



Health

MALAWI BUDGET BRIEF



KEY MESSAGES AND RECOMMENDATIONS

- The health sector has received about 9.4% of the National Budget in 2021/22, in line with the average allocation of the past five years. It has however been overtaken by transport and public works (10.5%) to become the fourth national spending priority after education (16.5%), agriculture (14.3%), and not counting debt servicing (15.1%).

Recommendation: Government is encouraged to keep the current investment levels in the health sector to avoid losing ground on the achieved outcomes. At the basic minimum, the current level of allocations (9.4% of the total budget) should not be reduced in the medium-term expenditure framework (MTEF).

- Government allocated MK5 billion to support the COVID-19 response in the health sector, with MK2.72 billion directed towards COVID-19 related other recurrent transactions (ORT) for local government authorities (LGAs). However, LGAs received a flat allocation of MK100 million, without consideration of the differences in districts' COVID-19 burden and financial needs¹.

Recommendation: Government should ensure evidence-based planning and budgeting, strengthening the application of available public finance management (PFM) frameworks and guidelines such as the revised health resource allocation formula (HRAF) and continuously building the capacity of health planners, including at district level in strategic planning, budgeting and spending in the framework of the continued COVID-19 emergency.

- The health sector remains the second largest decentralized sector, receiving 27% of the total planned transfers to LGAs or 43% of the total health sector budget in 2021/22.

Recommendation: Government is encouraged to further strengthen health financing and expenditure systems at sub-national level to support the highly decentralized service delivery.

- There are significant discrepancies between allocated, disbursed and executed health budgets, especially for donor-funded development projects (DI). These are linked to a combination of project management, procurement, and absorption capacity challenges.

Recommendation: Government and donor partners are encouraged to work together to address identified challenges including delays in disbursement, low absorption capacity, and red tape in procurement and management of donor funded health sector development projects. The implementation of the recommendations of the Budget Absorption Study commissioned by the Ministry of Health (MoH) will be a welcome first step towards solving these issues.

- The high incidence of off-budget donor funding in the health sector is contributing to fragmentation in planning and financial management, reducing the sustainability of health financing in Malawi, which could lead to negative implications on service delivery.

Recommendation: The finalization of the Health Sector Financing Strategy (HSFS) offers Government the chance to pursue efficiency gains, optimizing the use of the available financing, whilst promoting a sustainable, efficient and resilient health system.

The Government allocated
MK4.3 billion to support
the COVID-19 response in
the health sector.

¹ Likoma only received MK20 million.

INTRODUCTION

This budget brief provides a synopsis of the size and composition of budgetary allocations to the health sector in fiscal year (FY) 2021/22, focusing on key health sector spending trends and issues connected to adequacy, equity, efficiency, and effectiveness. The analysis is mostly based on an in-depth review of key budget documents, especially the Program Based Budgets (PBBs), from 2016/17 (year the PBB was rolled out) to 2021/22, with 2016/17 used as the base year for inflation adjustments. The 2021/22 FY will run for nine months from July 2021 to

March 2022, as the Government prepares for a new fiscal calendar starting in 2022/23, which will run from April to March. As such, this brief adjusts all absolute comparisons to previous fiscal years to reflect the shorter fiscal year of 2021/22. In this brief, the health sector budget is comprised of allocations to the Ministry of Health (Vote 310), Local Councils and Subvented Health Organizations (SHOs) (Vote 275)².

SITUATIONAL ANALYSIS

Maternal deaths declined from **1,100** in 2000 to **439** per 100,000 live births in 2015



Yet, maternal mortality in Malawi is among the highest in the world



90%
vaccination coverage was recorded nationally for five consecutive years (2008-2012), with every district having achieved at least 80% coverage.

Challenges include ensuring that children have adequate vaccines and receive the full schedule of immunizations.

Under-five mortality dropped from 232 in 1990 to 63 per 1,000 live births in 2016, a remarkable decline.



