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MALAWI WAGE BILL ANALYSIS

Leadership in Public Financial Management II

January 2018

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ACRONYMS

CFSC	Center for Social Concern
COL	Cost of living
COR	Contracting Officer's Representative
CPI	Consumer Price Index
DFID	Department for International Development
DHRMD	Department of Human Resources, Management, and Development
DSA	Domestic Subsistence Allowance
IDIQ	Indefinite Delivery Indefinite Quantity Contract
LPFM II	Leadership in Public Financial Management II
GOM	Government of Malawi
MDAs	Ministries, department, and agencies
MWK	Malawi Kwacha ¹
MPSR	Malawi Public Service Regulations, 2015
PFM	Public financial management
USAID	United States Agency for International Development
USAID/E3	United States Agency for International Development Bureau for Economic Growth, Education, and Environment
USD	United States Dollars
USG	United States Government

¹ | United States Dollar = 725 Malawi Kwacha on January 5, 2018.

MALAWI WAGE BILL ANALYSIS

EXECUTIVE SUMMARY

- Malawi's nominal wage bill, which includes expenditure on salaries, wages, and personal emoluments allowances for employees of all government institutions, grew at an average annual rate of 27 percent over the past 10 years. The real wage bill grew at an average annual rate of 10 percent over the same period due to high inflation.
- Nominal wage rate growth has been the main driver of wage bill growth in recent years. Wages for every civil service grade have grown by at least 15 percent per year on average since 2007.
- The wage bill grew at the same rate as total government expenditure from 2011/12 to 2015/16. Therefore, despite its strong growth, the wage bill's share of the total government expenditure has not increased in recent years.
- Malawi's wage bill is similar in magnitude to the wage bills of neighboring countries but its growth rate over the past five years is much higher.
- 90 percent of the wage bill is expenditure on salaries and wages. 10 percent of the wage bill is expenditure on personal emoluments allowances.
- Ministry of Health and Ministry of Education, Science and Technology account for over 60 percent of the wage bill
- The average real wage for a civil servant has remained almost constant over the past five years, as increases to nominal wages for all grades have been offset by high inflation.
- 99 percent of civil servants earn a salary or wage (excluding allowances) that is less than the basic cost of living for a family of two adults and four children in Lilongwe.
- Domestic subsistence allowance is a significant income stream for some civil servants who have the opportunity to travel.
- To significantly reduce the growth of the wage bill, GOM will need to reduce the growth of expenditure on salaries and wages as they account for 90% of the wage bill.
- Tighter controls on allowances would reduce incentives for civil servants to travel solely to obtain allowances.
- Reducing the number of civil servants would be very challenging, both politically and financially.
- Strengthening payroll internal controls would help curb the growth of the wage bill.
- Reducing allowances or opportunities to receive allowances would have a major financial impact on some civil servants as base salaries and wages are not sufficient to support the cost of living.

- Stricter internal controls and reporting requirements would provide greater transparency on the true cost of allowances.

INTRODUCTION

Public sector wages and allowances are a major concern for the Government of Malawi (GOM) and its development partners. The public sector wage bill has grown more than ten-fold from MWK 20 billion in 2005/06 to MWK 226 billion in 2015/16. Financing the wage bill is becoming increasingly challenging for GOM and leaves little available funding for development expenditure.

Despite the growth in the public sector wage bill, many civil servants report that government wages are not sufficient to meet Malawi's growing cost of living. Inflation in Malawi has averaged 22 percent since 2012. The high cost of living leads some civil servants to engage in "allowance seeking behavior" by travelling frequently and attending events to boost their compensation through allowances.

This report provides an analysis of GOM's wage bill and related issues.² Section A provides a breakdown of wage bill by its major components and by government institutions. Section B assesses the magnitude and growth of the wage bill in the past 10 years and the factors that have driven the growth. Section C looks at the size of the wage bill in relation to Malawi's total revenue and expenditure. It also compares Malawi's wage bill to the wage bills of neighboring countries. Section D analyzes the growth in the cost of living over the past five years and compares it to the growth in civil service wage rates. It also looks at the current cost of goods and services in Malawi and how these costs compare to current civil service wage rates. Section E looks at the types and cost of allowances paid to civil servants and the causes and consequences of allowance seeking behavior. Section F concludes the report with insights and recommendations for steps that the GOM and development partners can take to slow the growth of the wage bill and reduce allowance seeking behavior.

² USAID/Malawi requested assistance from the Leadership in Public Financial Management II (LPFM II) project to analyze Malawi's public sector wage bill. LPFM II conducted a two-week mission to Malawi in June 2017 to gather information. Annex I lists the stakeholders that LPFM II met with. This report was written by LPFM II's home office staff with support from William Chitwere, a Malawian economist.

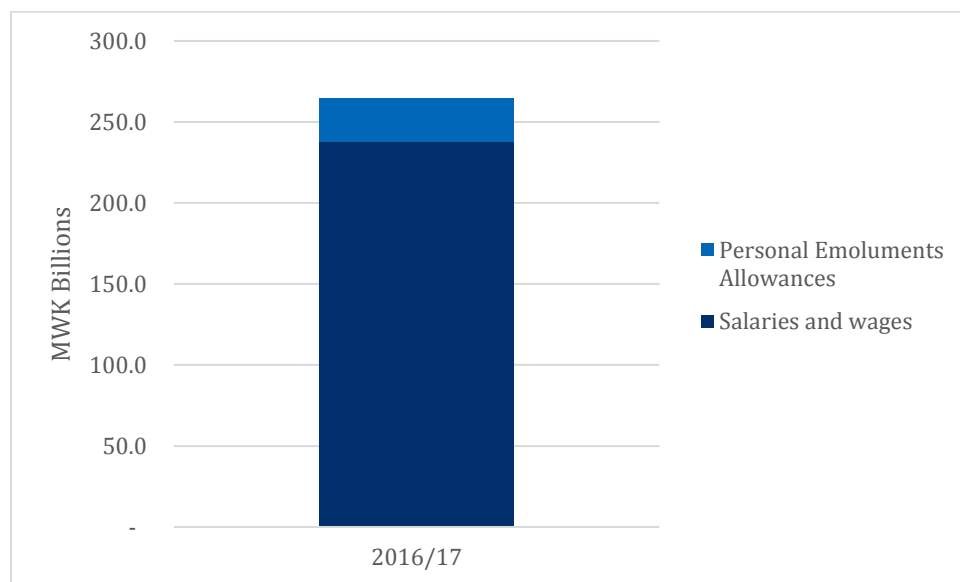
A. BREAKDOWN OF THE WAGE BILL

I. COMPONENTS OF WAGE BILL

The official Government of Malawi wage bill covers personal emoluments spending by government institutions. This expenditure is presented as “Wages and Salaries” in GOM’s financial statements. It includes all expenditure that has a personal emoluments (PE) budget code. This includes all salaries and wages and some allowances paid to employees of GOM institutions, including civil servants, judiciary staff, and parliamentary staff. Figure 2 shows the major allowances classified as personal emoluments. Other allowances such as the subsistence allowance that government officials receive when they travel and fuel allowances paid to senior civil servants are classified as Goods and Services and are not components of the official wage bill. These allowances are discussed in Section E. The official wage bill also does not include salaries, wages, and allowances paid to employees of parastatals.

The vast majority of the wage bill results from expenditure on salaries and wages for officials who hold established positions. Ninety percent of the 2016/17 wage bill is salaries and wages paid to civil servants. Of this 90 percent, salaries paid to officials in established positions account for 99 percent of expenditure. The remaining one percent goes to salaries for staff whose positions are not included in the approved establishment, wages for temporary employees, ministers’ salaries, and salaries and wages for village headmen.

Figure 1: Total Government of Malawi Wage Bill, 2016/17 revised estimates

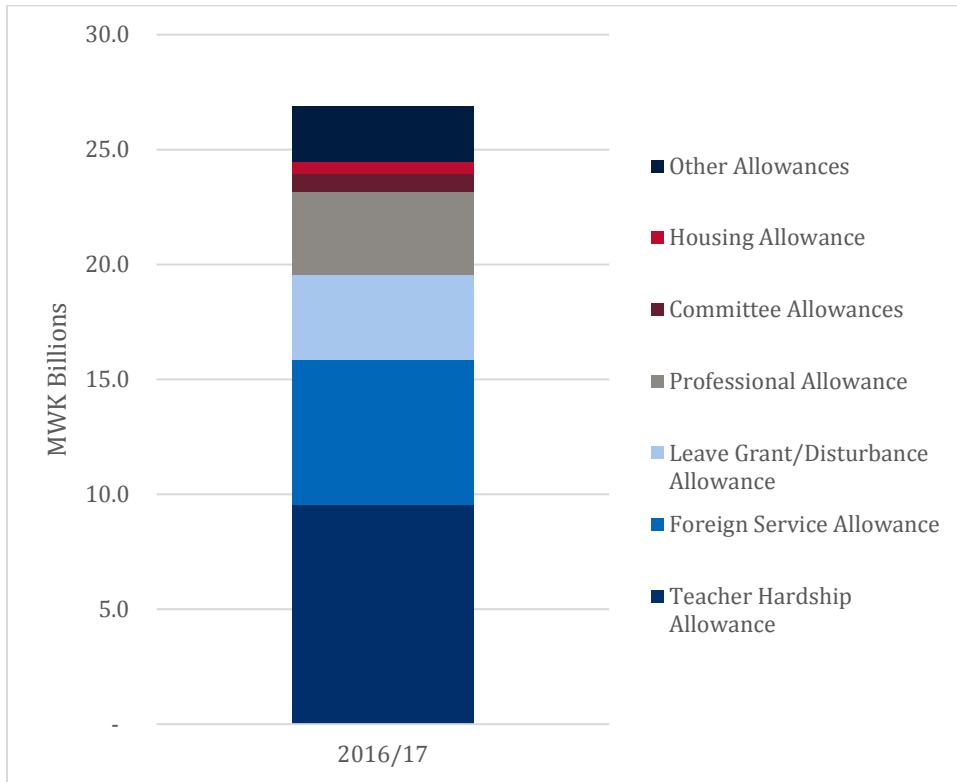


Source: Ministry of Finance, Economic Planning and Development

There are 21 personal emoluments allowances but they only constitute 10 percent of the wage bill. The largest six allowances account for 91 percent of total personal emoluments allowances expenditure. The largest allowance is the Teacher Hardship Allowance. Teachers in rural areas receive

10,000 MWK per month. 2016/17 expenditure for the smallest 15 allowances is less than 500,000 MWK per allowance.

Figure 2: Personal Emoluments Allowances, 2016/17 revised estimates

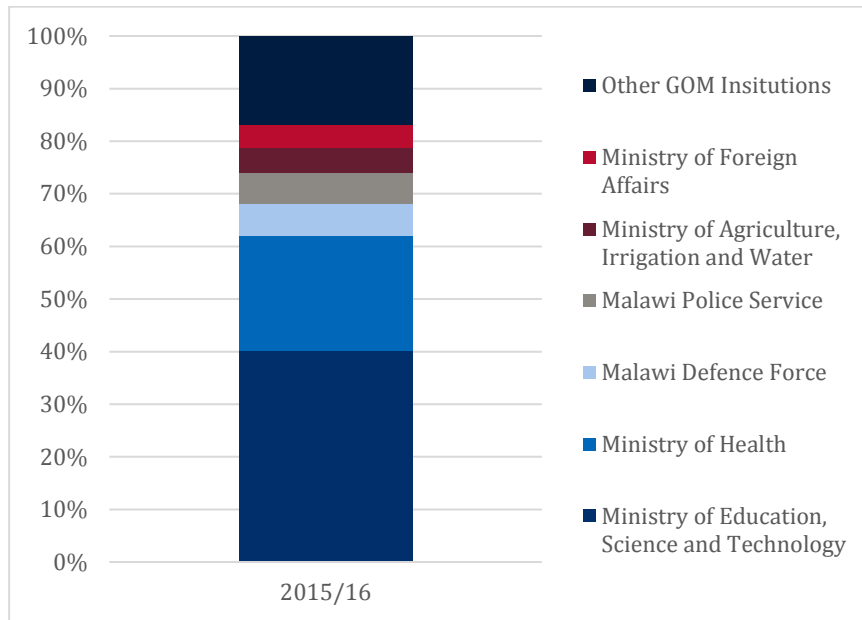


Source: Ministry of Finance, Economic Planning and Development

2. WAGE BILL BREAKDOWN BY GOVERNMENT OF MALAWI INSTITUTION

Two ministries account for over 60 percent of GOM’s wage bill. The Ministry of Education, Science, and Technology and the Ministry of Health represented 62 percent of the 2015/16 wage bill. The two ministries also dominated the wage bill for the past five years. The six highest spending institutions accounted for 83 percent of the 2015/16 wage bill. 45 GOM institutions contributed to the 2015/16 wage bill.

