



Harnessing Malawi's Youthful Population to Propel an Inclusively Wealth and Self-reliant Malawi by 2063

KEY MESSAGES AND RECOMMENDATIONS

Half of Malawi's 17.6 million inhabitants are youth aged 10-35 years. If strategically harnessed, this demographic dividend could help the nation achieve its ambitious developmental aspirations.

Recommendation: Targeted and sustained public investments in youth programmes could help Malawi avert the worst threats and challenges to sustainable development, including the impacts of climate change, poverty, unemployment, and gender inequality.

The 2020/21 youth-focused budget allocations marks a decline in real per capita terms, from Malawi Kwacha (MK) 16,308 (US\$23) in 2016/17 to MK14,057 (US\$18) in 2020/21, and in relation to total government expenditure (TGE) and GDP.

Recommendation: The Government is called upon to protect, and to the extent possible increase, the real values of budget allocations to youth-focused programmes, in the 2021/22-2023/24 medium term expenditure framework (MTEF).

The bulk (95%) of youth-focused budgets are for education and skills development, with youth economic empowerment and leadership and participation programmes receiving an average of less than a tenth of the total youth-focused budgets.

Recommendation: The Government should ensure an appropriate allocation mix of public investments on youth, progressively rebalancing allocations amongst the three key priority areas (KPAs) of "education and skills development", "youth economic empowerment" and "youth leadership and participation" in the 2021/22-2023/24 MTEF.

Sub-national (SN) youth services are visibly underfunded, despite the ongoing drive towards fiscal decentralization.

Recommendation: The Government is called upon to adequately resource sub-national youth services, ensuring the distribution of SN youth budgets is aligned with needs and deprivations of local government authorities (LGAs). The Ministry of Youth and Sports (MoY&S), working closely with the National Local Government Finance Committee (NLGFC), should engage the Treasury to increase the other recurrent transactions (ORT) ceiling for the youth sector in its 2021/22-2023/24 MTEF, as informed by costing results.



1. Introduction



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This budget brief assesses the extent to which the 2020/21 National Budget responds to the needs of youth in Malawi. It does so by analyzing the size, composition and equity of budgetary allocations to youth-focused programmes and offers insights on the adequacy, equity, and efficiency and effectiveness of current and past spending. The analysis is based on available data from program-based budgets (PBBs) and detailed budget estimates (DBEs). The trend analysis spans from 2016/17 (the year the PBB was rolled-out) to 2020/21, with 2016/17 used as base fiscal year for inflation adjustments.

The budget analysis comes at a strategic national juncture for Malawi, which just recently launched its ambitious and youth-oriented Malawi Vision 2063 (MW2063). Achieving MW2063 will require, among other things, sustaining adequate, equitable, transparent, efficient and effective public spending on youth-focused programmes and interventions. However, so far, there is lack of evidence on the size and composition of public investments on youth, particularly on the implementation of the National Youth Policy (2013).

The brief adopts a comprehensive analytical approach guided by the key priority programme areas (KPPAs) specified in the National Youth Policy. These are – (i) education and skills development, (ii) youth economic empowerment and (iii) youth leadership and participation (governance). A comprehensive review of the PBB identified seventeen youth-focused budget lines across seven ministries, departments and agencies (MDAs), as presented in Table 1.

While the brief acknowledges the multi-sectoral nature of youth interventions, the national budget is insufficiently disaggregated to allow for an exhaustive identification of the corresponding budget lines. Hence, the analysis specifically tracked youth-focused budget lines of relevant MDAs, guided by two main factors, “visibility” and “granularity”. Although “visible”, some youth-focused programmes, such as public works programme (PWP), were excluded in the analysis, as they did not satisfy the “granularity” principle, which entails sufficient disaggregation for analytical purposes. The estimated youth budget allocations could therefore be an understatement of the actual size of youth-focused public investments in Malawi.

Table 1
Identifiable Youth-Focused Budget Lines Considered in the Budget Analysis

KPA	Relevant MDA (s)	Programme Category (Identifiable in PBB)	Budget Line (Identifiable in PBB)
Education & Skills Development	Ministry of Education (MoE) (Vote 250)	Secondary Education	22. Secondary Education
		Higher Education (Policy Coordination, Management & Admin)	23. Higher Education
	Subvented Organizations (Vote 275)	Higher Education (Universities and Colleges)	All Public Universities and Colleges
Youth Economic Empowerment	Ministry of Labour (MoL) (Vote 370)	Technical Vocation and Education Training (TVET)	84.01 Vocational School Management
			84.02 Technical Colleges
			84.03 Community Colleges
			84.04 Trade Testing Services
	Subvented Organizations (Vote 275)		TVET Authority (TVETA)
	Ministry of Youth and Sports (MoY&S) (Vote 180)	Youth Economic Empowerment and Livelihoods	83.01 Youth Economic Empowerment (including Jobs for Youth Project)
	Ministry of Labour (MoL) (Vote 370)		091. Youth Internship Program
Ministry of Forestry and Natural Resources (MoFNR) (Vote 470)	Youth Tree Planting		
Ministry of Agriculture (MoA) (Vote 190)		Agriculture Infrastructure and Youth in Agribusiness Project (AIYAP)	
		Medium Scale Irrigation and Youth Empowerment	
Youth Leadership and Participation (Governance)	Ministry of Youth & Sports (Vote 180)	Youth Leadership and Participation	83.02 Youth Participation and Leadership
			Purchase of Office Building for Youth Council of Malawi
	Subvented Organizations (Vote 275)		National Youth Council (NYCOM)
	Local Government Authorities (LGAs)		Youth Sector Transfers to LGAs

*For this budget brief, the AIYAP budget is weighted by 50%, in line with the designing of the project, for which 50% of the targeted beneficiaries are youth (aged 18-35 years).