However, about 40,000 children under the age of 5 still die every year from preventable diseases



malaria
7%



diarrhea
9%



pneumonia
14%



neonatal causes
43%



Only **74%** of children have access to antiretroviral therapy (ART) compared to **79%** for adults

Of these 30%

living with HIV who are not on ART will die before their first birthday while 50% by their second birthday

31%



of HIV-exposed infants are diagnosed within the first three months of life

² Additional information on the specifics of the health sector in Malawi can be found in UNICEF's Health Sector Budget Brief 2020-21 available on UNICEF's website: <https://www.unicef.org/esa/media/8991/file/UNICEF-Malawi-2020-2021-Health-Budget-Brief.pdf>

HEALTH SECTOR SPENDING TRENDS

Government allocated Malawian Kwacha (MK)187 billion to the health sector in 2021/22 (Figure 1). This signifies an increase of 12% and 2% in adjusted nominal and real terms, respectively, compared to the nine months of 2020/21, which is in line with the adjusted increase in the total budget for 2021/22 of 14%.

Health sector allocations expressed as a share of the total budget have been maintained at the steady level of 9.4%. However, transport and public works, allocated 10.4% of the total budget, is now the third largest national spending priority, ahead of health (9.4%) and after education (16.5%), agriculture (14.3%), and not counting debt servicing (15.1%). Figure 2 shows that Malawi has steadily been missing the Abuja Declaration target for African States to allocate 15% of their total budgets to the health sector since 2017/18. The observed decline in allocations as a share of GDP is linked to a rebasing of the country's GDP carried out in October 2020.

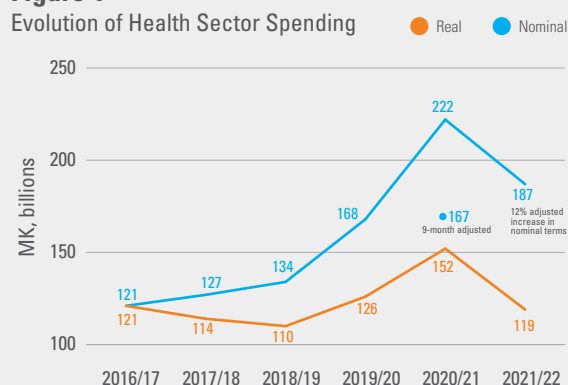


© UNICEF/2021

Health sector allocations remain steadily below estimated financial needs (Figure 3). The 2021/22 adjusted financing gap (41%) has narrowed from the 2020/21 gap of 44%, in relation to cost estimates in the second Health Sector Strategic Plan (HSSP II). A 2020 Report by the World Bank⁴ revealed that more than half (56%) of health facilities in Malawi are unable to comprehensively deliver the health services under the Essential Health Package (EHP). In per capita terms, the current health sector allocations (US\$14) remain far short of the World Health Organization (WHO) minimum per capita investment (US\$86). Although this suggests the need for more resources, there is currently limited room for additional financing (both domestic and external), given the already relatively high share of the budget committed to the health sector. The Government is therefore encouraged to explore ways of enhancing efficiency in implementing interventions within the existing resources.

Figure 1

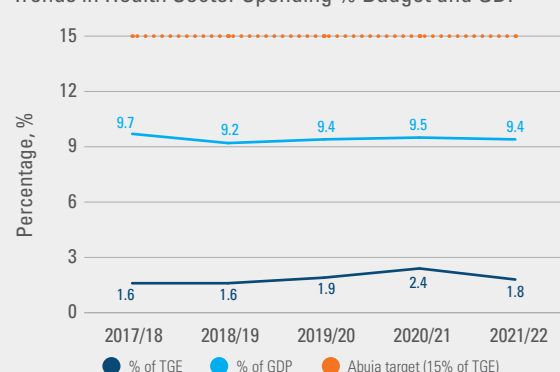
Evolution of Health Sector Spending



Source: Government Budget Documents (2017/18-2021/22)

Figure 2

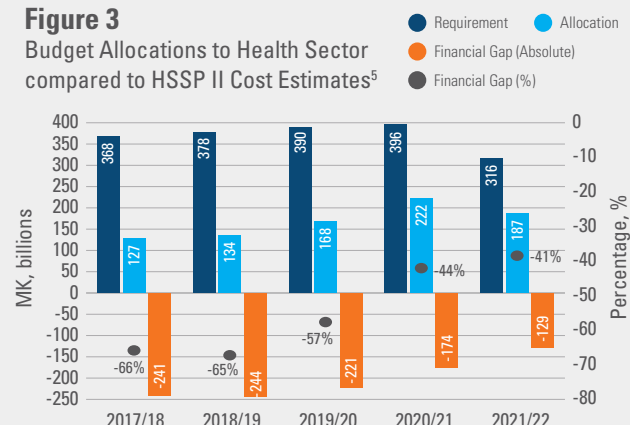
Trends in Health Sector Spending % Budget and GDP³