Figure 3: Total Government of Malawi Wage Bill by Institution, 2015/16



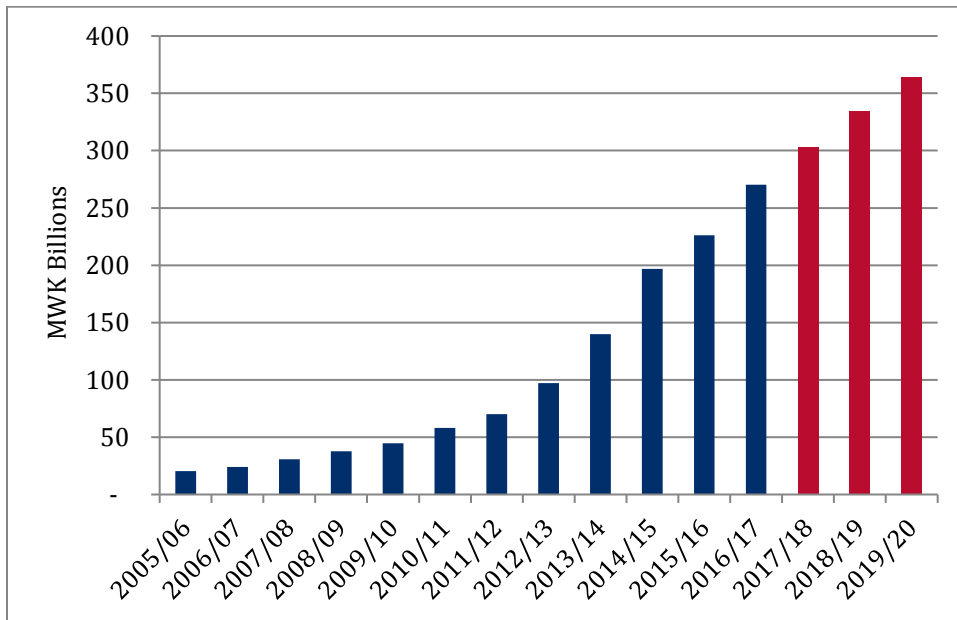
Source: Ministry of Finance, Economic Planning and Development

B. MAGNITUDE AND GROWTH OF WAGE BILL

I. NOMINAL AND REAL GROWTH OF WAGE BILL

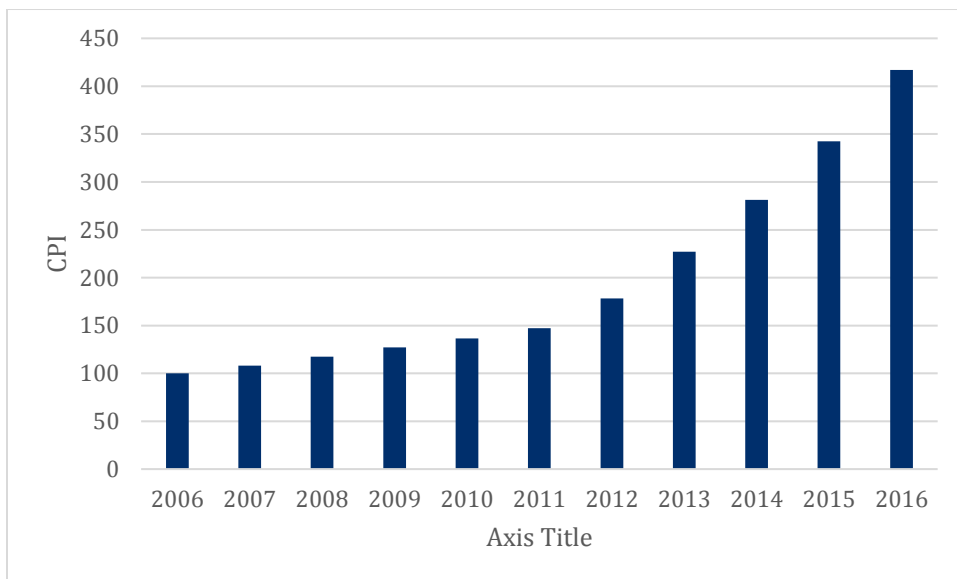
The nominal wage bill has grown rapidly over the past 10 years. The nominal wage bill increased from MWK 20 billion in 2005/06 to MWK 226 billion in 2015/16, growing at average annual growth rate of 27 percent. Growth was highest between 2012/13 and 2014/15, when the wage bill increased from MWK 97 billion to MWK 196 billion, a rise of 103 percent over just two years. Growth slowed to an average annual increase of 17 percent between 2014/15 and 2016/17. GOM projects that wage bill growth will continue to slow, averaging an annual growth rate of 10 percent from 2016/17 to 2019/2020.

Figure 4: Total Government of Malawi Wage Nominal Bill



The increase in the wage bill over the past 10 years has coincided with a big increase in prices. Malawi’s Consumer Price Index (CPI) has increased by more than four times from 2006 to 2016. Average annual inflation over this period was 15 percent. Price growth has been particularly strong in the past five years. Taking 2006 as the base year, the CPI increased from 147 in 2011 to 417 in 2016, an average annual increase of 23 percent.

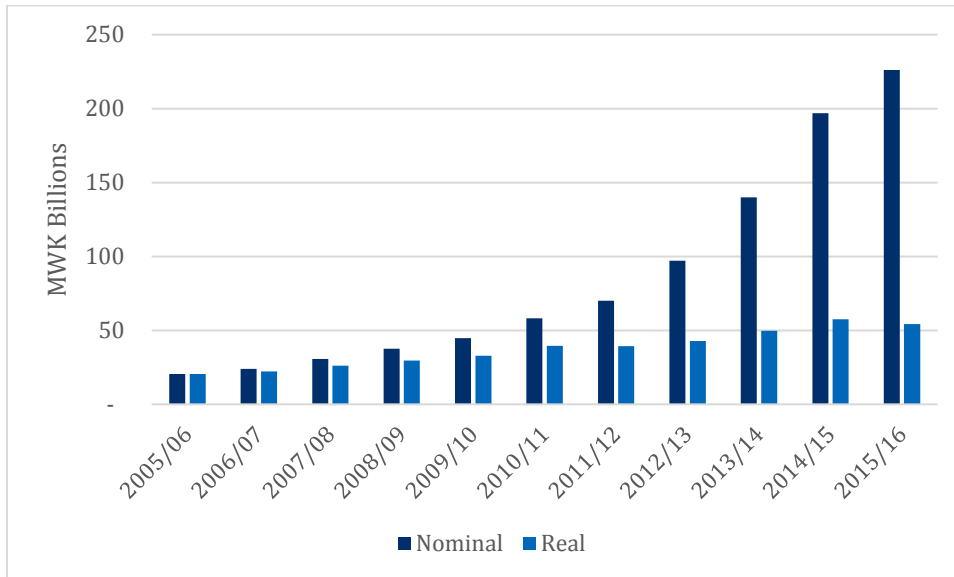
Figure 5: Malawi Consumer Price Index, 2006 = base year



Source: National Statistics Office

High inflation has significantly curtailed the growth of the real wage bill. The nominal wage bill is deflated using the consumer price index (using 2006 as the base year) to produce the real wage bill. The average annual growth rate of the real wage bill from 2005/06 to 2015/16 was 10 percent, 17 percentage points lower than the nominal growth rate. During this period, the nominal wage bill increased by more than ten-fold, whereas the real wage bill increased by less than three times.

Figure 6: Nominal and Real Wage Bill, 2006 = base year



Sources: DHRMD, National Statistics Office

2. STRUCTURE OF CIVIL SERVICE AND WAGES

The civil service, which includes teachers and health workers, represents 81 percent of GOM’s wage bill. The civil service has one compensation structure that applies to all civil servants in all ministries.

Malawi’s public service consists of seven service commissions, which oversee the compensation of public servants in government institutions. The seven commissions are Civil Service Commission, Teaching Service Commission, Judicial Service Commission, Local Government Service Commission, Health Service Commission, Parliamentary Service Commission, and Police Service Commission.

Four of the seven service commissions use the same wage structure. The wage structure of the Civil Service Commission governs all civil servants. The Teaching Service Commission, Local Government Service Commission, and Police Service Commission use the same wage structure as the Civil Service Commission. The Health Service Commission uses the Civil Service Commission wage structure as its baseline and provides a top up of 52 percent for health service workers. The Judicial and Parliamentary Service Commissions have their own wage structures.

Malawi's civil service has 19 grades and 138,000 civil servants on the payroll, as of July 2017. Grades A-I are often referred to as professional staff, and grades J and below are junior staff. University graduates join the civil service at grade I. The following table provides sample position titles, number of civil servants employed, and annual wage for each grade.³ The civil service include employees of government ministries, teachers, and health workers.⁴

TABLE I: STRUCTURE AND WAGES OF CIVIL SERVICE, JULY 2017

Grade	Example of Position Title	Number of Civil Servants	Annual Wage (MWK)	Annual Wage (USD)
A	Chief Secretary, Chief Justice	3	29,705,034	40,972
B	Deputy Chief Secretary, Secretary to Treasury	7	18,480,480	25,490
C	Principal Secretary	58	12,948,216	17,860
D	Director	184	10,352,178	14,279
E (P3)	Deputy Director	243	8,737,170	12,051
E (P4)	Deputy Director	205	7,701,294	10,622
F	Head of Section (Chief Accountant, Chief HR Officer)	802	4,540,800	6,263
G	Principal Accountant, Principal HR Officer	1,154	3,374,568	4,655
H	Senior Officer	1,746	2,965,014	4,090
I	Officer	7,678	2,636,088	3,636
J	Senior Assistant Officer	9,108	1,828,560	2,522
K	Assistant Officer	22,254	1,488,822	2,054
L	Senior Clerk	55,130	1,185,108	1,634
M	Clerk	13,987	1,031,904	1,423
N	Driver, Cleaner	3,566	997,380	1,376
O	Driver, Cleaner	4,570	967,506	1,334

³ There are multiple wage levels for each grade. This table provides the mid-point annual wage for each grade, i.e. the average of the upper and lower wage levels from the most recent wage schedule announced by GOM in July 2017.

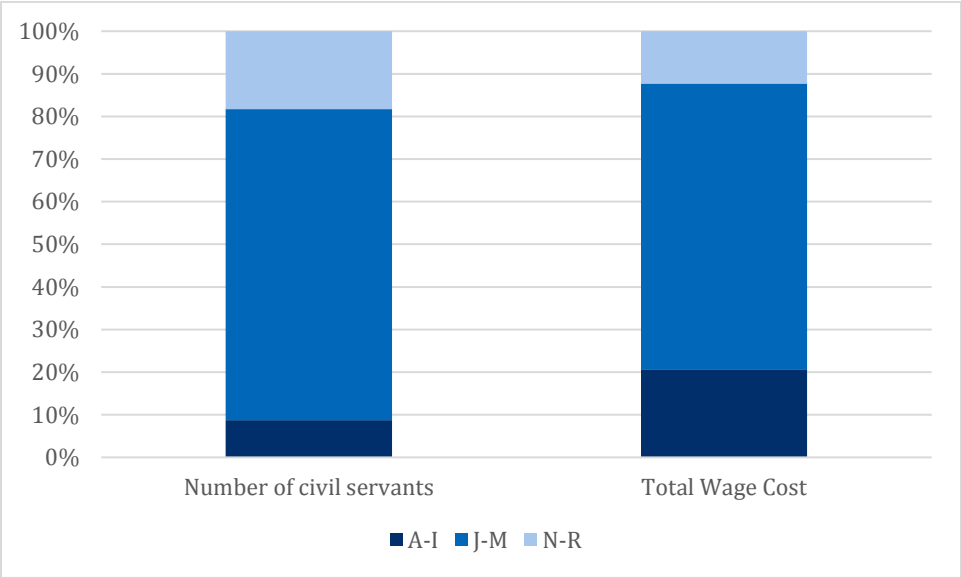
⁴ Health workers follow the same wage schedule as other civil servants, but they receive a top up. At any given grade, a health worker's wage is 52 percent higher than the wage of a civil servant at the same grade. The top up policy was implemented in an attempt to stop health workers leaving Malawi to earn higher wages in other countries, commonly referred to as the brain drain. DFID initially financed the top up. It is now financed by GOM.