Achieving MW2063 will require, among other things, sustaining adequate, equitable, transparent, efficient and effective public spending on youth-focused programmes and interventions. However, so far, there is lack of evidence on the size and composition of public investments on youth, particularly on the implementation of the National Youth Policy (2013).

2. Overview of Youth in Malawi

There is no universally accepted definition of youth.

The United Nations (UN), for instance, defines a youth as any person aged between 15 and 24 years, whereas the African Union (AU) uses the 15-35 age cohort. The Government of Malawi (GoM), through its National Youth Policy (NYP) (2013), defines a youth as person aged 10-35 years. The NYP (2013), however, acknowledges the flexibility in applying the “10-35” definition, depending on the characterization parameters. Despite this diversity, all definitions agree that “youth” is a period of childhood to adulthood transition, in both physical and social terms, making youth a challenging social entity with its own concerns, needs and aspirations.

Malawi has a supportive policy and legal framework for the youth, with the National Youth Policy (NYP) (2013) providing the overarching policy guidance.

The NYP (2013) provides a clear framework that mainstreams the delivery of youth programmes and services across various sectors, by creating an enabling environment for youth to effectively contribute to national development. The enactment of the National Youth Council Act (1996) was significant for youth, as it provided for the promotion, coordination and implementation of youth development programmes in Malawi and the establishment of the National Youth Council of Malawi (NYCOM). There are

other complementing laws relevant to youth in several sectors of education, employment, health and civic participation, as shown in Table 2. These laws notably discuss issues of gender and employment, reflecting the Government’s commitment to address socio-economic vulnerabilities facing the youth. Malawi is also committed to several youth-focused regional and global instruments (Table 2). For example, the African Union (AU) Agenda 2063, to which Malawi is party to, recognizes youth as drivers of sustainable change.



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Table 2
Local and International Legal Framework relevant for Youth in Malawi

Local	International
Vocational, Entrepreneurial and Technical Training Act (1999)	Universal Declaration of Human Rights (UDHR, 1948)
Prevention of Domestic Violence Act (2006)	ILO Minimum Age Convention (1973)
Employment Act No. 6 (2006)	Convention on the Rights of the Child (CRC, 1989), ratified by Malawi in 1991
Childcare, Protection and Justice Act (2010)	African Youth Charter (2006), ratified in 2010
Gender Equality Act (2013)	African Youth Decade Plan of Action (2009-2018)
Penal Code Act and Amendment to the Penal Code Act (2011)	SADC Youth Protocols.
Marriage, Divorce and Family Relations Act (2015)	African Union Agenda 2063
Voting Laws (Government of Malawi, 2016)	

The recently launched Malawi Vision 2063 (MW2063) has adopted an ambitious youth-centric agenda for an inclusive, wealth creating and self-reliant nation by 2063. This reinforces the aspirations of the Sustainable Development Goals (SDGs), Agenda 2030, which stresses the importance of active youth engagement in sustainable development efforts in achieving sustainable, inclusive and stable societies by 2030, with all the seventeen SDGs critical (directly or indirectly) to youth development. The third Malawi Growth and Development Strategy (MGDS III) (2017-2022) stresses the pivotal role of youth in supporting national development.

The Ministry of Youth and Sports (MoY&S) is the lead Government agency responsible for coordinating youth development programmes in Malawi. According to the NYP (2013), the MoY&S is responsible for (i) facilitating youth development and promoting their active participation in national development by providing direction to government and other stakeholders on mainstreaming youth issues, (ii) guiding and monitoring youth related policy processes, and (iii) managing information on youth programmes and formulating and reviewing the youth policy. As recommended by the NYP (2013), the Government established a National Technical Working Group (TWG) on Youth within the Gender, Children, Youth and Sports Sector Working Group.

Other MDAs with youth-related responsibilities include the Ministry of Education, Ministry of Labour, Ministry of Gender, Community Development and Social Welfare (MoGCDSW), Ministry of Health, Ministry of Agriculture and Ministry of Forestry and Natural Resources.

At sub-national level, youth programmes are coordinated by District Youth Officers. The NYP (2013) also recognizes the important role played by the private sector, non-governmental organizations (NGOs), community-based organizations (CBOs), faith-based organizations (FBOs), socio-cultural groupings and Development Partners (DPs) in championing inclusive youth development, leadership and participation.

Malawi has a very youthful population, which if properly educated, can positively contribute to achieving the nation's developmental aspirations. According to the NYP (2013) definition¹, half (about 8.8 million) of Malawi's 17.56 million population (as of 2018) are youth, aged 10-35 years. This demography represents a significant and growing human resource, which if successfully harnessed, has the potential to contribute to the attainment of the MGDS III, SDGs and MW2063.

¹ The policy defines "youth" as those between ages 10-35 years, but the definition is quite flexible bearing in mind the variety of parameters that could be used in categorizing the youth. The United Nations, for statistical purposes, defines those persons between the ages of 15 and 24 as youth without prejudice to other definitions by Member States. The UN also recognizes that this varies without prejudice to other age groups listed by member states such as 18-30.