Source: Government Budget Documents (2017/18-2021/22)

Figure 3

Budget Allocations to Health Sector compared to HSSP II Cost Estimates⁵



Source: Government Budget Documents (2017/18-2021/22) and HSSP II Report

3 Compared to previous briefs, there are differences in the size of allocations to the health sector as a share of GDP due to the rebasing of the country's GDP carried out in 2020.

4 Public Spending In Health Sector in Malawi (worldbank.org)

5 The HSSP II cost estimates for 2021/22 are adjusted to reflect the nine months' fiscal year.

Malawi's health spending as a percentage of GDP and total government expenditure (TGE) is aligned to the regional peers (or it outperforms them). Yet, per capita spending remains comparatively low, due to the relatively small size of Malawi's Government budget as compared to its peers. The latest available data from the WHO Expenditure Database shows that average per capita public health spending (including off-budget donor funding) in Malawi is around US\$39, lower than in most countries in the region, except for Mozambique (Table 1).

Table 1
Public Health Sector Spending in Malawi and Comparator Countries, Average 2017-2020

Country	Per capita (US\$)	% TGE	% of GDP
Mozambique	14	8.1	2.8
Malawi	39	9.4	2.5
Tanzania	46	6.4	1.5
Zambia	58	9.1	2.5
Zimbabwe	82	9.6	0.8

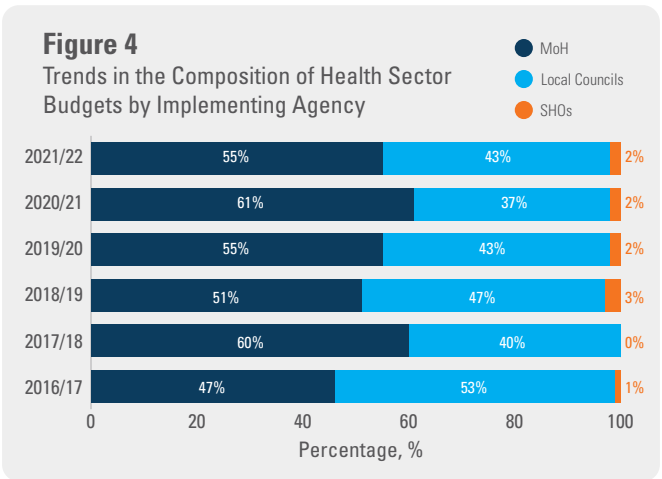
Source: WHO Health Expenditure Database (2021) and Government Spending Watch (2021)

COMPOSITION OF HEALTH SECTOR SPENDING

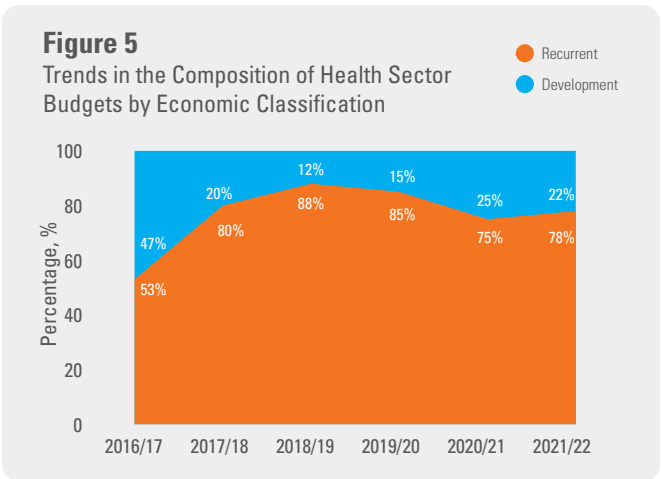
The distribution of the health sector resources by implementing agency has reverted to its pre-COVID-19 levels of 2019/20 (Figure 4). About 55% of the health sector budget is channelled through the MoH, with another 43% channelled through Local Councils, mainly for personnel emoluments (PE). The rest (2%) is allocated to subvented health organizations (SHOs).

