EXPENDITURE REPORT FOR THE FIRST QUARTER JULY-SEPTEMBER 2005

SUMMARY OF EXPENDITURE AND REVENUE PERFORMANCE AS REPORTED BY MINISTRIES AND DEPARTMENTS

Monitoring Unit
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REPORTED EXPENDITURE FOR THE FIRST QUARTER

1.0 Introduction

This report gives an outline of the actual expenditures for the period between July and September of the 2005/2006 Financial Year as reported by ministries and departments through monthly expenditure returns. Submission of expenditure returns is tremendously improving. In the main line ministries, it is only the State Residence, which has not been submitting the returns the whole of the first quarter. Capacity in the finance section has been the major problem.

The District Assemblies which for the first time have been handling sector funds have similar problems of capacity both in human and equipment. Submission of expenditure returns by the Assemblies has been erratic and requires constant liaison with Treasury if correct returns are to be produced and received within the stipulated deadlines.

This report is divided into four sections. The first section looks at aggregate expenditure per category of expenditure, the second section looks at personal emoluments and the third section addresses issues of other recurrent transactions (**ORT**) and Protected Pro-Poor expenditures. At the end of each section, the report suggests action to be taken as per matters arising.

2.0 Overview of Reported expenditures

The 2005/06 budget framework estimates total approved expenditure of K119,499 million. This comprises of K84,394 million in Current Expenditures , K35,105 million in Development expenditure. The current expenditure is further broken down into K20,722 million Personal Emoluments, K16,628 million interest, Generic Other Recurrent Transactions totaling K17,256 million, among others. This report, therefore, will dwell on reported expenditures on Generic Other Recurrent Transactions, Personal Emoluments(**PE**) and Development.

Total reported expenditure for the first quarter for PE and ORT is, 20.38 per cent and 27.28 per cent of the approved budget respectively.

The tables below compare the funding disbursed to the ministries and departments with the actual reported expenditure through expenditure returns from the spending units.

Table 1: **Global summary of expenditures against the approved ORT, PE and Development allocations as reported by implementing ministries.**

(K'million)

Expenditure Category	Annual Provision	July	Aug	Sept	Total for the First Quarter	Utilization %
Personal Emoluments *of*	20,722.00	1,276.44	1,507.05	1,440.46	4,223.95	20.38
Other recurrent Transactions	17,256.00	1,179.35	2,234.96	1,292.62	4,706.93	27.28
Total Recurrent Budget	**37,978.00**	**2,455.79**	**3,742.01**	**2,733.08**	**8,930.88**	**23.52**
Capital Budget *of which*	35,105.00	341.85	232.22	258.69	832.76	2.37
Part I	31,286.00	-	-	-		
Part II	3,819.00	341.85	232.22	258.69	832.76	21.81
Grand Total	**73,083.00**	**2,797.64**	**3,974.23**	**2991.77**	**9,763.64**	**13.36**

The table below summarizes funding in the first quarter of the financial year.

Table 2. First Quarter Summary of funding:

(K'million)

Expenditure Category	Annual Provision	July	Aug	Sept	Total for the First Quarter	Utilization %
Personal Emoluments *of*	20,722.00	1,580.09	1,633.00	1,592.28	4,805.37	23.19
Other recurrent Transactions	17,256.00	2,029.13	2,741.78	4,278.93	9,049.84	52.44
Total Recurrent Budget (PE + ORT)	**37,978.00**	**3,609.22**	**4,374.78**	**5,871.21**	**13,855.21**	**36.48**
Capital Budget *of which*	35,105.00	341.85	232.22	258.69	832.76	2.37
Part I	31,286.00	-	-	-		
Part II	3,819.00	341.85	232.22	258.69	832.76	21.81
Grand Total	**73,083.00**	**3,951.07**	**4,607.00**	**6,129.90**	**14,687.97**	**20.09**

3.0 Personal Emoluments (PE)

Reported expenditure on wages and salaries for the first quarter is K4,223.95 million. This expenditure as compared to funding of K4,805.37 million disbursed to the ministries and departments gives a positive variance of 581.42 million. The ministries that account for the difference are Education, Health, Natural Resources and Environmental Affairs, State Residence, Foreign Affairs, and Agriculture.

