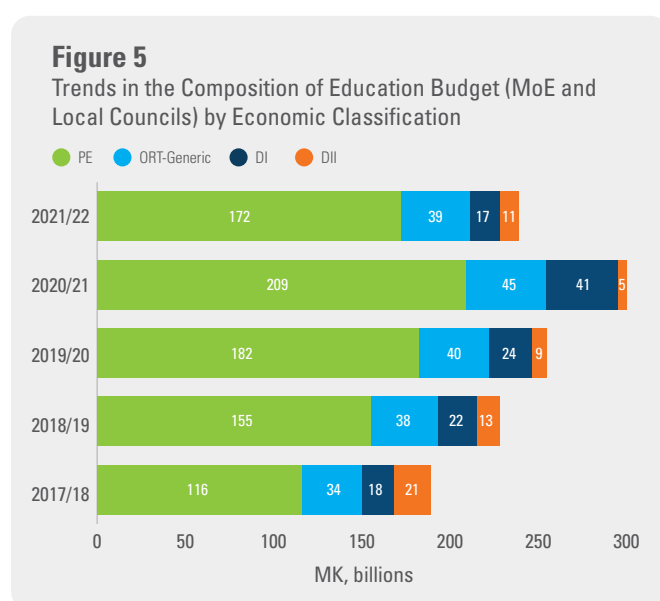
COMPOSITION OF EDUCATION SPENDING

The largest share of the education sector budget is channelled through the Local Councils, mainly to cover for personnel emoluments (PE). The allocation to sub-vented education institutions continued to shrink from the 40% of the total education budget in 2018/19 to 22% in 2021/22. The proportion of resources allocated through MoGCDSW slightly declined due to a decrease in budgetary allocation towards the Investing in Early Years Project which is also the main ECD budget contributor.

The largest share of the education sector budget³ is for PE (Figure 5). Between 2017/18 and 2021/22, personnel emoluments have absorbed an average of 69% of the combined education sector budget under the MoE and Local Councils. The share of the budget going for ORT has averaged 16% over the same period while that of capital projects has averaged 15%.



Sources: PBBs for 2019

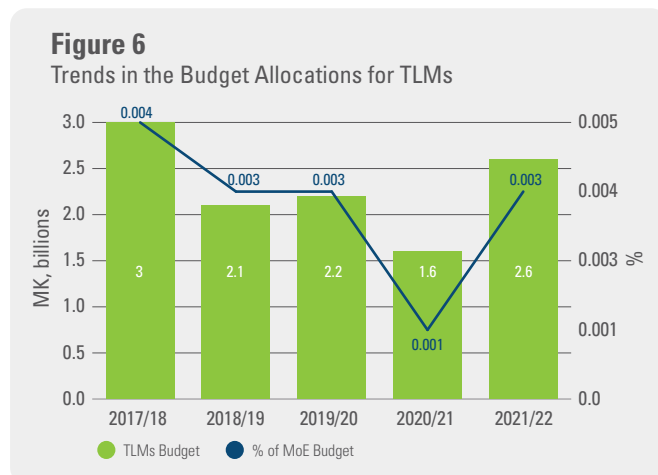


Sources: Government Budget Estimates (2018/19-2020/21)

3 The analysis of the education sector budget by economic classification excludes subventions to education institutions, ECD budget under MoGCDSW and vocational training programmes under Ministry of Labor as the budgets, which are not fully disaggregated by economic components as is the case with MoE and Local Councils budgets.

The Government’s own contribution to capital projects (DII) has increased by 1.6 times to pre-COVID-19 levels from MK5.4 billion in 2020/21 to MK10.7 billion in 2021/22. Despite this increase, financing of development projects in the education sector continue to unsustainably rely on external financing, with donors (DI) expected to contribute 61% to the funding for education sector development projects in 2021/22. This has been the trend for the past five years (2017/18 to 2021/22) where donor contribution towards education capital budget has averaged 67% in comparison to Government’s 33%.

The budget allocations for procurement of teaching and learning materials (TLMs) which is allocated to MoE has increased for the first time since 2017/18 (Figure 6). A total of about MK2.6 billion was provided for procurement of TLMs in 2021/22, an increase from MK1.6 billion allocated in 2020/21.