The large part (78%) of the total health sector allocations are directed towards recurrent expenditures (Figure 5),

mainly (64%) for wages and salaries of health personnel. The rest (36%) covers other recurrent transactions (ORT) namely drugs, medical supplies and operations, including for subvented health organizations. The share allocated to development projects has declined from 25% in 2020/21 to 22% in 2021/22 on account of relatively lower grants from donors for the COVID-19 response. In line with the HSSP II⁶, much of the health development budget is spent on physical structures, such as hospitals and clinics, and medical equipment.



Source: Government Budget Documents (2017/18-2021/22)



Source: Government Budget Documents (2017/18-2021/22)

The share allocated to development projects has declined from 25% in 2020/21 to 22% in 2021/22

6 Increasing spending on infrastructure is one of the goals outlined in Malawi's HSSP II, which among other things seeks to increase physical access to health facilities by rehabilitating and expanding health infrastructure countrywide.

Overall, Figure 6 shows that the composition structure of the MoH budget has not changed much, with the larger share (44%) allocated towards supporting service delivery, followed by health services (41%) and Management and Administration (14%). The share allocated to the social determinants of health programme has consistently been at 1% since its introduction in 2018/19.

The incidence of donor contribution to on-budget development projects remains high at 85% (or 33% of the MoH budget) (Figure 7). The high level of dependency on donor financing in the health sector raises sustainability concerns on the capacity of the Government to increase physical access to health facilities across the country. Compared to 2020/21, the Government's contribution to the development budget has remained the same at 15% of the total development budget or 6% of the total MoH budget. The share of the MoH budget for ORT has generally been declining since 2018/19, which could pose negative implications on service delivery activities.

The larger share of the MoH ORT budget allocated towards supporting central hospital⁷ operations has slightly increased to 68% in 2021/22 (Table 2). This comes at a time when there is heightened need for more specialized hospital services, which is delivered at tertiary level, due to COVID-19 and the rising burden of non-communicable diseases (NCDs). The share allocated towards family planning commodities has slightly gone down from 0.6% in 2020/21 to 0.5% in 2021/22.

Table 2

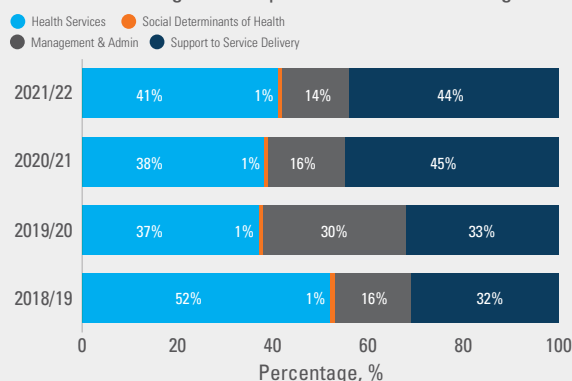
Breakdown of the MoH ORT Budget⁹

ORT Category	2020/21		2021/22	
	Absolute (MK millions)	%	Absolute (MK millions)	%
Central Hospital Operations	21,091	66.8	18,616	68.0
Cancer Centre Operations	1,400	4.4	1,050	3.8
Procurement of Ambulances	2,260	7.2	2,000	7.3
Safe Motherhood	103	0.3	77	0.3
Family Planning Commodities	200	0.6	132	0.5
DNHA	222	0.7	166	0.6
Utilities (Headquarters)	154	0.5	150	0.5
Other mandatory payments (Headquarters)	227	0.7	170	0.6
Medical Referrals	1,000	3.2	750	2.7
Purchase of medical equipment for central and district hospitals	500	1.6	874	3.2
Vaccines	1,000	3.2	750	2.7
COVID-19 Response (Headquarters)	330	1.0	330	1.2
Generic ORT	3,094	9.8	2,320	8.5
Total	31,581	100	27,386	100

Source: MoH (2021)