For the Ministry of Health, CHAM was requesting funding for its PE straight from the Accountant General and not through its parent ministry, hence the ministry had problems to account for the resources. The problem has now been resolved and CHAM now gets its PE funds through the Ministry of Health.

The problem with the other institutions like State Residences and Natural Resources is non submission of Personal Emoluments expenditures for the quarter. For ministries of Education, Foreign Affairs, and Agriculture, the problem has been late submission of returns by their respective cost centers for consolidation at the headquarters.

Action 1: *The monitoring section should immediately follow up with these ministries for both PE and ORT expenditures.*

Action 2: *State Residences should be given special attention in terms of maintenance of accounts and need for reporting. It is proposed that the head of the monitoring section should immediately have a meeting with the controlling officer for State Residences.*

4.0 Other Recurrent Transaction (ORT)

ORT funding for the first quarter is K9,049.84 million which represents 52 per cent of the total approved provision. This funding does not compare favourably with the reported expenditure of K4,706.93 million which represents 27.28 percent of the approved budget. The factors that contribute to low expenditure levels include the following:

(a) Most of the funds that were disbursed to the ministries during the month of September 2005 being the last month of the quarter

had not been spent. During this month K4,278.93 was disbursed representing 47.28% of the total funding made during this quarter.

(b) Funds for drugs, infrastructure development and hospital equipment totaling about k600 million disbursed to the ministry of Health headquarters in August and September 2005 has not been reported. The ministry was still processing tenders to award contracts to would be suppliers, thus expenditure had not yet taken place.

(c) Expenditures from the embassies for the month of September 2005 had not yet been consolidated by the Ministry of Foreign Affairs as at end of the quarter. The total funds disbursed was close to Mk269.0 million.

5.0 Development Budget

The reported expenditure for the first quarter only covers domestically financed projects as foreign financed projects are mostly reported to the donors.

Expenditure for the first quarter is 21.76 per cent of the annual provision. If the trend of funding for development projects continues like this without being interrupted because of non availability of resources, the projects shall likely be completed successfully.

6.0 Pro-Poor Expenditures

The Pro-Poor Expenditures (PPEs) are expenditures which Government has designated as priority and are protected. Funding for expenditures on PPEs this quarter has been on track.

Expenditure for the first quarter is 31.9 per cent of the approved provision for PPEs. With this trend of expenditure, the PPEs will be fully funded by the end of the financial year. It will therefore be of paramount importance to physically monitor the implementation of these PPEs after the second quarter.

Action3: A special programme should be drafted for the monitoring of PPEs in January 2006. This could be done jointly with Ministry of Economic Planning and Development to check progress of projects and utilization of funds.

Table 3 below gives a summary of the Pro-Poor Expenditures for the first Quarter.