Grade	Example of Position Title	Number of Civil Servants	Annual Wage (MWK)	Annual Wage (USD)
P	Driver, Cleaner	8,735	937,626	1,293
Q	Driver, Cleaner	3,177	907,716	1,252
R	Driver, Cleaner	5,179	878,000	1,211
Total		137,786		

Source: DHRMD

Professional civil servants (grades A to I) only represent nine percent of the total number of civil service employees but account for 21 percent of the current civil service total wage costs⁵. The most junior civil servants, grades N to R, account for 18 percent of the number of employees but constitute just 12 percent of the wage bill. Seventy-three percent of all civil servants are in the four grades from J to M.

Figure 7: Percentage of Civil Service Employment and Total Wage Costs by Grade, 2017



Source: DHRMD

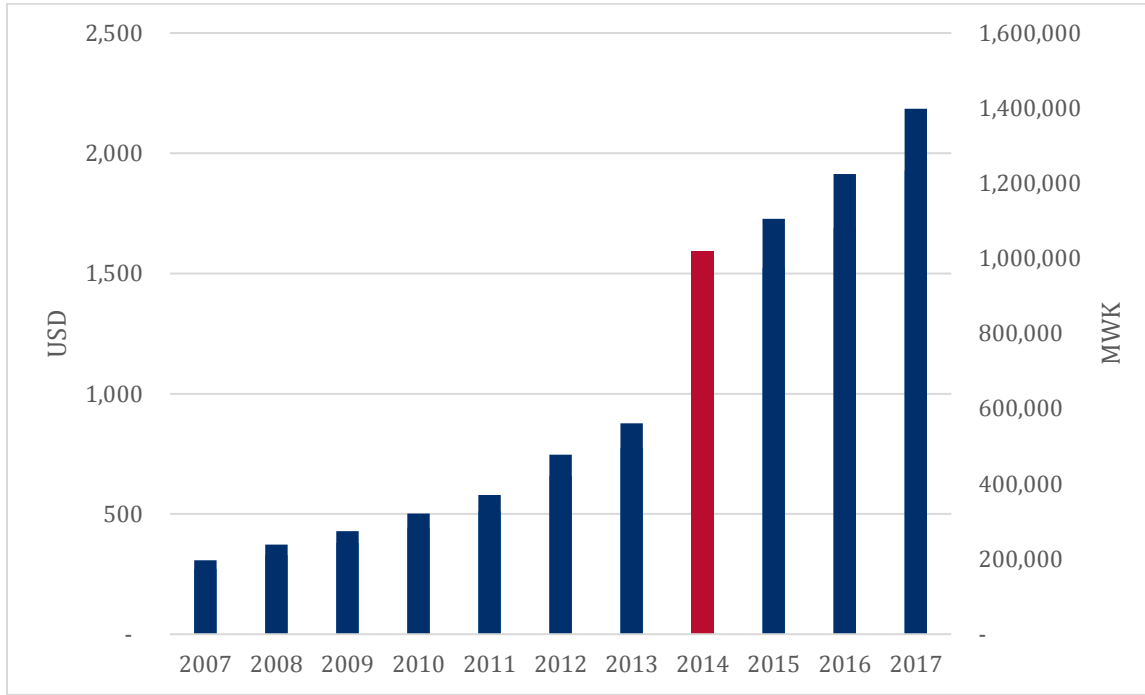
3. GROWTH IN WAGES

Nominal wage rate growth has been the primary factor driving the growth of the wage bill. The average annual civil service wage increased from 200,000 MWK in 2009 to 1,400,000 MWK in

⁵ Total Wage Cost for each grade is equal to the number of civil servants multiplied by the average wage for the grade.

2017, an annual average increase of 22 percent.⁶ Average annual inflation from 2009 to 2016 was equal to 18 percent so the growth in real wages has been minor.

Figure 8: Average Annual Wage for Civil Servants, USD and MWK

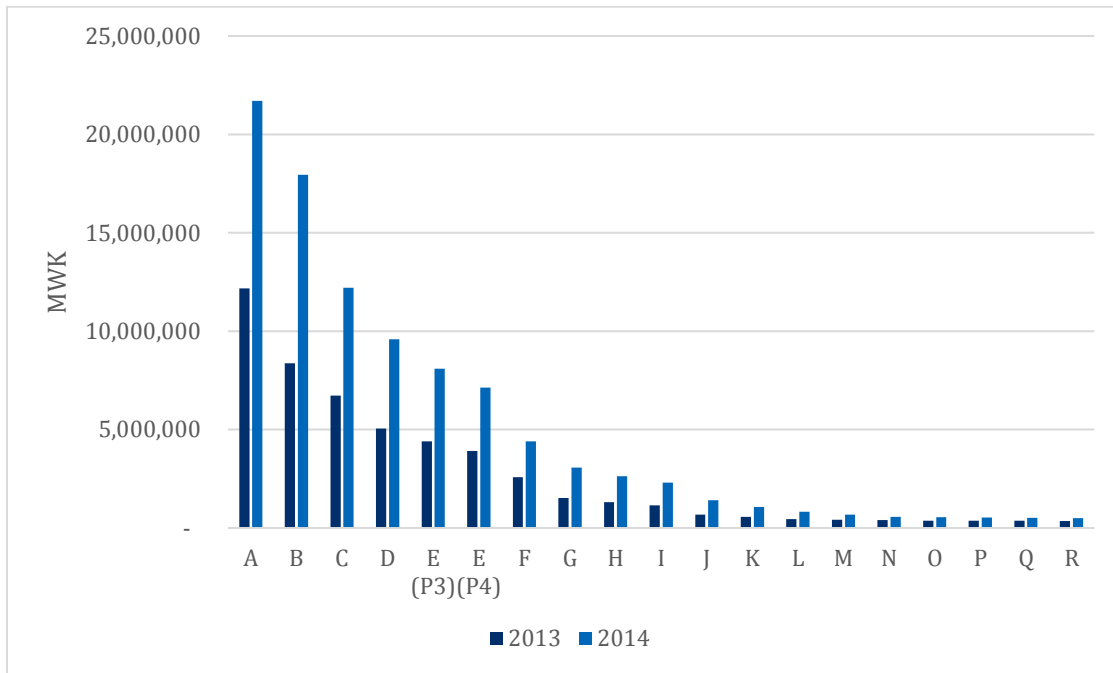


Source: DHRMD

Wages increased significantly in 2014 after DHRMD implemented a major revision to the civil service compensation structure. Wages for all grades increased by at least 42 percent from 2013 to 2014. Professional civil servants (grades A to I) experienced the highest wage increases from 2013 to 2014, ranging from 71 percent for grade F, to 114 percent for grade C.

⁶ The average annual wage is a weighted average of the wage for each civil service grade. The weights are the number of civil servants employed at each grade in June 2017. DHRMD’s HRMIS management team does not have historic data on the number of civil servants. Therefore, June 2017 employment figures are used as the weights for each year in the analysis.

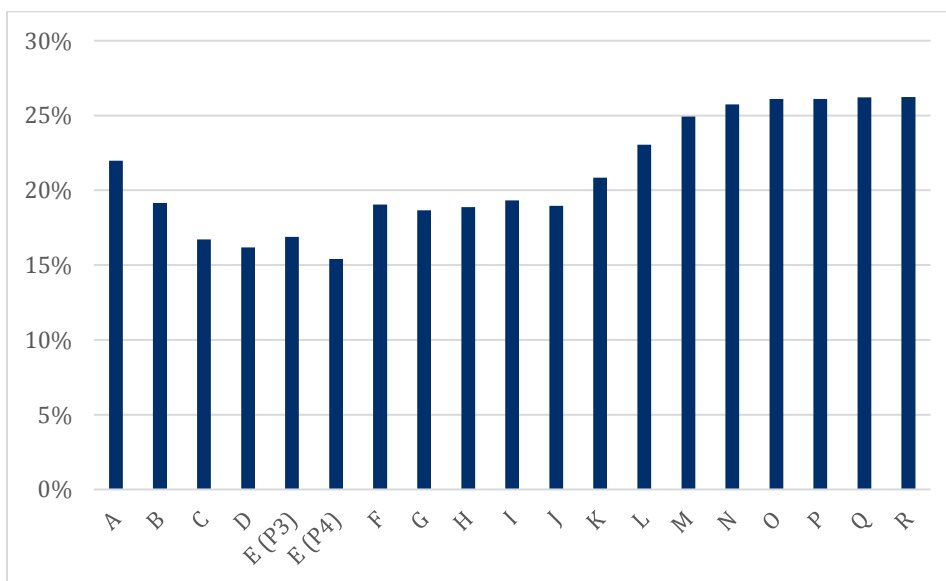
Figure 9: Civil Servant Average Wage by Grade, 2013 and 2014



Source: DHRMD

Wages for every grade have grown by at least 15 percent per year on average since 2007. Junior civil servants, grades N to R, have experienced average annual wage increases of 26 percent for the last 10 years. In recent years, GOM has focused on increasing the wages of the junior civil servants to reduce income inequality within the civil service. In 2014 and 2015, grades A to G received no wage increases at all.

Figure 10: Average Annual Rate of Wage Growth for Each Grade, 2007-2017



Source: DHRMD

4. GROWTH IN NUMBER OF CIVIL SERVANTS

Growth in the number of civil servants has also increased the wage bill. The World Bank has estimated the number of civil servants grew at an average annual growth rate of eight percent from 2009 to 2015.⁷ There are numerous causes for this growth.

Demand for labor

Malawi's growing population is increasing the demand for public services. The population has grown at an average annual rate of 3 percent over the past ten years. This has increased the demand for public services, such as health and education and GOM has responded by hiring more civil servants. World Bank officials reported to the LPFM II team that many teachers were added to the GOM payroll in the past five years. DHRMD's HRMIS management team also reported that 9,000 teacher positions would be added to the public sector establishment in the near future.

Supply of labor

Many Malawians want to join the civil service. Being a government official provides many benefits and opportunities. These include excellent job security, professional development and training opportunities, and access to opportunities to receive allowances. Malawi's weak private sector also pushes many workers to look for jobs in the public service, as there are few large companies that offer good employment opportunities. In addition, many people join the public sector with the knowledge that they can easily run their own business or maintain a second job on the side. Moonlighting is widespread and widely accepted in Malawi.

Administrative challenges

Firing civil servants is very difficult, slow, and often expensive. There is a widespread perception among development partners that the civil service is bloated and inefficient. Many civil servants underperform and add very little value. However, it is hard for GOM institutions to dismiss poor performers quickly. If a manager, referred to as a Responsible Officer in Malawi Public Service Regulations (MPSR 2015), believes that a civil servant is performing his duties incompetently or inefficiently, the manager cannot immediately dismiss the civil servant. Section 239 of the MPSR states that the civil servant must first be issued a warning in writing and given a period of 3-12 months to improve her performance. If the civil servant has not improved at the end of this period, the manager can submit a written report to the appropriate service commission and ask that the official be charged with misconduct, according to section 238. Sections 40(1) and 237 state that the civil servant is then

⁷ DHRMD's HRMIS team informed LPFM II that DHRMD does not have historic data on the number of civil servants. Therefore, this report uses World Bank estimates, which cover the period 2009-2015.

entitled to a fair hearing. If the fair hearing concludes the official has committed an act of misconduct, she can then be dismissed.