Figure 6

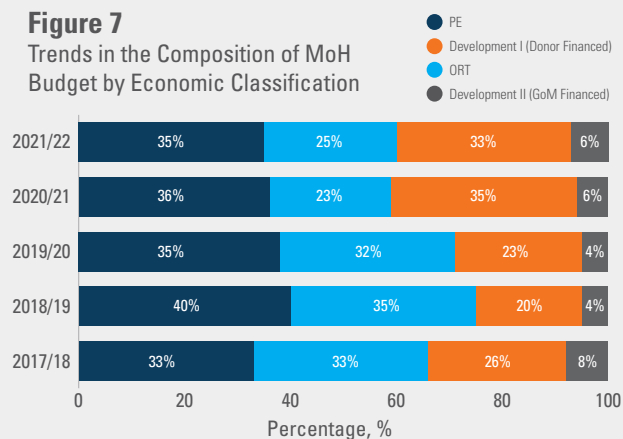
Trends in the Program Composition of the MoH Budget⁸



Source: Government Budget Documents (2017/18-2021/22)

Figure 7

Trends in the Composition of MoH Budget by Economic Classification



Source: Government Budget Documents (2017/18-2021/22)

⁷ The five central hospitals in Malawi are: Queen Elizabeth Central Hospital (Blantyre), Zomba Central Hospital and Zomba Mental Hospital (Zomba), Kamuzu Central Hospital (Lilongwe), and Mzuzu Central Hospital (Mzimba).

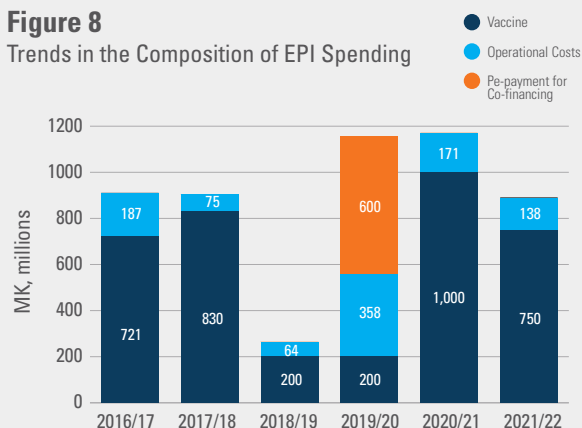
⁸ The Health Services program (21) relates to the provision of the Essential Health Package (EHP) services and is aimed at increasing equitable access to and improving quality of health care services. The programme on Social Determinations of Health (22) mainly covers environmental health and sanitation in health facilities and aims at reducing environmental and social risk factors that have a direct impact on health. The Management and Administration programme (20) is focused on enhancing and strengthening service delivery through the provision of policy guidance and administrative support and covers Administration, Planning and Monitoring and Evaluation, Financial Management and Audit Services, Human Resource Management and ICT. Support to Service Delivery (Program 26) focuses on improving availability of medical supplies, equipment, and infrastructure at all levels of care for effective and efficient Health service delivery.

⁹ The absolute figures for 2021/22 are generally lower than 2020/21 levels, as they only cover nine months.

A key issue in the distribution of the MoH budget is extensive earmarking by the Treasury, with the share of the MoH ORT budget allocated towards generic-ORT declining from 9.8% in 2020/21 to 8.5% in 2021/22 (Table 2). This extensive earmarking undermines the discretionality for the MoH to strategically allocate resources to departments, programmes and interventions.

The Government allocated MK750 million for the procurement of vaccines under the Expanded Programme on Immunization (EPI) (Figure 8). The allocation is the same level when compared to the nine months of 2020/21, albeit lower than the estimated financial needs of over MK2 billion. An additional MK138 million was allocated towards EPI related operational costs (fuel and lubricants, maintenance of medical equipment, subsistence allowances and other consumables). There was no allocation made for the procurement of COVID-19 vaccines, which is entirely being supported by donors.

Figure 8
Trends in the Composition of EPI Spending



Source: MoH (2019-2021)

BUDGET CREDIBILITY AND EXECUTION

There are significant variations between the approved, disbursed and executed health budgets, especially for donor-funded capital projects (DI). According to the MoH, the regular underperformance of DI is linked to late disbursement of donor funds, while the low absorption rates are due to multiple financial management and reporting requirements by the donors that are not aligned to existing Government systems. In 2020/21, for example, only 11% (MK3.7 billion) of the MK34.8 billion committed by donors was disbursed by end of fiscal year. The ORT budget is generally fully honored and utilized while expenditure overruns on the PE budget are largely linked to in-year adjustments on wages and salaries. The discrepancies in spending, outside the +/-5% variance provided by the Public Expenditure and Financial Accountability (PEFA) framework undermine the credibility of the budget as a strategic tool for resource allocation.