Sources: MoE (2021)

BUDGET CREDIBILITY AND EXECUTION

The credibility of the MoE budget improved especially for donor-funded capital projects (DI). In 2020/21, 100% of the revised DI was funded, despite an upward revision of 16% at mid-year (Table 4). This represents an improvement from previous trend where execution of capital education budgets has been low, ranging 40% to 48% between 2015/16 and 2019/20⁴.

Table 4
Performance of the MoE Budget in 2020/21, Amounts in MK billions

Budget Category	Approved	Revised	Preliminary Outturn	% Revision	Disbursement Rate
PE	34.1	38.2	40.0	12%	105%
ORT	24.2	23.4	23.4	-3%	100%
Total Recurrent	58.3	61.6	63.4	6%	103%
DI	35.9	41.5	41.5	16%	100%
DII	5.4	5.4	5.4	0%	100%
Total Development Budget	41.3	46.9	46.9	14%	100%
Total MoE Budget	99.6	108.5	110.3	9%	102%

Source: MoE (2020)



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⁴ World Bank, Human Capital PER, 2020

In 2020/21, 100% of the revised DI was funded, despite an upward revision of 16% at mid-year



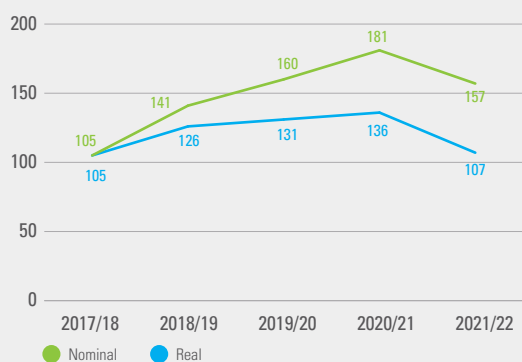
DECENTRALIZATION AND EDUCATION SPENDING

Education is the largest sector in terms of fiscal decentralization, accounting for 49.6% of total budgeted transfers to Local Councils in 2021/22. A total of MK153 billion is budgeted for transfers to Local Councils in 2021/22, representing an adjusted increase of 13% from 2020/21. The district education budget is equivalent to 48% of the total education budget in 2021/22, an increase from 44% in 2020/21.

Both ORT and PE of education at district level have increased in 2021/22 from 2020/21. The district education

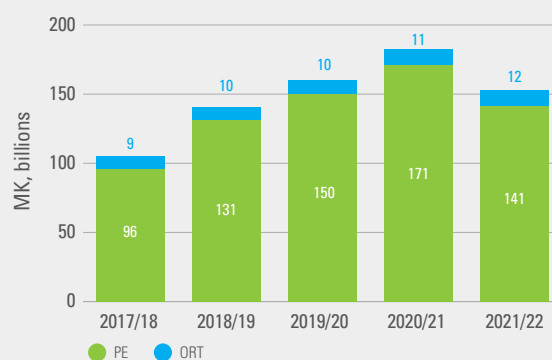
budget has been dominated by PE, averaging 93% since 2017/18. In 2021/22, a total of MK141.4 billion was allocated for PE in 2021/22 representing 11% and 19% increment in nominal and real adjusted terms, respectively. The ORT was allocated MK12 billion in 2021/22, an increase by 48% in adjusted nominal terms from 2020/21. Largely, the increase was driven by ORT allocation for COVID-19 response in the education sector amounting to MK3.2 billion, representing 2% of the total district education budget.

Figure 7
Trends in the District Education Budget



Sources: National Local Government Finance Committee (NLGFC) (2021)

Figure 8
Trends in the Composition of the District Education Budget



Sources: NLGFC (2021)

EQUITY OF EDUCATION SPENDING

There are inequalities in education sector outcomes along geographical, wealth quintile and gender lines.