According to MPSR, the cost of dismissing a civil servant should be low. Section 40(3) states “A civil servant dismissed...shall forfeit all the terminal benefits to which he or she might otherwise have been entitled except a refund of his or her contribution towards pension.” The challenge facing the government is that dismissed civil servants often successfully argue that they have been wrongfully dismissed and are therefore entitled to additional compensation. There have been a number of court cases in recent years that have awarded large compensation packages to officials who claimed they were wrongfully dismissed.

Former civil servants remain on the GOM payroll. The National Audit Office, with support from World Bank and DFID, conducted a payroll audit in 2015, which led to the removal of 5,000 people from the government’s payroll. However, ghost workers are still a challenge due to the lack of internal controls and processes governing removing officials from the payroll. Many controls and processes are undocumented and are therefore dependent on the expertise and incentives of particular individuals. There are also weaknesses with the HRMIS system, which it make it vulnerable to misuse.

Weak internal controls make it easy to add people to the payroll fraudulently. Malawi Public Service Regulations (2015) provide clear, detailed regulations for managing and controlling the size of the public service and the payroll. The regulations contain sections on creating new positions and filling newly established or vacant posts. However, there are not strong processes and controls in place to control recruitment and prevent people from being added to the public payroll improperly.

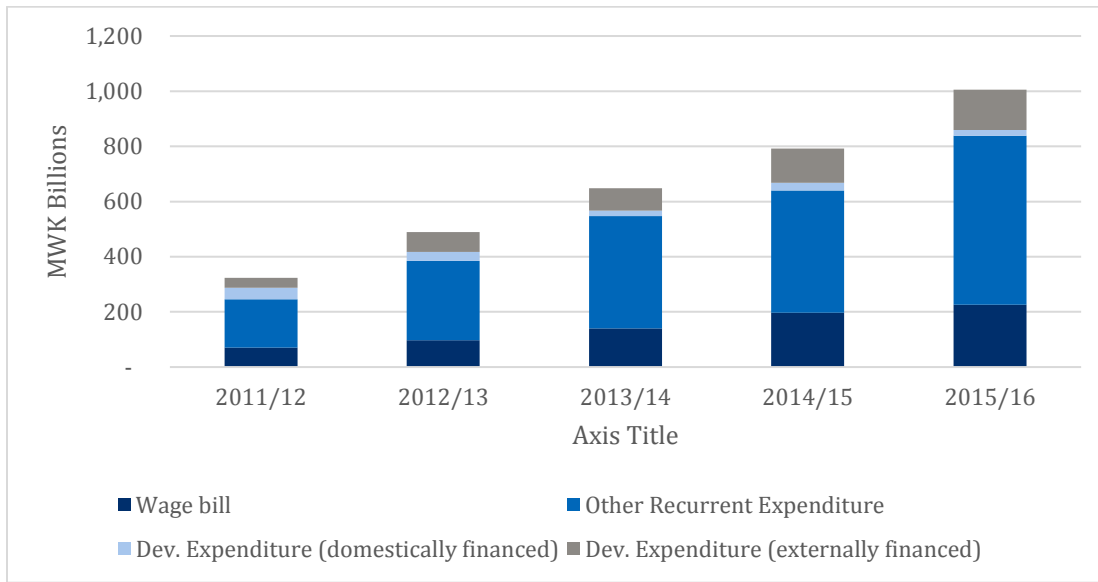
Hiring freezes have been broken. GOM has applied hiring freezes in recent years to try to curb the growth of public sector employees. However, freezes have been lifted at times to allow GOM to recruit new workers for essential sectors (e.g. education and health).

C. FISCAL CONTEXT AND REGIONAL COMPARISONS

I. FISCAL CONTEXT OF MALAWI’S WAGE BILL

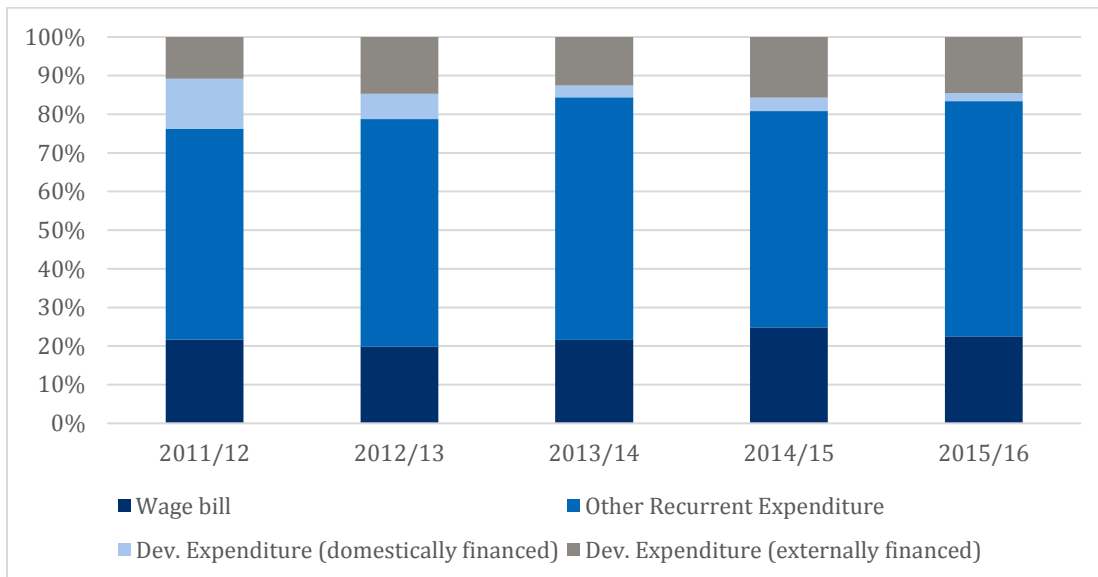
The wage bill (i.e. the Wages and Salaries budget line item) grew at the same rate as total government expenditure from 2011/12 to 2015/16. The wage bill and total government expenditure grew at average annual growth rates of 34 percent and 33 percent, respectively. As a result, the wage bill’s share of total government expenditure has remained almost constant, rising from 22 percent in 2011/12 to 23 percent in 2015/16. All major categories of expenditure increased during this period with the exception of domestically financed development expenditure, which actually halved from MWK 42 billion in 2011/12 to MWK 21 billion in 2015/16. Development partners have picked up the slack, increasing externally financed development expenditure from MWK 35 billion in 2011/12 to MWK 146 billion in 2015/16.

Figure 11: Total GOM Expenditure, 2011/12 to 2015/16



Source: IMF

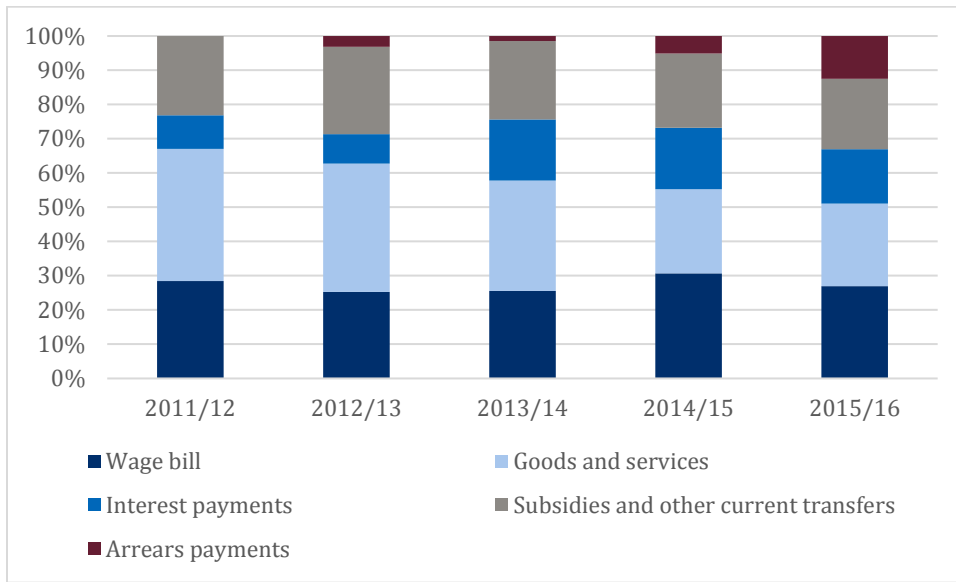
Figure 12: Breakdown of GOM Expenditure, 2011/12 to 2015/16



Source: IMF

The wage bill's share of recurrent expenditure has also been flat. Its share of recurrent expenditure has declined from 28 percent in 2011/12 to 27 percent in 2015/16.

Figure 13: Breakdown of GOM Recurrent Expenditure, 2011/12 to 2015/16

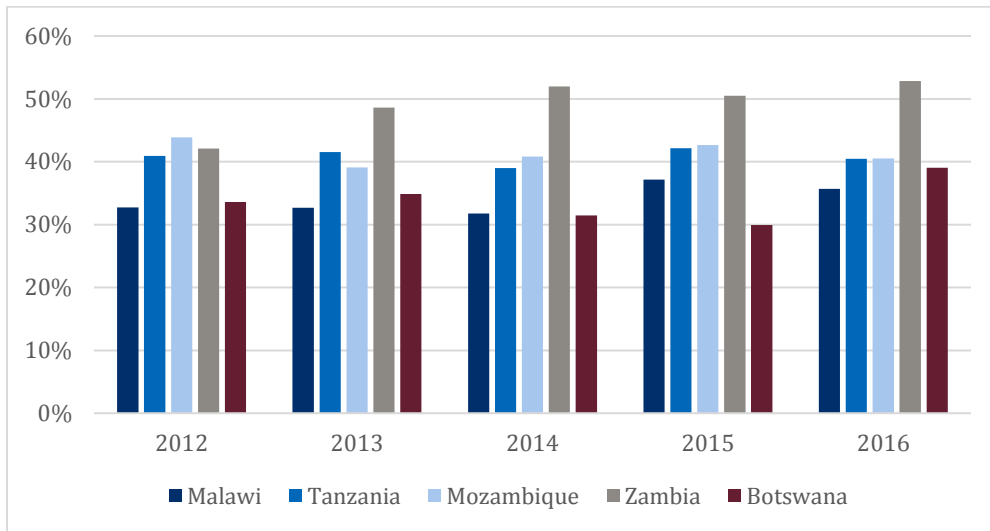


Source: IMF

2. REGIONAL COMPARISONS OF MALAWI'S WAGE BILL

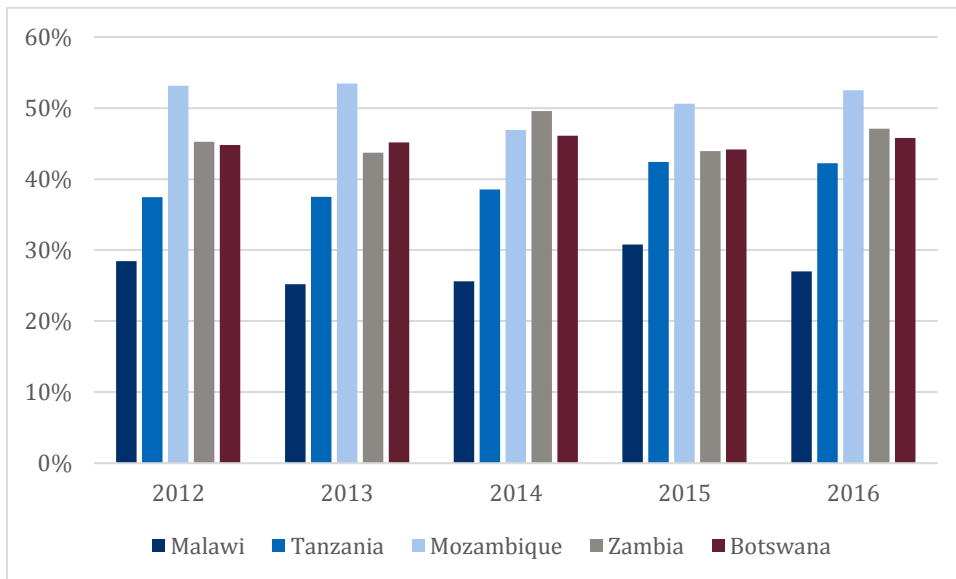
Malawi's wage bill is not high relative to neighboring countries in Africa. As a percentage of total revenue, Malawi's wage bill has been consistently less than Tanzania, Mozambique, and Zambia, and roughly equal to Botswana over the past five years. Comparing the ratio of the wage bill to total recurrent expenditure also shows that Malawi does not have a relatively high wage bill. In fact, as a share of recurrent expenditure, Malawi's wage bill has been lower than Tanzania, Mozambique, Zambia, and Botswana every year since 2012.