The execution challenges are even wider at the district level, where predictability of monthly funding is very low due to persistent delays in ORT disbursements, often leading to inter-sectoral borrowing of earmarked funds. According to the World Bank (2020), budget execution emphasizes control over flexibility, leading to local government authorities (LGAs) sidestepping the integrated financial management system (IFMIS). While planning and budgeting processes are in place, they do not effectively support prioritization of activities by districts. As service providers are not recognized in the budget, disbursement of funds is not usually communicated to health providers,



often leading to poor accountability. In addition, the absence of comprehensive financial reports and poor integration of financial reporting systems at district and central government levels undermines budget monitoring and reporting.



FISCAL DECENTRALIZATION AND EQUITY CONSIDERATIONS

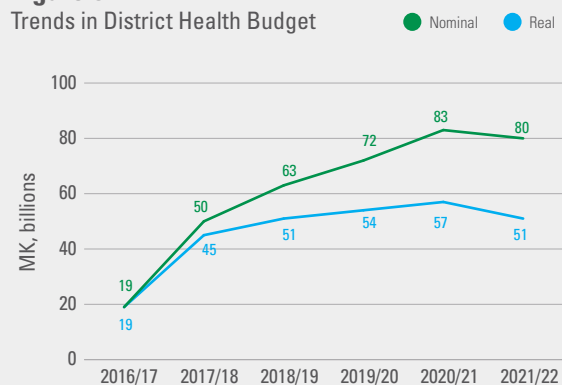
Health remains the second largest sector in terms of planned transfers to Local Councils, receiving 27% of the total in 2021/22. Compared to the nine months of 2020/21, the district health budget has gone up by 29% in nominal terms, largely driven by salaries for district health staff. The high share of the district health budget signifies continued Government commitment to implementing its primary health care strategy.

The share of the PE budget has been increasing, at the expense of allocations to drugs and Generic-ORT (Figure 10), potential implications on the effective delivery of primary health care in the country. First, as noted by the World Bank (2020), the high share of PE

budget makes it increasingly difficult for the Government to recruit additional health workers in the public health sector and/or make efficiency gains through existing funding. Second, the declining share of the generic ORT budget has negative implications on service delivery activities such as outreach, coordination and supportive supervision at local level. Third, the sustained decline in the share of the drugs budget has negative implications on the supply and access to quality and efficacious medicines in the country and consequently health outcomes. The 2020 World Bank PER revealed that the current level of funding for drugs only caters for a six months' supply, which leads to persistent shortages at hospitals and health centers.

Figure 9

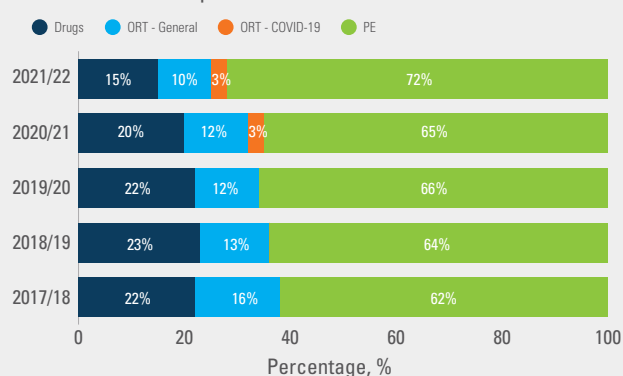
Trends in District Health Budget



Source: Government Budget Documents (2017/18-2021/22)