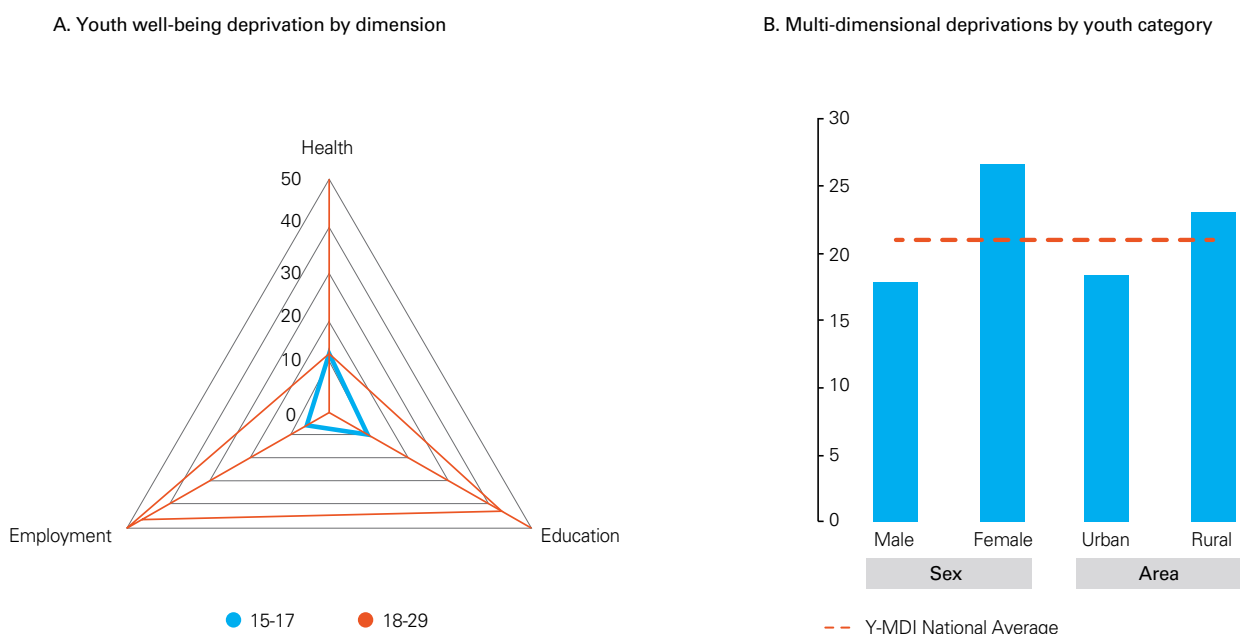
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Despite the supportive policy and legal framework, Malawian youth experience multiple deprivations, in health, education and employment and along age, gender and geographical lines. An application of a youth-focused multi-dimensional deprivation index (Y-MDI) by the Organization for Economic Cooperation and Development (OECD)², for instance, revealed that more than 20% of Malawi’s youth experience multiple deprivations in health, education and employment. The

deprivations are higher among young Malawian adults (aged 18-29) - 28.6% - than adolescents (aged 15-17) - 5.0% - (Figure 1A), among young women (27%) rather than men (18%) and among rural (23%) rather than urban youth (18%) (Figure 1B), mainly explained by employment and education factors. Young women continue to disproportionately experience discriminatory norms, legal loopholes and limited autonomy, despite the existence of a protective legal framework.

2 <https://www.oecd.org/countries/malawi/Youth-well-being-policy-review-Malawi.pdf>

Figure 1
Youth Multi-Dimensional Deprivation Index (Y-MDI) in Malawi



Source: OECD (2018), based on ILO’s School-to-Work Transition Survey (2014) for Malawi

Poverty remains a major developmental challenge facing most youth. The National Statistical Office (2018) estimated that 51.5% of Malawians are poor, with 20.1% living in extreme poverty. Given that youth constitute half of the population, the majority of the poor are also youth. A multi-dimensional child poverty analysis (2018) estimated child poverty in Malawi at 60.5%. Unfortunately, employment opportunities amongst the youth are very limited as Malawi’s rate of economic growth has been sluggish. For example, over the census period 2008 to 2018, Malawi’s economy grew by an average of 4.8%

compared to an average population growth rate of 2.9%. A School-to-Work Transition Survey carried out by the International Labour Organization (ILO) (2014) revealed that more than 75% of young Malawians (aged 15-29) are active in the labour market. The study revealed that most young people in the labour market were working, with only 5.6% unemployed and looking for work. However, most working youth are engaged in low-quality employment, with more than 25% of young workers underusing their skills.

The ILO (2014) study further revealed that while around 22% of the young workers were wage-employed, 60% were self-employed and 17% were unpaid family workers. An important finding of the study was the pervasive skills mismatch amongst most young workers, with most of them having jobs that do not match their skills, to the detriment of job quality and satisfaction. A normative

measurement of skills mismatch revealed close to 82% of young workers were underqualified, while only 1.6% overqualified and 17% had mismatching skills, as of 2014. Female labor force participation (15-29 years) remains comparably low at 71%, compared to 79.4% for young males. Table 3 summarizes key socio-economic indicators for youth in Malawi.

Table 3
Selected Socio-Economic Indicators for Youth in Malawi

Indicator	Value and disaggregation, as appropriate	Source
Youth mortality rate, per 100k livebirths	295 deaths	WHO (2017)
Adolescent birth rates, per 1k women (aged 15-19)	136 births	WHO (2015)
Use of contraceptive method (s) among sexually active women	37% (women aged 15-19) 62% (women aged 25-29)	NSO/ICF (2016)
HIV Prevalence Rate (15-24)	Women (4.3%), Men (2%)	UNAIDS (2019) ³
Incidence of new HIV infections (among young people, aged 15-24).	33%, (14,000 out of 38,000 new infections) (as of 2018)	UNAIDS (2019)
Graduation from vocational and tertiary education (15-29 years)	Vocational: 2.2% Tertiary: 1.1%	ILO (2014) ⁴ , TEVETA (2016, 2017), Tracer Study.
Share of young people neither in employment nor in education or training (NEET)	Women: 20% Men: 7%	ILO (2014)
Labor force participation rate (15-29)	Total (75%); Male (79.4%) and Female (71%)	ILO (2014)
Unemployment rate (15-29) (strict definition*)	Total (5.6%); Male (4.6%) and Female (6.7%)	ILO (2014)
Youth underemployment ⁵ rate	Total (27.6%); Male (26.7%); Female (28.5%)	NSO (2013), Malawi Labour Force Survey.
Youth's ability to activate their social networks	56%	Gallup (2016) ⁶
Type of Employment amongst youth	Wage employed (22%) self-employed (60%) unpaid family workers (17%)	ILO (2016)
Violence against women (aged 15-29)	Total: 38% Rural: 43%, Urban 40%	Malawi Demographic and Health Survey (MDHS) (2015/16)
Skills mismatch amongst young working people (normative measurement ⁷)	underqualified (82%) overqualified 1.6% mismatching qualifications (17%)	ILO (2014)
Substance use: annual average alcohol consumption per capita (persons >15 years)	1.23 litres of pure alcohol	WHO (2017), Global Health Indicators