Figure 14: Wage Bill Percent of Total Tax and Non-Tax Revenue, 2012-2016⁸



Source: IMF

Figure 15: Wage Bill Percent of Total Recurrent Expenditure, 2012-2016

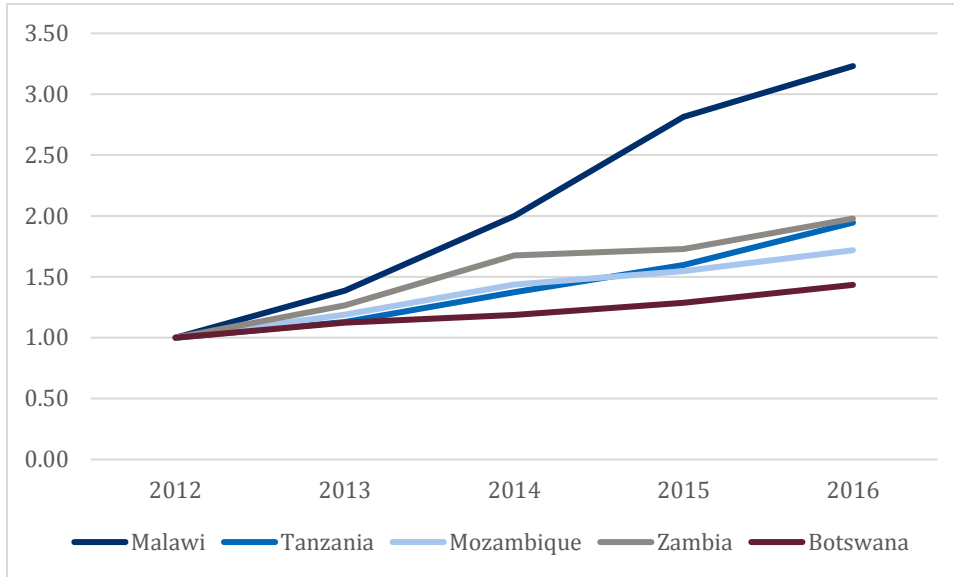


Source: IMF

⁸ Malawi and Botswana’s financial year does not follow the calendar year. The data in this graph is for the latter calendar year of the financial year for these two countries. For example, 2016 data represents the 2015/16 financial year.

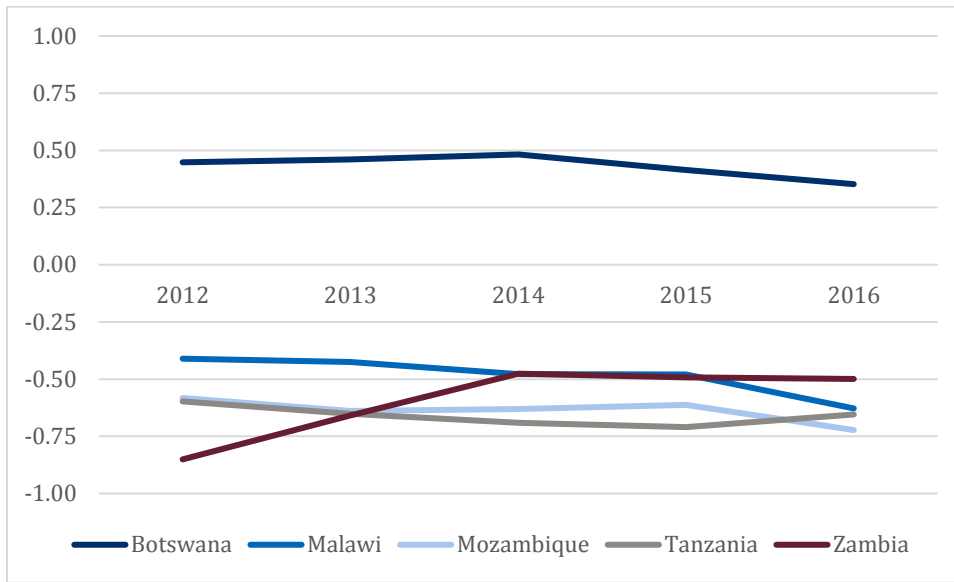
Malawi's wage bill has been growing much faster than its neighbors' wage bills. From 2011/12 to 2015/16, Malawi's wage bill more than tripled, growing at an average annual rate of 34 percent. In contrast, the wage bills of Tanzania, Mozambique, Zambia, and Botswana less than doubled and grew at average annual growth rates of less than 19 percent.

Figure 16: Wage Bills (normalized), 2012 = base year



Malawi's increasing wage bill growth has not resulted in improved governance. Some experts argue for increasing public sector compensation in order to improve government effectiveness by attracting, retaining and motivating higher skilled workers. In Malawi this does not appear to have been very effective. The World Bank's assessment of the effectiveness of governance in Malawi has decreased from 2012 to 2016. Malawi's governance is comparable to Tanzania, Mozambique, and Zambia. However, it lags far behind Botswana, despite having a very similar wage bill, as measured as a share of total revenue (see Figure 14).

Figure 17: World Bank Governance Effectiveness Score,⁹ 2012-2016



Source: World Bank Worldwide Governance Indicators

D. COMPARISON OF CIVIL SERVICE WAGES WITH COST OF LIVING

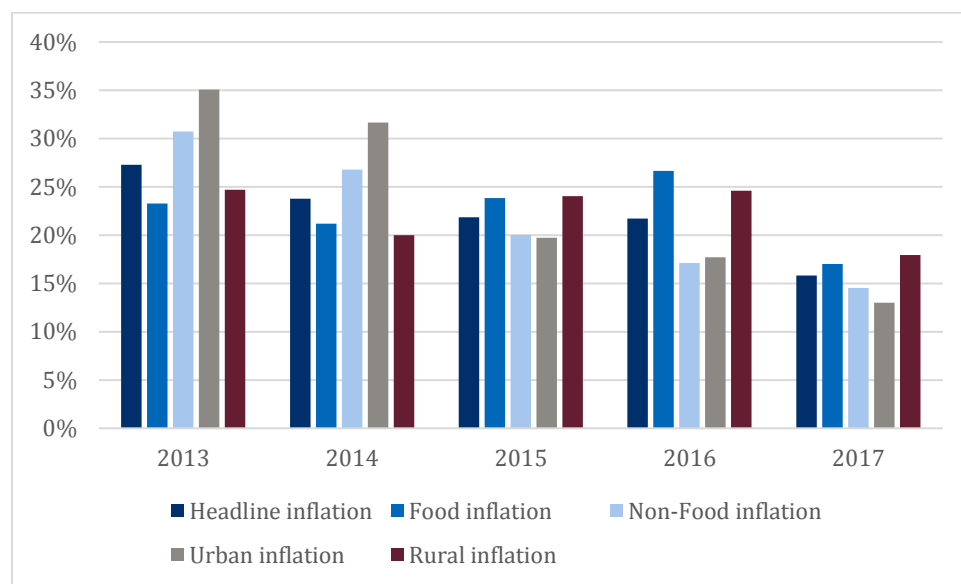
I. RECENT GROWTH IN COST OF LIVING

The cost of living in Malawi has increased rapidly over the past five years. The average annual inflation rate from 2013 to 2016 was 24 percent. The Consumer Price Index (CPI), a weighted measure of the prices of a number of goods including food, increased by 134 percent from 2012 to the end of 2016. Inflation slowed in 2017, but the aggregate effect on purchasing power since 2012 is still very significant. Inflation has been highest in cities, but rural areas have also experienced high inflation. Both food and non-food components of the CPI have experienced high inflation.¹⁰ Food inflation noticeably spiked in 2015 and 2016 when Malawi suffered severe droughts.

⁹ Governance scores range from -2.5 (weak) to 2.5 (strong) governance performance.

¹⁰ Fifty percent of the CPI is food. The other remaining 50 percent consists of goods (e.g. clothing, household goods) and services (e.g. transportation, communication). One notable omission from the Consumer Price Index is housing.

Figure 18: Annual Inflation, 2013-2017¹¹



Source: Malawi National Statistics Office

Malawi’s cost of living has been rising due to a number of factors, many of which are either outside of GOM’s control or unlikely to change in the coming years.

- **Urbanization.** Migration has increased the demand for all goods and services in major cities like Lilongwe and Blantyre, where many civil servants live. According to World Bank, Malawi urbanized at an average rate 3.7-3.9 percent from 1998 to 2008. Urbanization has increased house prices, as the increase in demand for accommodation has not been met by an increase in supply. GOM’s decision to sell off the majority of the public housing stock in recent years has significantly increased the cost of housing for civil servants.
- **Climate and weather.** Malawi suffered severe droughts in 2015 and 2016, which led to severe shortages of maize and other crops. Inflation in 2017 was significantly lower than in recent years in large part due to improved weather conditions.
- **Global price shocks.** As a landlocked country with a small manufacturing sector, Malawi imports many goods. It is therefore very vulnerable to price shocks caused by global macroeconomic events.
- **Wage increases quickly lead to increases in prices, according to the Civil Servants Trade Union (CSTU).** The CSTU reported to LPFM II that an increase in the cost of living quickly offsets the purchasing power benefit of wage increases. It argues that the private sector increases salaries for

¹¹ 2017 inflation rates are year-on-year inflation in March 2017.

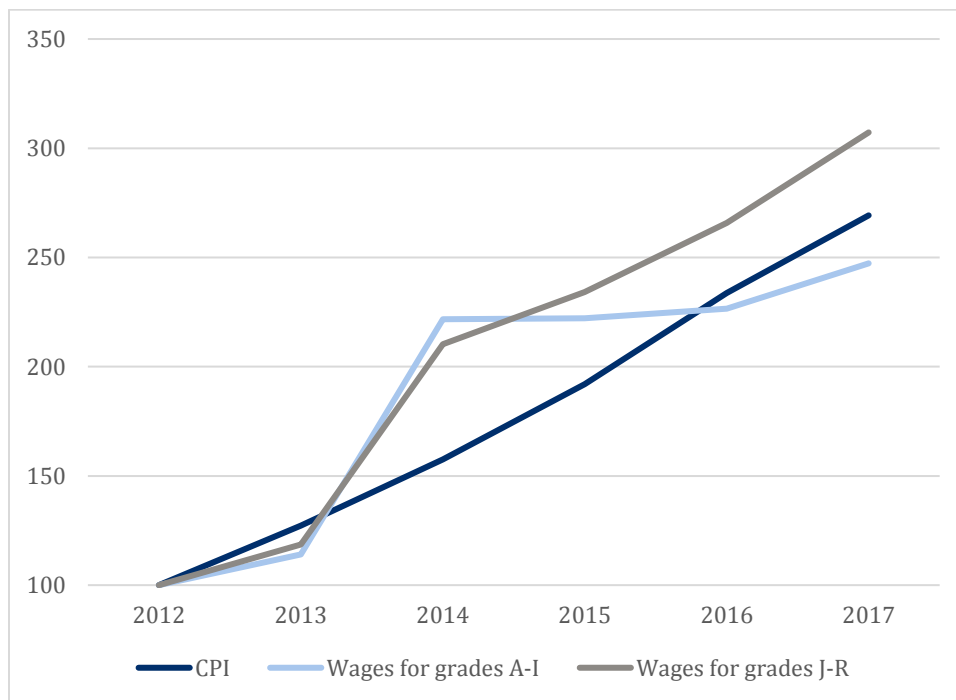
its own workers following an increase in civil service wage rates. Firms then increase the prices of the goods and services they sell in order to maintain their profit margins.