Figure 10

Trends in the Composition of District Health



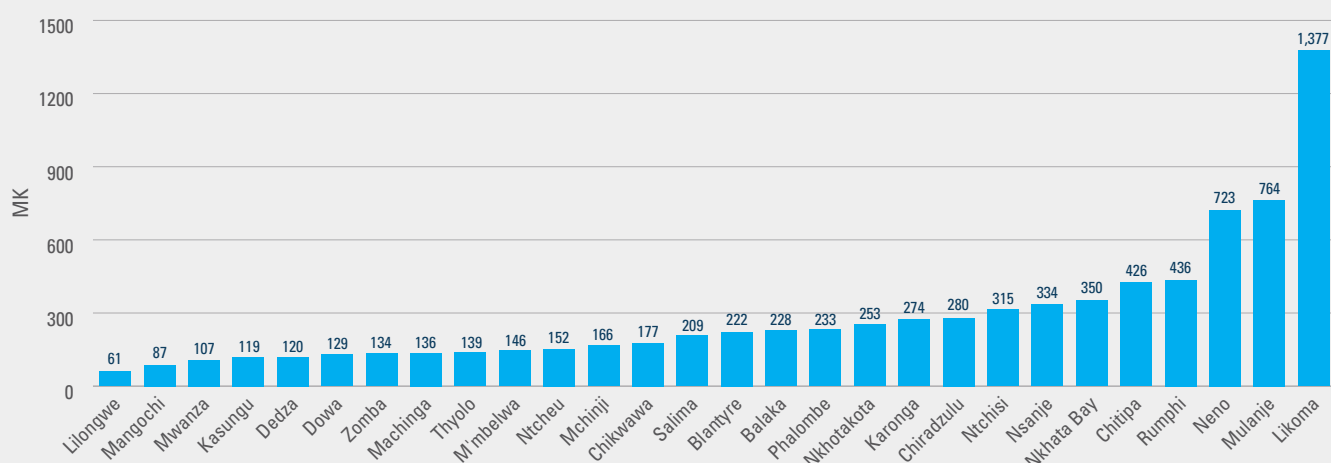
Source: Government Budget Documents (2017/18-2021/22)

The distribution of the district COVID-19 ORT budget does not consider differences in the COVID-19 burden and financial needs by districts. The Government allocated MK2.72 billion for COVID-19 Response at local level, with each local government authority (LGA) receiving a flat MK100 million (except MK20 million for Likoma). This results in significant per capita ORT variations by district as shown in Figure 11. The allocation is mainly for the purposes

of testing, screening, supplies, surveillance, enforcement and coordination and monitoring. Government should rather provide allocations to LGAs based on needs and specificities, to improve effectiveness and equity of public spending. This should be accompanied by ongoing efforts to strengthen health planning and budgeting, and the PFM system at the local level.

Figure 11

2021/22 Per Capita COVID-19 ORT Budget by District



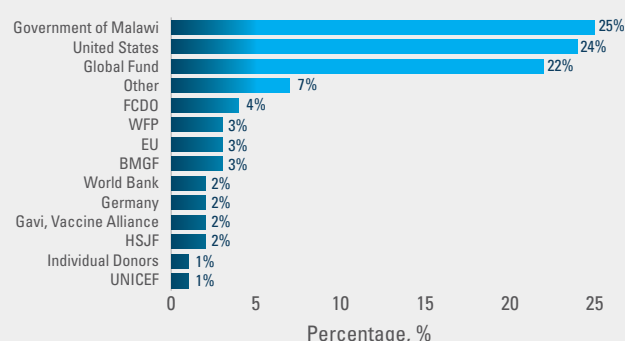
Source: National Local Government Finance Committee (NLGFC) (2021)

HEALTH SECTOR FINANCING

Malawi's health sector relies heavily on external financing, which is largely channeled as off-budget support. The results of the Health Sector Resource Mapping (HSRM) Round 6 showed that donors contributed an average of 75% to the funding of the health sector between 2018 and 2019, with the bulk of the funding coming from multilateral and bilateral partners (Figure 12). These resources are mostly off-budget. The World Bank PER (2020) revealed that about 74% of donor funding to the health sector was off-budget in 2017/18, with only 24% being pooled under the Government budget. Households are also increasingly contributing to financing health activities, with their expenditures growing by 35% between 2014/15 and 2017/18 (World Bank, 2020).

Figure 12

Financing of the Health Sector by Source (excluding Households), Average 2018-19



Source: HSRM Round 6

About 74% of donor funding to the health sector was off-budget in 2017/18, with only 24% being pooled under the Government budget.

Source: World Bank PER (2020)

Funding for most programmatic interventions is heavily donor dependent

© UNICEF/2021

Funding for most programmatic interventions is also heavily donor dependent, with over 90% of funding for malaria, RMNCH, tuberculosis, HIV (including sexually transmitted infections (STIs)), environmental health and diarrheal diseases, nutrition and vaccines coming from donors (Figure 13). The Government is the largest financier for mental health, NCDs and general health systems strengthening (HSS) programmes.