* the strict definition of unemployment does not account for inactive youth not looking for a job but ready to work if offered employment

3 https://www.avert.org/professionals/hiv-around-world/sub-saharan-africa/malawi#footnote15_fp05bpx

4 ILO (2014), School-to-Work Transition Survey, Malawi

5 Underemployment is measured as workers who i) answered yes to the question, "Would you have liked to work more hours than you actually worked, provided the extra hours had been paid?"; ii) were available to work additional hours, and iii) did not already work more than 48 hours (the legal full-time weekly work hours) in a usual week, in the ILO (2014), School-to-Work Transition Survey, Malawi.

6 Gallup (2016), Gallup World Poll (database), Gallup Inc., Washington, DC, Washington, DC, available at, www.gallup.com/services/170945/world-poll.aspx

7 According to ILO (2012), normative measurement of skills mismatch is based on the assignment of International Standard Classification of Education's (ISCE) categories to ISCO categories, following International Labour Organization (ILO) definition (ILO, 2012). According to this definition, elementary occupations (ISCO 9) require at least primary education; middle skilled occupations (ISCO 4-8) require secondary education; and high skilled occupations (ISCO 1-3) require post-secondary or tertiary education.

KEY TAKEAWAYS

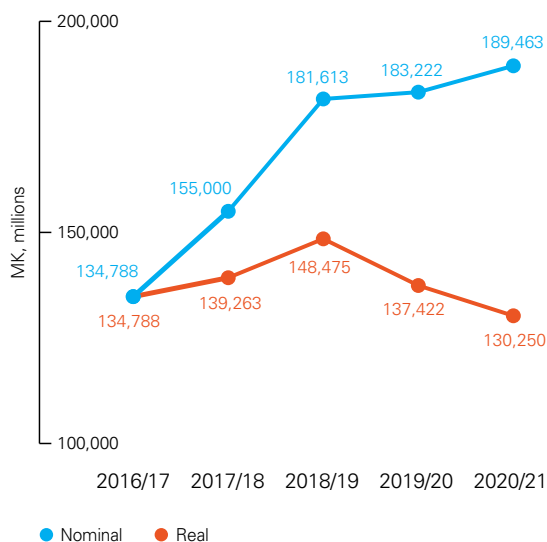
- **If sustainably prioritized, public investments in youth-focused programmes could help avert the severe threats and challenges to sustainable development in Malawi, including the impacts of climate change, poverty, unemployment, and gender inequality.**
- **Targeted investments in programmes and interventions that economically empower and support youth development are indisputably crucial if Malawi is to reap the demographic dividend from its youthful population.**

3. Size of Spending

Youth-focused budget allocations have gradually increased in nominal terms since 2016/17, but have declined in real terms between 2019/20 and 2020/21 (Figure 2). The Government allocated a total of MK189.4 billion to identifiable youth-focused programmes in 2020/21, compared to MK183.2 billion in 2019/20. This marks a 3.4% increase in nominal terms, but represents a decline of 6.8% in real terms, against a 23% and 10.7% increase in the total government expenditure (TGE) in nominal and real terms, respectively.

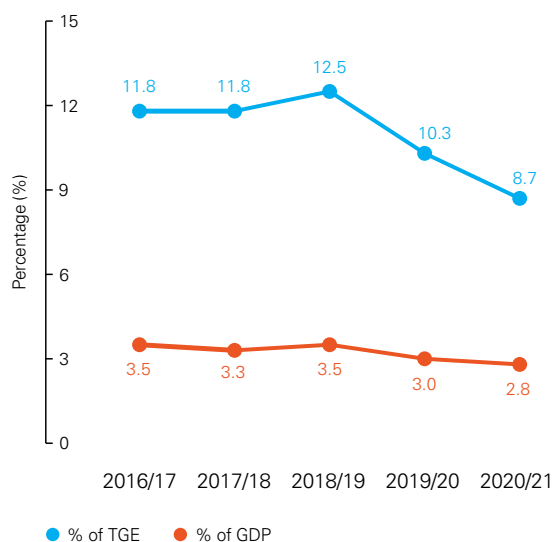
Expressed as a share of TGE (8.7%) and GDP (2.8%), the 2020/21 youth-focused budget is the lowest since 2016/17 (Figure 3). Given the multi-sectoral nature of youth interventions, significant proportions of budget shares for education, health and other sectors support youth investments. For example, 44% of the 2020/21 education budget is youth-focused for secondary and tertiary education programmes, including technical vocational training (TVET). Due to these overlaps, the 8.7% budget share for youth cannot be technically directly compared to other sectoral shares.