- **Population growth.** Malawi’s population has grown at an average rate of three percent for the past 10 years. This has increased demand for all goods and services but has only slightly increased supply due to Malawi’s low productive capacity.

2. GROWTH IN COST OF LIVING AND CIVIL SERVICE WAGES

Real wages for civil servants have remained fairly constant over the past five years. The cost of living, as measured by the CPI, has grown at an average annual rate of 22 percent since 2012. Wages for professional civil servants (grades A to I) and junior civil servants (grades J to R) grew from 2012 to 2017 at average annual rates of 20 percent and 25 percent, respectively. Therefore, real wages for junior civil servants have slightly increased since 2012, but professional civil servants have seen a small decrease in real wages since 2012 as the growth in the cost of living has outstripped their wage growth. Wages for all civil servants increased significantly from 2013 to 2014 (see Figure 9 for details). Since 2014, wages for junior civil servants have grown at a similar pace as the cost of living. Professional civil servant wage growth has slowed since 2014, resulting in a decline in real wages.

Figure 19: Growth in Civil Servant Wages versus Growth in Prices (Normalized)¹²

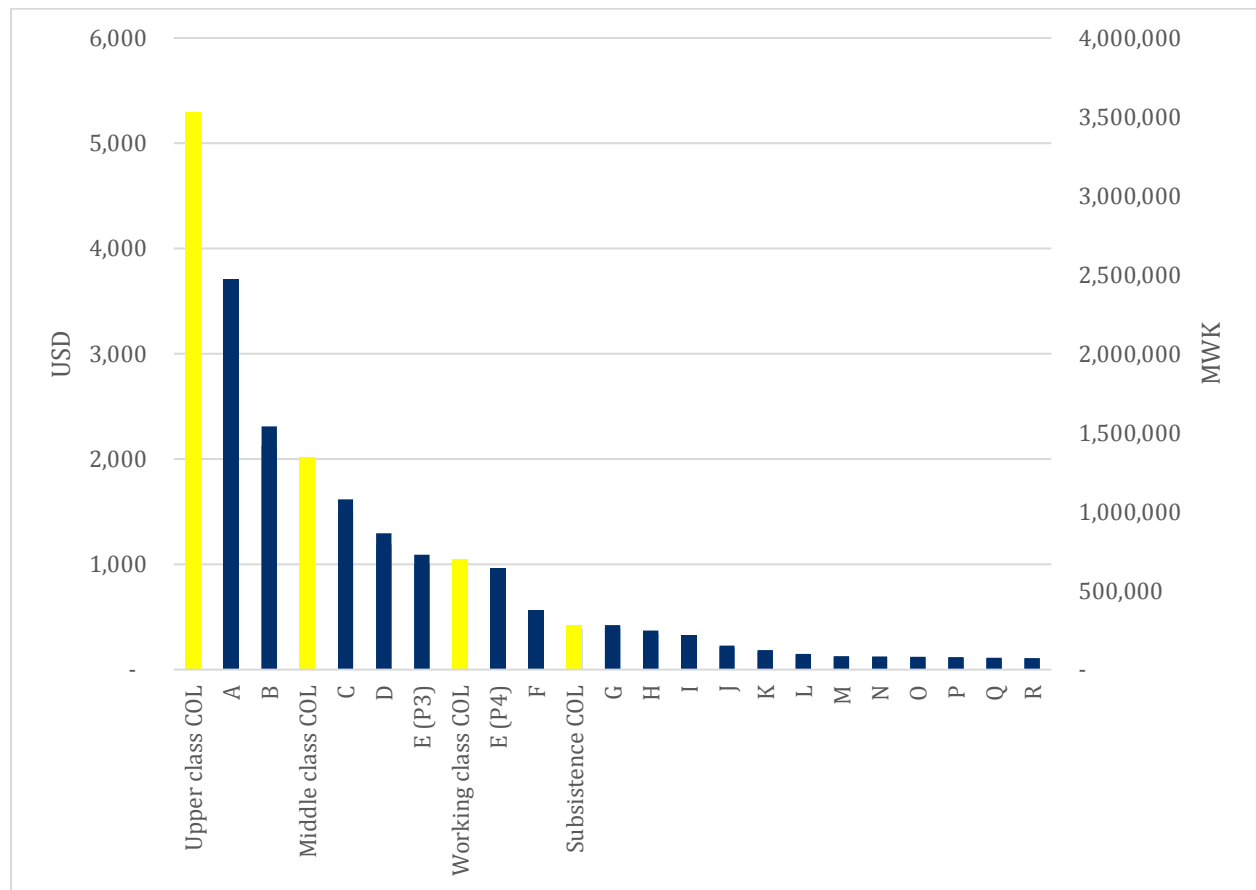


¹² 2017 CPI is from March 2017. 2017 wages are derived from the wage rates that were announced in July 2017.

3. CURRENT COST OF LIVING VS. CIVIL SERVICE WAGES

Ninety-nine percent of civil servants earn a wage that is less than the basic or subsistence cost of living for a family of two adults and four children in Lilongwe. Figure 20 show the monthly civil servant wages for all grades and monthly cost for four standards of living. Table 2 outlines the inputs and assumptions that define and determine the costs for the four standards of living displayed in Figure 20. Civil servants at grade G and below, which includes 99 percent of all civil servants, earn an average monthly wage that is below the basic/subsistence cost of living. Only civil servants at grades A and B (e.g. Chief Secretary, Chief Justice, Secretary to Treasury) earn a wage that is greater than the middle class standard of living.

Figure 20: Monthly Civil Servant Wages¹³ and Monthly Cost of Living (COL) in Lilongwe, MWK and USD



¹³ Average wages rates are calculated using the new wage rates announced in July 2017.

Source: DHRMD, CFSC

4. COST OF LIVING COMPONENTS AND ASSUMPTIONS

TABLE 2: MONTHLY COST OF LIVING FOR A FAMILY OF SIX PEOPLE, MWK, MAY 2017

Standard of living	Food	Essential Non-Food Items	Rent	School Fees	Total
Basic / Subsistence	90,164	53,321	39,656	100,000	283,141
Working class	180,328	53,321	67,000	400,000	700,649
Middle class	270,492	53,321	156,167	866,667	1,346,646
Upper class	360,656	53,321	653,167	2,466,667	3,533,810

Source: Center For Social Concern, newspaper adverts, schools

Food – The food costs for the basic/subsistence standard of living come from Center for Social Concern’s (CFSC) May 2017 estimate of the cost of a basket of basic food items for a household of six people in Lilongwe. The food costs for the working class, middle class, and upper class levels apply multiples of 2X, 3X, and 4X to the CFSC basket, based on the assumption that higher standards of living demand a greater quantity and quality of food.

Essential Non-Food Items – These items primarily include utilities such as electricity and running water. It is assumed that the costs of these items will be similar for households of six people for all four living standards.

Rent – Rental rates for the upper, middle, and working class standards of living are taken from a sample of newspaper adverts in September 2017 for self-contained houses in different areas of Lilongwe. Rents for upper class accommodations were taken from low-density neighborhoods such as areas 10, 12, and 47. The middle class standard of living rent is taken from medium density areas such as areas 15, 18, and Gulliver. Rent for the working class standard of living is for properties in high-density areas like 25A, 23, and Kawale. Rents for the basic/subsistence level are taken from Center for Social Concern’s Basic Needs Basket May 2017 report, which provides the rent for very basic accommodation.

School Fees – School fees costs for all four standards of living assume that a typical household is paying the school fees for four children. The upper class standard uses the average school fees for international schools such as Kamuzu Academy, St Andrews, and Bishop Mackenzie. The middle class standard uses the typical school fees for good quality private schools such as Kalibu Academy and St Patrick’s

Academy. The working class standard uses the school fees for cheaper private quality schools. Finally, the basic or subsistence level uses the average fees for government sponsored secondary schools.

5. CIVIL SERVANTS' PERSPECTIVES ON WAGES AND THE COST OF LIVING

Civil servants reported in discussions with LPFM II that (i) current wages are not sufficient to meet the cost of living, and (ii) the cost of living is growing faster than their wages. LPFM II discussed the cost of living with civil servants from DHMD, Ministry of Education, Ministry of Health, Ministry of Finance, Economic Planning, and Development, DHRMD, Civil Servants Trade Union, and teachers from Magwero Primary School. Civil servants from every institution agreed that civil service wages are not sufficient to meet the cost of living and the gap between wages and the cost of living has been increasing in recent years.

Civil servants report that the price of accommodation is growing rapidly. House prices and rents for accommodation are growing strongly in Lilongwe. Ministry of Finance, Economic Planning, and Development officials reported that overnight rent hikes of 50 percent are not uncommon. One official shared that his rent increased from 90,000 MWK per month in 2016 to 130,000 MWK in 2017. The sell-off of government housing in recent years has resulted in very few civil servants having government-provided accommodation.

Transportation to and from work is a significant expense, especially for junior civil servants. Many civil servants have to pay 500 to 1,000 MWK per day for bus tickets. This is a monthly cost of 20,000 to 40,000 MWK. The monthly wage for a junior civil servant ranges from 73,000 MWK (grade R) to 152,000 MWK (grade J). Therefore, many civil servants have to spend 20-50 percent of their wages just on commuting costs.

Teachers are particularly vulnerable to the high cost of living. Teachers in Malawi receive low wages. Many teachers are in Grade L, which has an average salary of around 1.2 million MWK (100,000 MWK per month). Teachers interviewed by LPFM II reported that their starting wage is just 80,000 MWK per month and year-to-year increases are usually very small. Unlike many other civil servants, teachers do not have the opportunity to boost their compensation with subsistence allowances by attending workshops and trainings. Some teachers receive free housing, but it is not a universal benefit. In urban areas, free housing at the school is usually only given to the head teacher and deputy head teacher. In rural areas, around 50 percent of teachers receive free housing on the school premises. Teachers in rural areas receive a hardship allowance but it very small, just 10,000 MWK per month (14 USD).

E. ALLOWANCES AND ALLOWANCE SEEKING BEHAVIOR

I. TYPES OF ALLOWANCES PAID BY GOVERNMENT OF MALAWI

There are two broad categories of allowances: fixed and variable. Allowance seeking behavior primarily applies to variable allowances.

- **Fixed allowances include housing, fuel, and hardship allowances.** Allowances are fixed in the sense that civil servants cannot affect whether they will receive the allowance through their own behavior. Only certain civil servants of certain grades or professions are entitled to these allowances, which are fixed for a month or year.
- **Variables allowances include subsistence allowance and external travel allowance.** Civil servants can influence the amount of variable allowances that they receive by travelling for work. All civil servants receive the subsistence allowance while they are travelling for work within Malawi. All civil servants are entitled to a variable allowance if they engage in an activity (e.g. attend a workshop) that pays allowances. The allowances are variable in the sense that the amount a civil servant receives depends on the number of events he/she attends that pay allowances.

The rates of majority of allowances have not been updated for several years. For example, the subsistence allowance that is paid to officials when full board accommodation is not provided has not been updated since 2011. Hardship allowances for teachers have not changed since 2010.