Table 3 . Pro-Poor Expenditures

	(K'000)	Provision 2005-06	July	August	September	Quarter 1	% of Provision
Vote	**Ministry/Department Total Protected Pro-Poor Expenditures**	**29,487,863**	**1,652,255**	**3,269,934**	**3,703,980**	**8,626,168**	**29.3**
180	**Youth, Sports and Culture**	**17,839**	**1,487**	**1,587**	**1,487**	**4,560**	**25.6**
	Youth Development Services	17,839	1,487	1,587	1,487	4,560	25.6
190	**Agriculture**	**12,132,680**	**413,594**	**1,778,942**	**2,086,414**	**4,278,950**	**35.3**
	Food Security Initiatives	11,131,773	349,692	1,706,783	2,014,294	4,070,769	36.6
	Agricultural Extension	685,998	44,656	46,924	46,931	138,511	20.2
	Technology Generation and Technical Services	314,909	19,246	25,234	25,189	69,670	22.1
210	**Water Development**	**235,186**	**6,320**	**2,886**	**9,386**	**18,591**	**7.9**
	Rural Water Supply	86,186	2,828	1,828	7,328	11,984	13.9
	Borehole and Dam Construction/Rehabilitation	149,000	3,492	1,058	2,058	6,607	4.4
250	**Education**	**8,668,367**	**731,638**	**828,412**	**819,060**	**2,379,110**	**27.4**
	Primary Education	6,260,529	519,739	542,810	549,606	1,612,154	25.8
	Teaching and Learning Materials	*372,000*	*22,431*	*20,000*	*28,918*	*81,350*	21.9
	Secondary Education	1,879,624	156,185	213,137	196,989	566,312	30.1
	Teaching and Learning Materials	*243,000*	*25,000*	*31,000*	*20,250*	*76,250*	31.4
	Teacher Education	528,214	55,714	72,465	72,465	200,645	38.0
310	**Health**	**6,150,914**	**261,441**	**464,945**	**544,571**	**1,270,958**	**20.7**
	Health Workers' Training	736,954	27,554	75,415	75,415	178,384	24.2
	Curative Health Services	1,574,447	131,204	131,204	131,204	393,612	25.0
	Infrastructure Development, Rehabilitation and Maintenance	750,077	62,506	96,714	71,341	230,561	30.7
	Preventive Health Services	424,565	35,380	35,380	35,380	106,141	**25.0**
	Health Technical Services	314,774	4,797	26,231	36,231	67,259	21.4
	Drugs	2,350,097	-	100,000	195,000	295,000	12.6
320	**Gender, Child Welfare and Community Services**	**37,853**	**3,154**	**3,154**	**3,154**	**9,463**	**25.0**
	Adult Literacy	9,100	758	758	758	2,275	25.0
	Family Welfare and Gender						25.0

	(K'000)	Provision 2005-06	July	August	September	Quarter 1	% of Provision
	Services	25,474	2,123	2,123	2,123	6,368	
	Child Care Services	3,279	273	273	273	820	25.0
341	**Police**	**978,428**	**75,977**	**81,894**	**81,536**	**239,407**	**24.5**
	Crime Prevention and Investigation	401,221	33,435	33,435	33,435	100,305	25.0
	Community Policing	169,909	8,601	14,517	14,159	37,277	21.9
	Police Officer Training	407,297	33,941	33,941	33,941	101,824	25.0
370	**Labour and Vocational Training**	**58,859**	**110**	**9,023**	**8,280**	**17,413**	**29.6**
	Technical and Vocational Training	58,859	110	9,023	8,280	17,413	29.6
390	**Trade and Private Sector Development**	**52,260**	**4,355**	**4,355**	**4,355**	**13,065**	**25.0**
	Industrial Development	34,826	2,902	2,902	2,902	8,706	25.0
	Enterprises Development and Promotion	15,228	1,269	1,269	1,269	3,807	25.0
	Cooperatives Development	2,207	184	184	184	552	25.0
420	**National Roads Authority**	**870,635**	**130,441**	**71,000**	**122,000**	**323,441**	**37.1**
	Rural Feeder Roads	870,635	130,441	71,000	122,000	323,441	37.1
470	**Natural Resources**	**107,040**	**8,920**	**8,920**	**8,920**	**26,760**	**25.0**
	Small Scale Fish Farming	18,226	1,519	1,519	1,519	4,556	25.0
	Small Scale Mining	88,815	7,401	7,401	7,401	22,204	25.0
330	**Tourism**	**177,802**	**14,817**	**14,817**	**14,817**	**44,450**	**25.0**
	Tourism Services	67,533	5,628	5,628	5,628	16,883	25.0
	Conservation and Protection of Wildlife	110,269	9,189	9,189	9,189	27,567	25.0
	Summary by Economic Type						
	Total	**29,487,863**	**1,694,472**	**3,785,318**	**3,912,495**	**9,392,285**	**31.9**
	Personal Emoluments	9,861,608	821,801	822,464	821,318	2,465,583	25.0
	Other Recurrent Transactions	18,536,370	737,239	2,890,297	2,961,119	6,588,655	35.5
	Development	1,089,885	135,432	72,558	130,058	338,047	31.0

7.0 Conclusion

Submission of expenditure returns has improved tremendously, however, what now remains is the quality of the returns. The actions highlighted in each subtopic will go a long way in improving the quality of data and expenditure.