Figure 2
Trends in Youth-Focused Budget Allocations



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

Figure 3
Trends in Youth-Focused Budget Allocations as a share of TGE and GDP

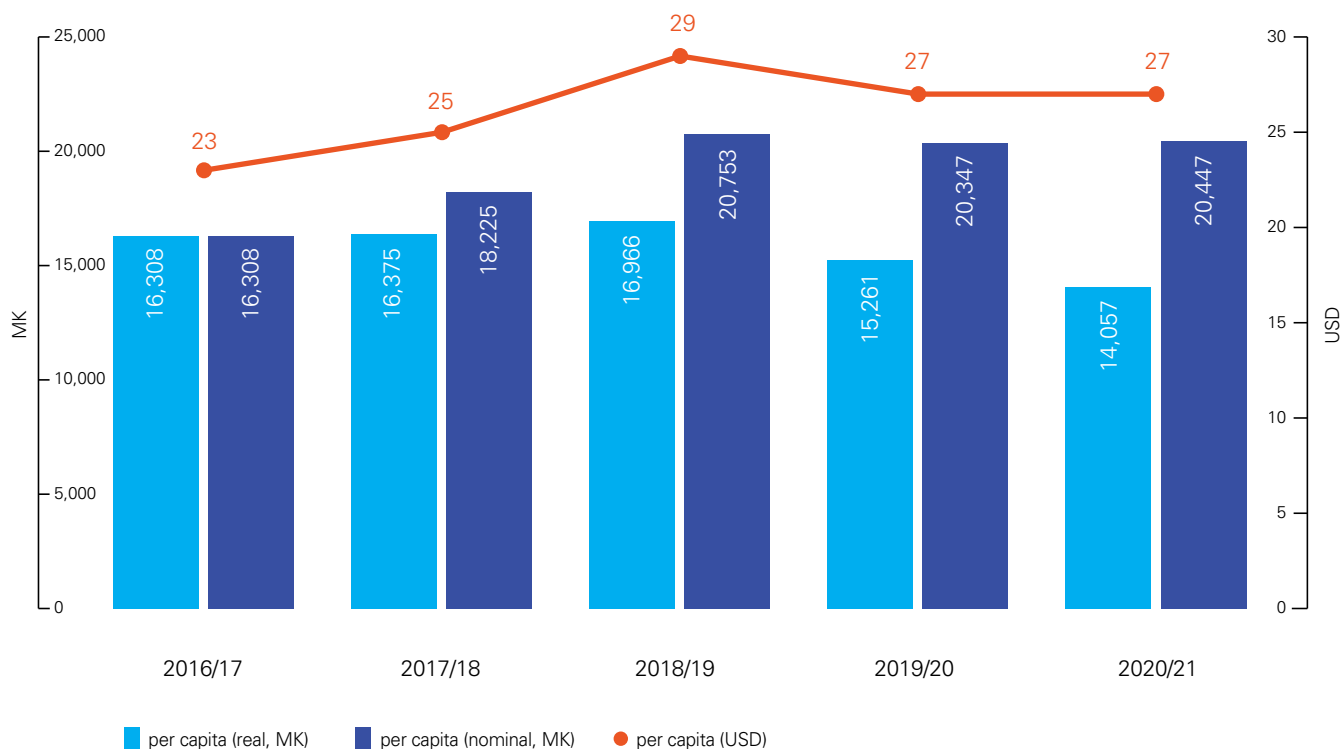


Source: Government Budget Estimates (2017/18-2020/21)

The 2020/21 youth-focused budgets have declined in real per capita terms, compared to 2019/20 (Figure 4). The 2020/21 youth-focused budgetary allocations

translate to MK20,447 (US\$27) per each of the 9 million youth per year. This marks an increase of 0.5% in nominal but 9.5% decrease in real terms compared to 2019/20.

Figure 4
Trends in Per Capita Youth-Focused Budgets



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

KEY TAKEAWAYS

- **The decline in real per capita youth budgets could potentially perpetuate the pervasive multi-dimensional deprivations in education, health and employment, especially for young women.**
- **The Government should therefore aim to protect, and to the extent possible increase, the real values of youth budgets in per capita terms, during the 2021/22-2023/24 medium term expenditure framework (MTEF).**

4. Composition of Spending

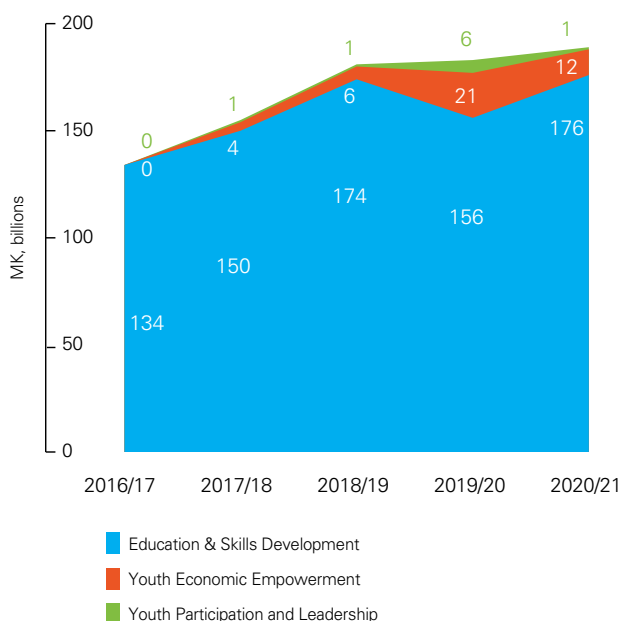
The bulk of the youth-focused budgets are spent on education and skills development (Figure 5). Youth-related investments in education and skills development have accounted for an average of 94% of the total youth-focused budgets since 2016/17, for secondary (29%), tertiary (65%) and TVET (5%) programmes. The budget for the TVET Authority (TVETA)⁸ has declined in recent years, from MK10.9 billion in 2017/18 to MK800 million (constant since 2018/19). The marked decline is linked to the transferring of the mandate for collection of the TVET levy (which constituted a huge part of the TVETA budget) from the TVETA to the Malawi Revenue Authority (MRA), a move which was intended to enable the TVETA to concentrate on its TVET regulatory and promotion activities.