TABLE 3: DATES WHEN KEY ALLOWANCES WERE LAST UPDATED

Allowance	Year when rates for allowances were last updated	Description of allowance
Subsistence allowance (where accommodation is not provided)	2015	Paid to officials travelling on duty within Malawi
Subsistence allowance (where bed and breakfast accommodation is provided)	2007	Paid to officials travelling on duty within Malawi
Subsistence allowance (where full board accommodation is provided)	2011	Paid to officials travelling on duty within Malawi
Meal allowance	2010	Paid to officials who are required to travel and work outside their duty stations for eight hours or more but are not staying overnight
Hardship allowance	2010	Paid to teachers who serve in remote areas
External travel allowance	2009	Paid to officials traveling outside of Malawi on official duties
Leave grant	2014	Paid to all officials once per year

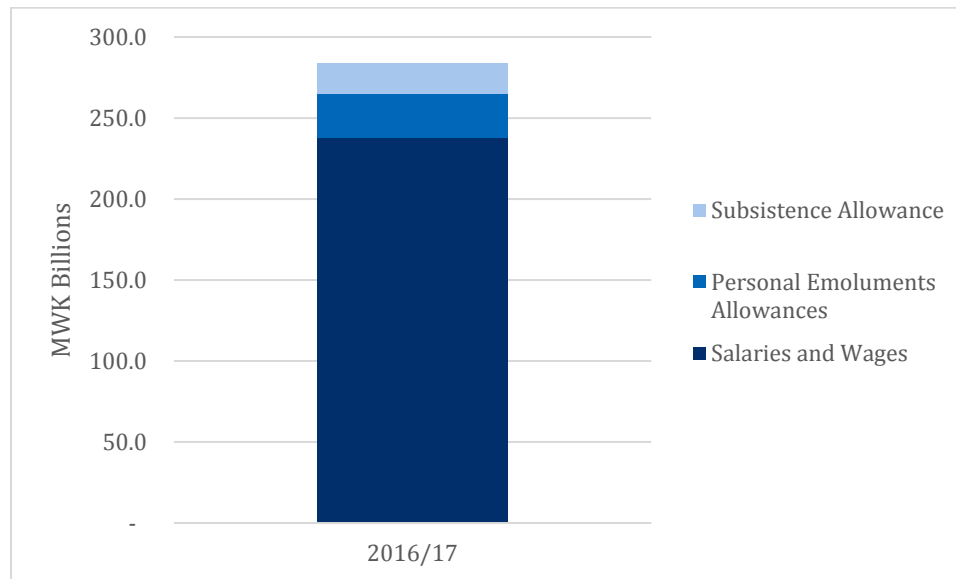
Source: DHRMD

2. COST OF ALLOWANCES

Relative to expenditure on salaries and wages, spending on allowances is small. 2016/17 expenditure on salaries and wages (238 million MWK) was over five times greater than the total expenditure on all personal emoluments allowances and subsistence allowance (46 million MWK).

The precise expenditure on allowances may differ from the official figures recorded in GOM's information systems. In theory, all allowance expenditure should be recorded under the appropriate expenditure codes in the IFMIS. However, multiple sources reported to LPFM II that allowances are sometimes not recorded using the correct code in order to hide allowance payments.

Figure 21: 2016/17 Revised Estimates for Salaries and Wages, Personal Emoluments Allowances and Subsistence Allowance¹⁴



Source: Ministry of Finance, Economic Planning and Development

¹⁴ Figures 21 and 22 and Table 4 include expenditure on all personal emoluments allowances and subsistence allowance. They do not include expenditure on allowances classified as Goods and Services expenditure, other than subsistence allowance. These Goods and Services allowances include the external travel allowance and fuel allowance. LPFM II was unable to obtain data on these allowances from Ministry of Finance, Economic Planning and Development.

Figure 22: 2016/17 Revised Estimates for Expenditure on Personal Emoluments Allowances and Subsistence Allowance

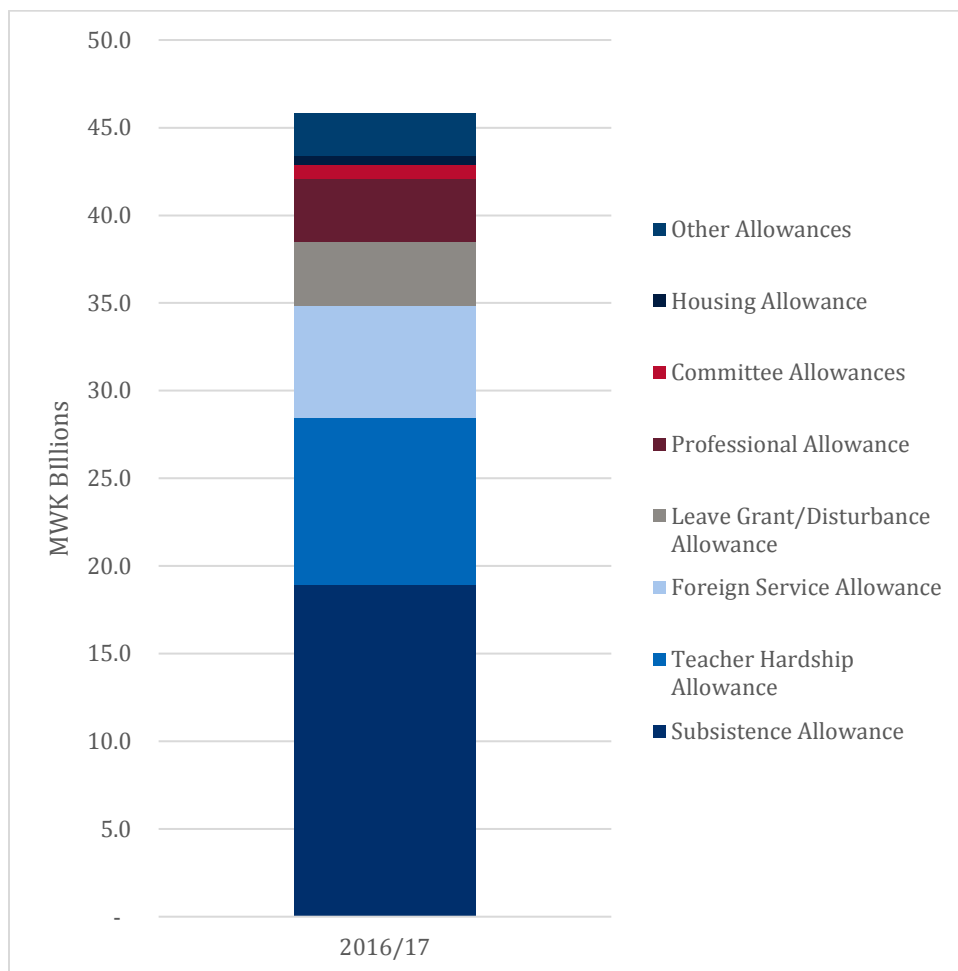


TABLE 4: 2016/17 EXPENDITURE FOR ALL ALLOWANCES

Budget classification	Allowance	2016/17 Expenditure (Revised Estimate), MWK Millions
	Committee Allowances	780
	Leave Grant/Disturbance Allowance	3,688
	Teacher Hardship Allowance	9,531

Professional Allowance	3,595
Housing Allowance	524
Special Medical Allowance	327
Other Allowances (Honoraria)	515
Duty Allowance	95
Entertainment Allowance	6
Fringe Benefits	-
House Allowance Tax Free	216
Responsibility Allowance	10
Ministers' Superannuation Scheme	427
Ministers' Motor Vehicle Maintenance Allowance	274
Ministers' Constituency Allowance	170
Water Allowance	218
Security Guard Allowance	2
Mobile Telephone Allowance	1
Foreign Service Allowance	6,325

	Children Allowance	87
	Representative Allowance	46
	Acting Allowance	-
	Entertainment Allowance	41
	Subsistence Allowance	18,963
	External Travel Allowance	Data not available
	Meal Allowance	Data not available
	Field Allowance	Data not available
	Fuel Allowance	Data not available

Source: Ministry of Finance, Economic Planning and Development

3. NOTABLE FIXED ALLOWANCES

Fuel allowance is a highly lucrative cash allowance for senior civil servants. Only civil servants in grades A to C (i.e. Chief Secretary, Deputy Chief Secretary, and Principal Secretary) are entitled to the allowance. The fuel allowance provide a significant source of compensation for senior civil servants. A 2,500-liter monthly fuel allowance for grade A civil servants such as the Chief Justice is almost is equal to over 80 percent of the grade A annual wage. For principal secretaries (grade C), the fuel allowance is equal to more than one-third of their wage. The fuel allowances provided far exceed the fuel any civil servant would actually require for work-related travel. Five hundred liters would enable a vehicle to travel approximately 4,000 kilometers per month.

TABLE 5: COMPARISON OF FUEL ALLOWANCE WITH ANNUAL WAGES OF SENIOR CIVIL SERVANTS

Grade	Monthly Fuel Allowance (Liters)	Current Fuel Price/Liter (MWK)	Approximate Annual Cash Received (MWK)	Current Annual Wage (MWK)	Fuel Allowance % of Wage
A	2500	825	24,750,000	29,705,034	83%
B	750	825	7,425,000	18,480,480	40%

C	500	825	4,950,000	12,948,216	38%
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Sources: 2012 Approved Conditions of Service for Judicial Officers; A Review of Medium Term Pay Policy (MTPP), October 2005

4. NOTABLE VARIABLES ALLOWANCES

Subsistence allowance is a significant income stream for some civil servants. Civil servants can significantly increase their compensation by travelling to events in Malawi and collecting domestic subsistence allowance. Subsistence allowance is the allowance that is most closely associated with allowance seeking behavior. Officers receive subsistence allowance while travelling within Malawi. It can provide significant extra income for civil servants. For example, if a grade H civil servant attends a 3-day workshop where no accommodation is provided, she receives MWK 60,000. This is equal to almost 25 percent of her monthly wage of MWK 247,000. This is highly valuable especially if the civil servant can stay with friends or family for no cost. The subsistence allowance is far less lucrative for events that provide accommodation. Civil servants who travel to attend events organized by development partners should not receive the subsistence allowance from GOM. For these events, the development partner is responsible for covering travel costs and/or providing cash allowances.

TABLE 6: DOMESTIC SUBSISTENCE ALLOWANCE RATES

Grade	Current rate (MWK)		
	No accommodation	Bed and Breakfast	Full Board
A	40,000	4,700	2,000
B-C	35,000	4,400	1,500
D	30,000	4,200	1,000
E-F	25,000	3,700	800
G-I	20,000	2,800	500
J-K	15,000	N/A	N/A
L and below	10,000	N/A	N/A

Source: DHRMD

5. EXTENT OF ALLOWANCE SEEKING BEHAVIOR

There is a widespread perception that there is a strong allowance seeking culture in the public sector. This is a concern because allowance seeking leads to unnecessary government expenditure and reduces the productivity of GOM institutions. However, acknowledgement of

allowance seeking behavior varies among civil servants. Some officials admitted that allowance-seeking behavior is very common in the civil service, civil servants frequently attend events not related to their official responsibilities, and managers send more officials to events than is necessary. Some government officials argued that allowance-seeking behavior is not common in their ministries but is prevalent in other institutions. They stated that their officials travel frequently but argued that most trips are necessary to monitor and evaluate development projects. Some officials argued strongly to LPFM II that allowance-seeking behavior does not occur in their ministry. Officials only attend events that are necessary and aligned with their official responsibilities.

6. CONSEQUENCES OF ALLOWANCE SEEKING BEHAVIOR

Allowance seeking behavior limits the effectiveness of workshops and events. Many senior civil servants do not attend important conferences and workshops unless they generate allowances. If there are no allowances available, they send junior civil servants to attend in their place, which reduces the effectiveness of the events. In addition, civil servants sometimes register for two concurrent events so that they can collect allowances from both events. This inevitably means that civil servants end up missing important sessions from one or both events.

GOM institutions are often understaffed and unable to carry out their operations. Many civil servants are often not at their workstation as they are attending allowance-paying events in other towns. Many events take place in nearby towns or cities so that civil servants can travel and be entitled to allowances. For example, many GOM institutions based in Lilongwe hold events in towns like Mponela and Salima. Some civil servants argue that they are more productive at offsite events because other issues do not distract them. However, the absence of staff hurts the productivity and effectiveness of GOM institutions' projects and operations. LPFM II viewed this problem firsthand. Some officials invited to a meeting at Ministry of Education with the LPFM II team did not attend because they were attending an offsite event.