Wealthier households benefit more from public spending on education especially at post-primary levels. A Benefit Incidence Analysis run by the World Bank⁵ shows that 48% of the total education budget goes to the wealthiest quintile while only 15% is allocated to the poorest quintile. Equity of education spending is varied across the education levels. Public spending on primary education is more equitable as the poorest quintile receive 24% of the budget while the richest quintile gets 15%. As we go to higher education levels the inequality widens. At secondary level, the richest quintile gets 41% while tertiary is allocated 89%, as shown in Figure 9.

Inequality in public spending on education is compounded by high school attendance inequality.

For instance, only about 4% of children in the poorest quintile attend secondary school compared to 42% in the richest quintile, and only about 1% of the poorest girls and boys complete secondary school. Disparities have been observed in the deployment of both primary and secondary school teachers among and within schools. Data from EMIS (2021) show that pupil qualified teacher ratio ranges from 1:38 in Zomba urban to 1:70 in Machinga district. On per capita terms, Mulanje has the highest per education budget amounting to MK2,354 per capita while Mwanza has the lowest per capita allocation of MK92.

Figure 9

Distribution of Education Spending by Wealth Quintile

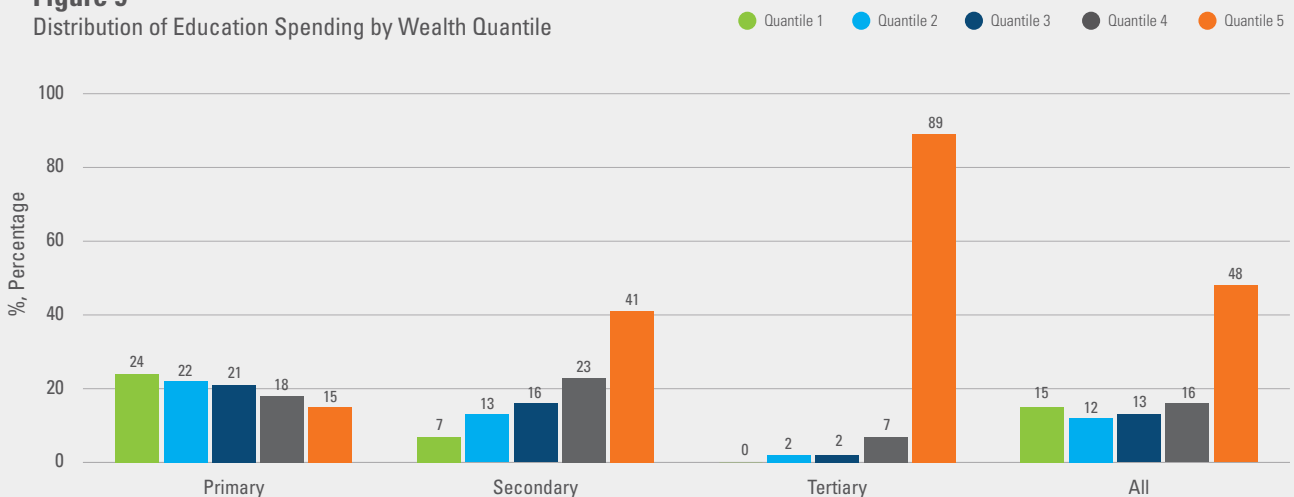
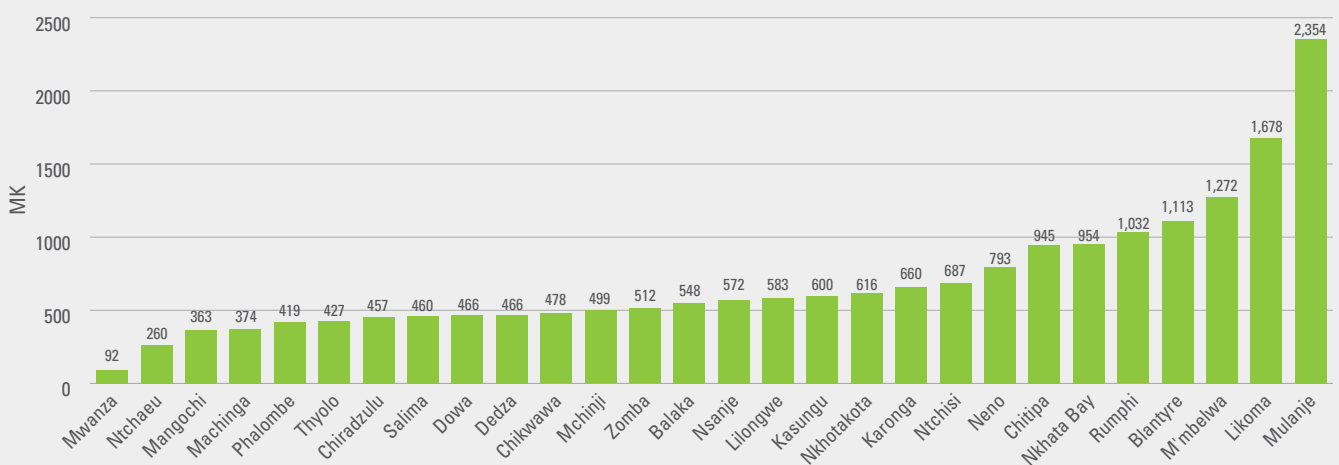