8 The TVET Authority is mandated to promote and regulate sustainable provision of quality technical, entrepreneurial and vocational education and training for the Malawian workforce, mostly youth, in a socially responsible manner.

Less than 10% of the youth-focused budgets are geared towards supporting job creation. The Government allocated an average of 5% to “youth economic empowerment” programmes since 2016/17 while a meagre 1% is allocated towards youth leadership and participation. The key “youth economic empowerment” programmes are the “Jobs for Youth (J4Y)” project, under Ministry of Youth and Sports, the “Youth Internship” programme under Ministry of Labour and the “Agriculture Infrastructure and Youth in Agribusiness Project (AIYAP)”, under the Ministry of Agriculture (Figure 6 and Box 1).

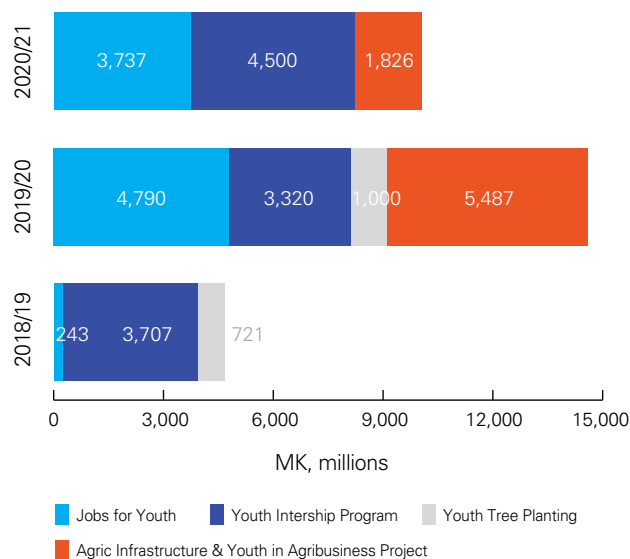
The Government allocated an average of 5% to “youth economic empowerment” programmes since 2016/17.

Figure 5
Trends in the Programme Composition of Youth-centred Budgets



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

Figure 6
Trends in the Composition of “Youth Economic Empowerment” Budgets⁹



Source: PBRs (2019/20 & 2020/21)
Key Youth Economic Empowerment

9 For this budget brief, the AIYAP budget is weighted by 50%, in line with the designing of the project, for which 50% of the targeted beneficiaries are youth (aged 18-35 years). The total AIYAP budget is MK10.9 billion for 2019/20 and MK3.6 billion for 2020/21.

BOX 1

Projects in Malawi

The Jobs for Youth (J4Y) Project – the J4Y project is funded by the African Development Fund (ADF), as part of African Development Bank (AfDB)'s Jobs for Young People in Africa (JfYA) strategy (2016-2025). The J4Y is funded to the tune of UA8.77 million¹⁰ or approximately USD12.45 million (with 86% ADF loan and 14% ADF grant). It seeks to reduce the vulnerability of young population by creating an enabling environment for their participation in economic activities particularly in key sectors. The objective is to economically empower the youth population (young women and men) for improved employability in decent work and sustainable entrepreneurship in Malawi. Specifically, the project is designed to address: (i) the lack of entrepreneurship mind-set as well as the weaknesses in technical and business skills; (ii) the lack of access to markets and information; (iii) the lack of access to finance; (iv) the weaknesses at the policy and regulatory level for the promotion of youth owned Small and Medium Enterprises (SMEs); and (v) the low level of employment of youth by the existing private sector.

The Malawi Agricultural Infrastructure and Youth in Agribusiness Project (AIYAP) is also an AfDB funded project, designed as a stand-alone investment project whose main objective is to support the development of irrigation infrastructure (civil works) in order to facilitate the development of high value food-crop production, agricultural value chains along with agribusiness skills for youths and capacity building activities, targeting 10,000 beneficiaries with special emphasis on youths (approximately 50% of the beneficiaries).

The Youth Internship Programme was introduced by the Government in 2018/19 to provide work experience to an estimated 5,000 youths (between 18 and 30 years) in both public and private sector. The programme's main objective is to equip youth with knowledge, skills and ethics as a way of nurturing them for a career in the civil service as well as the private sector, with the overall aim being to contribute to the reduction in unemployment.

¹⁰ UA is the official currency for AfDB projects, 1UA=1SDR (International Monetary Fund Special Drawing Rights), equivalent to USD1.42016, as of 29th March 2021 (IMF Rate).