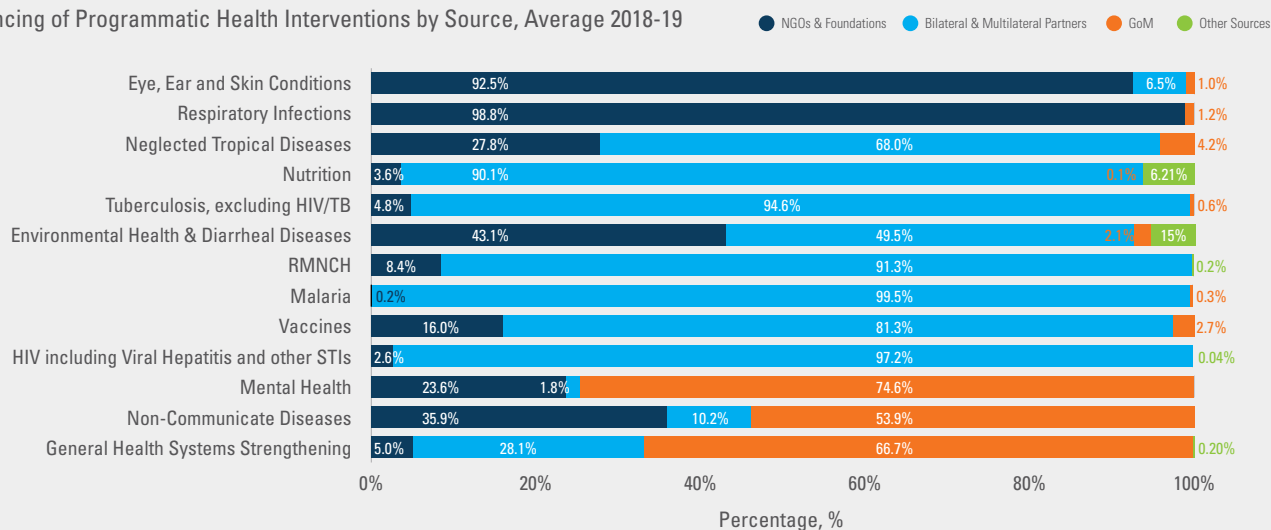
There are several factors undermining the efficiency of health sector spending, largely linked to weak PFM systems. According to the HSRM round 6, the high incidence of off-budget donor support has led to a proliferation of agencies and NGOs managing financial resources on behalf of donors. These agencies mostly use their own planning, financing, procurement, and monitoring and evaluation systems bypassing Government systems, thereby negating the five principles on aid

effectiveness¹⁰. This contributes to fragmentation of the planning and budgeting, delivery, and monitoring and evaluation systems in the health sector. The Government is commended for institutionalizing the HSRM, which helps to better understand the resource inflows in the sector and inform planning and budgeting decisions by policy and budget makers in Government.

The high incidence of donor funding in the health sector, coupled with the current fragmentation, risks the sustainability of health financing, with potential negative implications on service delivery. The Health Sector Financing Strategy (HFS), which is being finalized provides an opportunity for the Government to work towards promoting financial sustainability, efficiency, and health system resilience in the framework of the continued COVID-19 emergence.

Figure 13

Financing of Programmatic Health Interventions by Source, Average 2018-19



Source: National Local Government Finance Committee (NLGFC) (2020)

¹⁰ In line with the Paris Declaration on Aid Effectiveness, the five principles that make aid more effective are: Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability. Several donors that operate in Malawi are signatories to the Paris Declaration on Aid Effectiveness. For more information see <https://www.oecd.org/dac/effectiveness/34428351.pdf>

Acknowledgements

This Budget Brief was produced by Ahmad Mmadi and Kelvin Tapiwa Mutambirwa, under the technical guidance of Alessandro Ramella Pezza. Valuable inputs were provided by Bejoy Nambiar from the Health Section and Bob Muchabaiwa from the Regional Office.

For more information, contact:

Tedla Damte

Chief of Health
UNICEF Malawi,
Lilongwe
tdamte@unicef.org

Beatrice Targa

Chief of Social Policy
UNICEF Malawi,
Lilongwe
btarga@unicef.org



Published by UNICEF Malawi
PO Box 30375
Airtel Complex Area 40/31
Lilongwe 3, Malawi

www.unicef.org/malawi

#ForEveryChild