Figure 10

Per capita ORT allocations to District Councils in 2021/22



Source: NLGFC (2021)

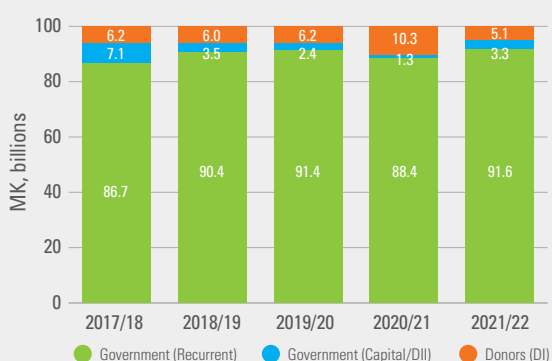
⁵ World Bank, Malawi Public Expenditure Review, 2020

FINANCING OF THE EDUCATION SECTOR

Education services in Malawi are largely financed with domestic resources (Figure 11). Between 2017/18 and 2021/22, over 90% of the education budget was financed by the Government, with the recurrent budget almost entirely financed from domestic sources. However, the development budget is substantially funded by donors, at an average of 67% to the financing of the development budget between 2017/18 and 2021/22. The main donors in the sector are USAID (25%), the European Union Delegation (23%) and the Royal Norwegian Embassy (15%).

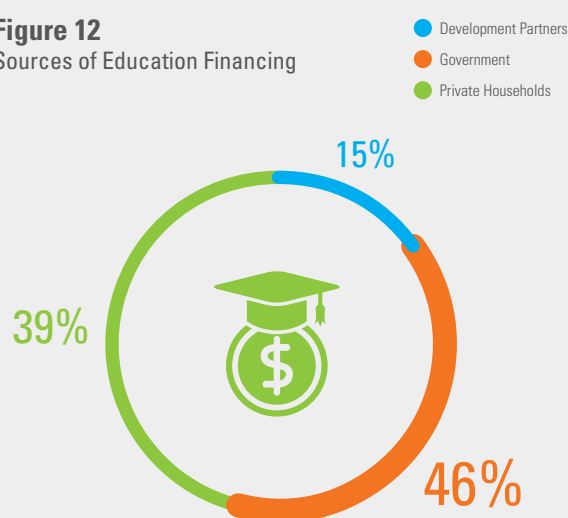
When private citizen’s contributions are considered, over one third (39%) of the overall education spending is shouldered by private citizens⁶. While majority of primary education spending is supported by Government (82%) due to the free primary education policy, Government contributes only 48% towards secondary education and 32% to tertiary education. This picture is likely to change with the transition to free secondary education and the establishment of additional secondary schools that will determine an increase in Government contribution towards secondary education.

Figure 11
Financing Sources for the On-Budget Educating Spending



Sources: Government Budget Estimates (2018/19-2021/22)

Figure 12
Sources of Education Financing



Sources: World Bank, Human Capital Public Expenditure Review



Between 2017/18 and 2021/22, over 90% of the on-budget education was financed by the Government, with the recurrent budget almost entirely financed from domestic sources.

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6 World Bank, Human Capital Public Expenditure Review, 2020

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