Many civil servants believe that allowances create unfair differences in the compensation of civil servants with similar qualifications and experience. Civil servants in the same grade may have very different total compensation due to differences in allowances. Officials whose jobs provide travel opportunities end up with far greater income due to the travel allowances they receive. In addition, two officials in the same grade in the same institution may have different compensation depending on the extent that their managers permit and encourage travel to events.

7. CAUSES OF ALLOWANCE SEEKING BEHAVIOR

Civil servants need additional income to meet the cost of living. Civil servants in multiple ministries told LPFM II that it is very difficult to support their families on their civil service wage alone. Allowances, in particular the subsistence allowance, are an invaluable source of additional income, especially as they are not taxable.

Managers often encourage and facilitate opportunities for civil servants to claim allowances. Managers are aware of the financial pressures that civil servants face. Some managers encourage their staff to attend events that pay allowances, send more employees than are necessary to attend events, and organize events away from the place of work to enable allowances to be paid.

Not all development partners adhere to Malawi’s allowance harmonization policy.¹⁵ All major development partners have agreed to follow a uniform policy that governs paying allowances to civil servants. According to the policy, no cash allowances should be paid to civil servants that attend events such as workshops and trainings. The development partner should pay for the hotel that will provide the accommodation and meals to the civil servants. If it is not possible for the development partner to cover the actual costs for a given event, the policy allows small allowances to be paid to civil servants.¹⁶

The intent of the policy is to prevent an allowances arms race in which development partners compete to attract civil servants to attend their events by offering the greatest cash allowances. Many development partner projects adhere to the policy. However, some projects do not. Many GOM institutions and civil servants strongly dislike the policy, preferring that development partners pay cash allowances. Some development partner projects bow to this pressure and pay cash allowances to civil servants. In some cases, development partners have foregone a project because experience or discussions with Government has indicated that allowances will be expected, thus giving an impression that full buy-in for the program does not exist. Therefore, per diem related issues have begun to shape how development partners are engaging with Government and remain an unfortunate source of frustration on all sides.

F. INSIGHTS AND RECOMMENDATIONS

I. REDUCING EXPENDITURE ON LABOR COSTS

Reducing the growth of the wage bill should not necessarily be a priority for Government of Malawi. Malawi’s wage bill is not high relative to neighboring countries and its share of total expenditure is not growing. Decreasing either salaries or the size of the public sector workforce would be problematic. Salaries are already not sufficient to meet the cost of living and reducing the number of government officials could further weaken Malawi’s already stretched public services.

GOM should focus on increasing the productivity of government officials, rather than decreasing salaries and wages. Malawi’s wage bill is similar to Botswana’s but its quality of governance and public services is much lower. Reforming allowances to reduce allowance seeking behavior is one way to increase productivity (see section 2. Reducing Allowances and Allowance Seeking Behavior).

¹⁵ The name of the policy is “Donor Guidelines on Harmonized Daily Subsistence, Fuel and Transport Allowances (DSA) Applicable to Events and Missions Financed under Development Partners Programmes in Malawi.”

¹⁶ The limits for the allowances are lunch: MWK 2,500; dinner: MWK 4,000; accommodation: MWK 13,500.

If GOM wants to limit the growth of the wage bill, it should consider a balanced approach that addresses both salaries and allowances. As wages and salaries are a much larger percent of spending than allowances, efforts to reduce labor costs would necessarily require a reduction in salaries and wages or a reduction in the number of government officials. 2016/17 expenditure on salaries and wages was over five times greater than expenditure on all personal emoluments allowances and subsistence allowance. Ninety percent of the official wage bill, which covers salaries and wages and personal emoluments allowances, is driven by expenditure on salaries and wages. At the same time, many allowances create adverse incentives for employees and managers. Therefore, GOM may also consider reducing spending on allowances, especially the domestic subsistence allowance. This should be achieved primarily through improved internal controls and official procedures to obtain allowances.

Reducing the growth of the wage bill will require significant political will. Slowing the growth of wages will be very unpopular among civil servants who strongly believe that current wages are insufficient to meet the cost of living. Cutting the number of civil servants is also difficult because government services such as health and education are very weak and the private sector does not have the capacity to absorb a significant increase in workers. Multiple development partners expressed doubts to LPFM II that GOM has the political appetite to champion reforms that would make a significant impact on the wage bill.

Containing inflation will help slow the growth of civil servant wages. Civil servant wages grew at an average annual rate of 26 percent from 2012 to mid-2017. During this same period, annual inflation averaged 22 percent. Therefore, real wages have only slightly increased despite major increases in nominal wages. Inflation moderated significantly in 2017. If this trend continues, it will be easier for GOM to slow the growth of wages. However, if inflation returns to high levels, GOM will face significant pressure from civil servants to continue approving significant wage rate increases every year.

Reducing the growth in the number of civil servants will be very challenging, both politically and financially. Malawi's public services are weak and more civil servants are required in many sectors. For example, many schools are overcrowded. Civil servants told LPFM II that it is not uncommon for there to be more than 100 students per class in a public school. The solution is to hire more teachers, and GOM has recently responded by creating 9,000 new teacher positions in the civil service establishment. GOM will continue to face pressure from citizens to improve public services and hire more civil servants. Laying off large numbers of civil servants is also not a realistic option from a financial perspective. The World Bank has considered funding a retrenchment program over the past few years, but has declined to move forward because the costs of retrenchment are so high.

Strengthening payroll internal controls will help curb wage bill growth. GOM needs to strengthen the processes that govern adding and removing people from the public sector payroll. Tighter controls and oversight are needed to stop people being fraudulently added to the payroll. In addition, officials who have retired or quit need to be removed from the payroll immediately. Internal controls will be strengthened when DHRMD's human resource management information system (HRMIS) is integrated with Ministry of Finance's integrated financial management information system (IFMIS). The integration will be more effective if it is complemented with new policies and processes for payroll management.

Continuing the current hiring freeze will help GOM slow the growth of the public sector workforce. A hiring freeze has been in place across GOM over the past couple of years. GOM should maintain this freeze and not replace officials who retire if it wants to reduce the growth of the wage bill.

Implementing an effective performance management system will help GOM remove non-performing civil servants and reduce the size of the civil service. It is very difficult for GOM institutions to fire nonperforming or underperforming civil servants. The absence of an adequate performance management system means that institutions do not have a body of evidence to justify termination decisions. There have been a series of court cases where terminated officials have won large settlements for wrongful dismissal, as GOM could not demonstrate that the official had persistently underperformed.

Reducing the number of senior civil servants would not have a significant impact on the wage bill. Some mid-level civil servants believe there is an excessive number of senior civil servants that bloat the wage bill. According to DHRMD, there are currently 68 officials at grades A to C (3 at grade A, 7 at grade B, and 58 at grade C). Their total annual wages are around 1 billion MWK, less than one percent of the forecasted total wage bill of 300 million MWK for 2017/18. Therefore, a reduction in the number of senior civil servants would not have a material fiscal impact on the wage bill.

2. REDUCING ALLOWANCES AND ALLOWANCE SEEKING BEHAVIOR

Decreasing allowance seeking behavior could potentially reduce GOM expenditure in two ways. First, expenditure on variables allowances such as the subsistence allowance and external travel allowance would decline if there were fewer officials traveling to events, both inside and outside of Malawi. Second, demands to hire new civil servants would decline as the productivity of existing civil servants would increase.

Reducing allowances or access to opportunities to receive allowances without an offsetting increase in salaries would have a major financial impact on civil servants. Many civil servants told LPFM II that they depend on allowances to supplement their wages. Without allowances, they do not earn enough to meet the cost of living and provide for their families.

A reduction in subsistence allowance rates combined with an increase in salaries would increase compensation equality and labor productivity. Currently two civil servants at the same grade can have very different total compensation depending on their opportunities to travel for work and receive subsistence allowance. Reducing subsistence allowances rates would also reduce allowance seeking behavior and in turn increase productivity.

Integrating allowances into wages will have a very limited impact on total government expenditure and would be challenging for variable allowances. Some stakeholders suggested that allowances should be “rolled in” to wages so that civil servants receive only one payment that covers their wage and allowances. It is not clear how combining the two would reduce total expenditure, unless this reform was combined with a cut in rates for allowances. This could result in a potential reduction in administrative costs, as there would be fewer payments to process, but the fiscal impact of this reduction would be minor. In addition, “rolling in” would only be straightforward for fixed allowances, such as fuel and housing. Variable allowances, such as the domestic subsistence allowance, depend on the activity of each civil servant. This activity is unknown in advance and changes from

month-to-month and year-to-year for each civil servant. Therefore, rolling variable allowances into wages would be challenging.

Stronger cooperation mechanisms are needed to incentivize all development partners to abide by the allowance harmonization policy. This policy instructs development partners to, whenever possible, finance actual travel expenses (e.g. pay for hotel accommodation directly) and provide very limited cash allowances to civil servants. However, not all development partner projects adhere to this policy, which creates opportunities for allowance seeking behavior. This issue is a representation of the classic prisoner's dilemma problem. It is in the mutual best interest of all development partners to cooperate and adhere to the policy. However, in the absence of a strong cooperation mechanism, individual development partner projects may be tempted to "cheat" and attract more civil servants to their events by offering cash allowances in excess of allowances permitted by the allowance harmonization policy.

GOM should implement stricter internal controls and reporting requirements to provide greater transparency on the fiscal cost of allowances. Currently, some GOM institutions record allowance expenses under incorrect budget line items to hide the transactions. In addition, unlike wages, GOM's annual financial statements do not include expenditure on allowances. Transparent reporting would reveal the true fiscal impact of allowances and help GOM and development partners to determine the appropriate course of action to take.

GOM needs to improve management processes and controls for approving travel for civil servants. Allowance seeking behavior seems to vary across the civil service and is dependent on the culture and leadership of individual institutions. If operationalized by managers across the civil service, stronger guidelines and approval processes governing travel and attending events may help to limit allowance seeking.

Events run by development partners may sometimes negatively affect the productivity of GOM institutions, but they do not have a fiscal impact. When civil servants attend a training or workshop run by a donor, they should not receive allowances from their GOM employer. The development partner covers the travel-related costs (e.g. accommodation, food) of the civil servants.

ANNEXES

ANNEX A – STAKEHOLDERS CONSULTED

Organization
Department of Human Resources, Management and Development
Ministry of Finance, Economic Planning and Development
Ministry of Education
Ministry of Health
National Statistics Office
Civil Servants Trade Union
Magwero Primary School
Center For Social Concern
United States Agency for International Development (USAID)
United States Embassy
USAID Local Government Accountability and Performance (LGAP) project
USAID Human Resources for Health 2030
World Bank
Department for International Development (DFID)
European Union
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
African Development Bank (AFDB)

ANNEX B – DATA LIMITATIONS

This report utilizes information and data obtained from public sources, meetings with development partners, civil servants, and NGOs in Malawi, and datasets provided by GOM’s Department of Human Resources Management and Development, Ministry of Finance, Economic Planning and Development, and National Statistics Office.

LPFM II was unable to obtain data on two issues, which limit the analyses and insights of this report.

- **Historical data on number of civil servants.** LPFM II met with the unit of DHRMD that manages the human resource management information system (HRMIS) to request data on the number of civil servants employed in each grade for past years. DHRMD stated that historic data is unavailable as HRMIS only contains current data and snapshots of the data in past years were not taken.
- **Fiscal cost of all allowances.** Unlike wages, total allowances for GOM are not reported in GOM’s annual financial statements. Total allowances for votes in the GOM budget are also not reported. In theory, all allowance expenditure should be recorded under the appropriate expenditure codes in the IFMIS. For example, there are particular codes for the domestic subsistence allowance (2104) and external travel allowance (2202). However, multiple sources reported that allowances are often not recorded using the correct code. This is done intentionally to hide allowance payments. This report contains allowances expenditure data that was extracted from GOM’s information systems and provided by Ministry of Finance, Economic Planning and Development. The data is limited, though, as only one year was provided, and it does not cover all allowances that are classified as Goods and Services expenditure.