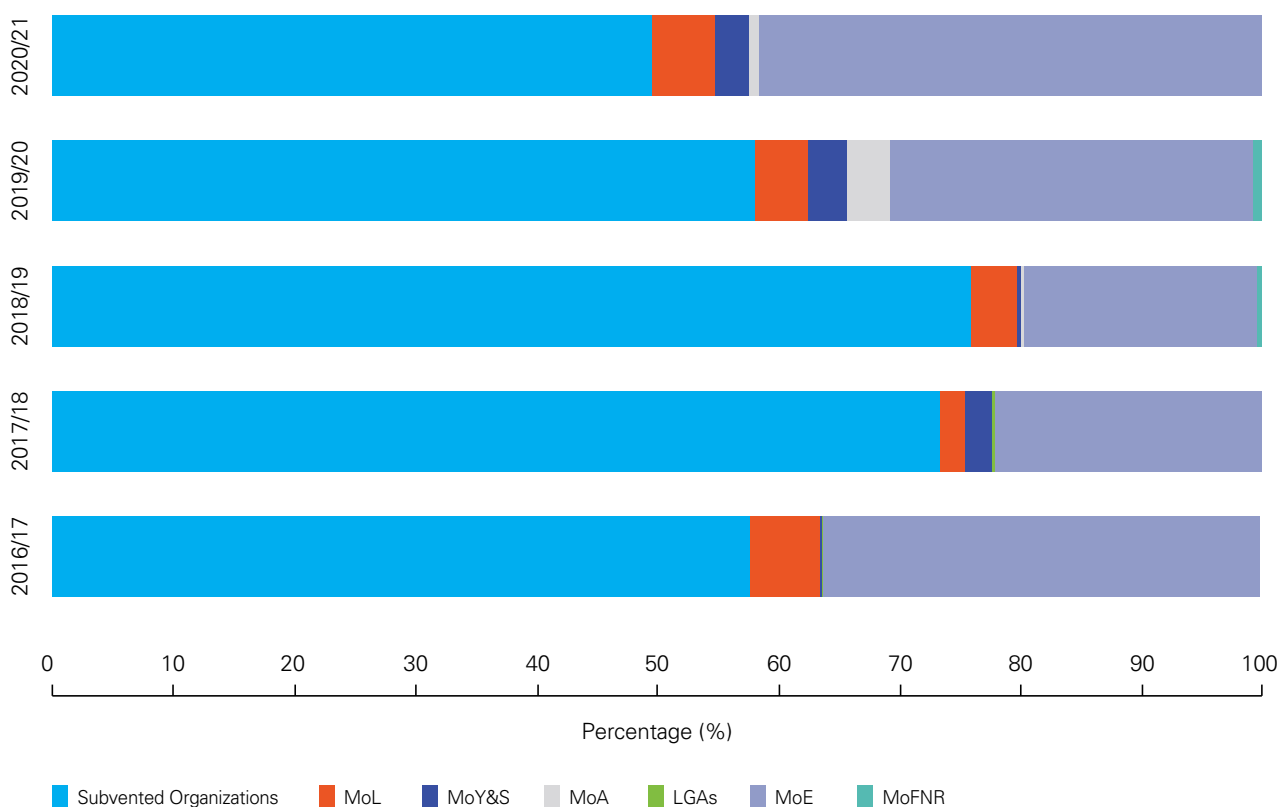


An average 60% of the youth budgets were channelled through Subvented Organizations (universities and colleges) between 2016/17 and 2020/21 (Figure 7).

This is followed by education investments under the MoE (Vote 250), which account for an average of 29% of the total youth budget, mostly for secondary education. Investments in youth economic empowerment and development programmes are the third largest under the

Ministry of Labour, accounting for an average of 4.2% of the total youth budget. Youth-related programmes under the Ministry of Youth and Sports account for an average of 1.7% of the total youth budget. On the other hand, a meagre 0.09% is directed towards Local Government Authorities (LGAs) as transfers for other recurrent transactions (ORT).

Figure 7
Distribution of Youth-Focused Budgets by MDA



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

Investments in youth economic empowerment and development programmes are the third largest under the Ministry of Labour, accounting for an average of 4.2% of the total youth budget. Youth-related programmes under the Ministry of Youth and Sports account for an average of 1.7% of the total youth budget.

Budgets for youth programmes are significantly reduced at mid-year. In 2018/19, for example, the approved allocation to the J4Y project (MK1.3 billion) was revised downwards by 450% to MK243 million. Similarly, the budget for the Youth Intership programme was reduced by over a billion from the approved allocation of MK4.8 billion to MK3.7 billion (22% in nominal terms).

At local level, the 2018/19 youth sector ORT budget was revised down by 30% from the approved allocation of MK165 million to MK116 million. Approved budgets are therefore not a consistent measure of actual spending. Unfortunately, there are no execution reports showing actual spending on the identified youth programmes.

KEY TAKEAWAYS

- **There is need to rebalance budget allocations to youth-focused programmes to ensure youth economic empowerment and youth leadership and participation programmes receive fair shares of available public investments in the youth sector.**
- **The Government should ensure actual and timely disbursement of allocated budgets to youth-focused programmes.**

5. Fiscal Decentralization and Equity Considerations



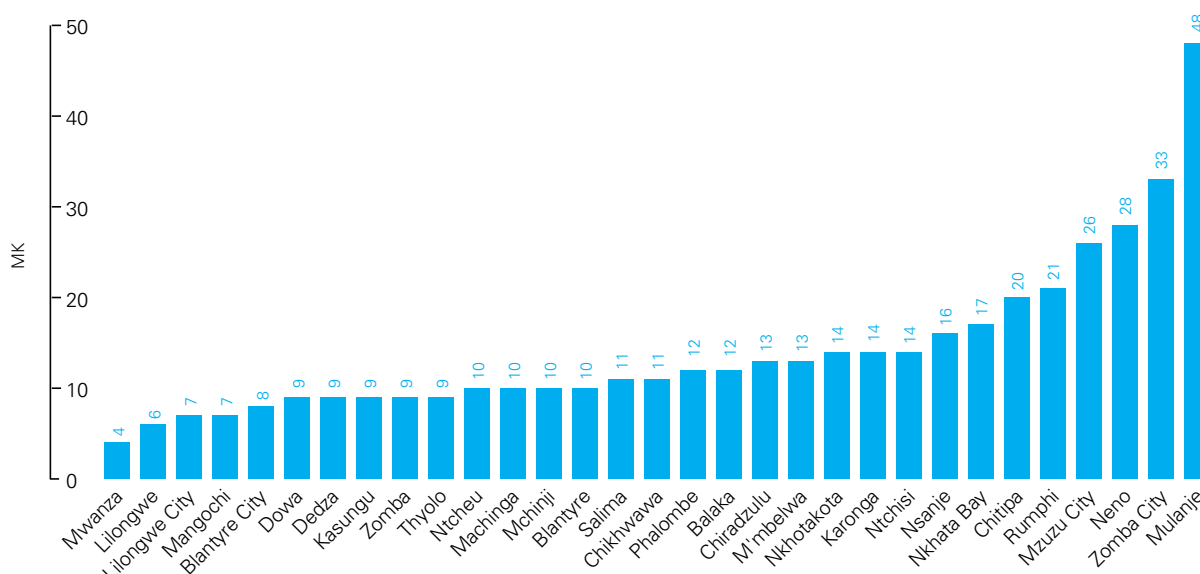
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Sub-national (SN) youth programmes are visibly underfunded, as over 99% of the youth budgets are centrally-managed. The devolution of youth functions to LGAs has not been accompanied by commensurate resources to ensure their effective delivery. The devolved youth services are in the areas of youth entrepreneurship skills (training youth in entrepreneurship and business management, provision of start-up tools and equipment for various projects), participation and leadership (supporting youth clubs and action committees). The 2020/21 SN youth budget (MK188 million) was a meagre 0.1% of the total youth budget. While the 2020/21 allocation is 8% nominally higher than the 2019/20 allocation of MK174 million, it represents a 2.6% decline in real terms.

The youth budgets notably vary by LGA (Figure 8). In 2020/21, the per capita ORT budget range was equivalent to MK202, with a minimum of MK4 in Mwanza and a maximum of MK206 in Likoma. The intergovernmental fiscal transfer formula (IGTF) for the youth sector is not being used and distribution of transfers to LGAs is based

on historical precedents. Specifically, the amount allocated to each LGA annually is adjusted based on the previous year’s allocation, increased (or decreased) in line with the annual sector ceiling. This approach perpetuates inequities as youth expenditures across the LGAs are not reflective of social or economic needs and hence financial needs.

Figure 8
2020/21 Per Capita Youth Sector ORT Budgets by LGA



Source: NLGFC (2021), 2020/21 MTEF Ceilings for LGAs

11 The graph excludes Likoma because of its comparably low population (14,000), which technically results in a relatively higher per capita allocation, that distorts the chart.

KEY TAKEAWAYS

- **The Government is called upon to adequately resource SN youth services and ensure the distribution of youth budgets is aligned with district needs and deprivations.**
- **The Ministry of Youth and Sports, working closely with the NLGFC, should establish the cost of delivering the devolved youth services, leveraging on the ongoing work on costing of social service delivery at local level. The results should be used to engage the Treasury to increase the size of the ORT ceiling to the youth sector in its MTEF.**

6. Financing of Youth Programmes in Malawi

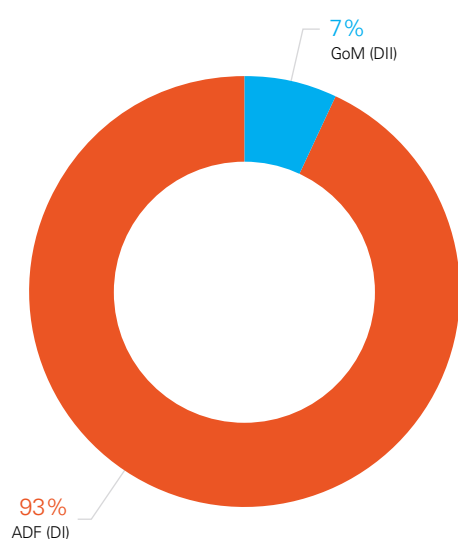
Core youth programmes in Malawi, including those geared at job creation, receive significant funding from donors. For example, the Jobs for Youth project is funded by the AfDB to the tune of UA8.77 million (with 86% ADF loan and 14% ADF grant), with the Government contributing an estimated UA0.93 million. The 2020/21 PBB for the Ministry of Labour shows that the Government only contributed MK250 million to the J4Y project compared to MK3.4 billion from the ADF (Figure 9). The Malawi Agricultural Infrastructure and Youth in Agribusiness Project (AIYAP) is also funded by the AfDB.

Significant fiscal space challenges have limited the Government's capacity to mobilize adequate domestic resources to support youth programmes. The growth in revenue has not kept pace with rising expenditure needs over the years. The estimated real growth in total expenditure (10.7%) in 2020/21 is twice that of total revenue (5.4%). The Government has therefore resorted

to borrowing, with deficit financing averaging 32% of TGE over the past five years while public debt charges have consumed over 20% of domestic revenue. The COVID-19-induced economic impact is further worsening the fiscal space situation and could negatively impact public funding for youth programmes.

Unless there are major structural transformations, Malawi's fiscal space challenges are likely to persist in the short-to-medium term, further limiting the available space to increase public investments on youth programmes. The Government should therefore explore innovative funding solutions for youth programmes, such as structured partnerships with the private sector, NGOs and Development Partners focusing on youth. Ongoing initiatives to support youth entrepreneurship such as the loan arrangement through the Malawi Enterprise Development Fund (MEDF) is a step in the right direction.

Figure 9
2020/21 Funding for the Jobs for Youth Project by Source



Source: Ministry of Labor PBB for 2020/21

The Government should therefore explore innovative funding solutions for youth programmes, such as structured partnerships with the private sector, NGOs and Development Partners focusing on youth.

KEY TAKEAWAY

- **The Government should adopt a forward-looking and innovative perspective in mobilizing resources (both domestic public and private and international) to support youth programmes in the country.**

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