MALAWI 2022/23

HEALTH BUDGET BRIEF

unicef
for every child

SUSTAINING HEALTH SPENDING IN THE CONTEXT OF ONGOING HEALTH OUTBREAKS

The health sector budget has reached its highest value (10%) as a share of the total budget since 2017/18, taking the allocations back to be the third largest national spending priority after education (16.3%) and agriculture (15.8%) without considering debt servicing (18.4%).

Recommendation: The Government is recommended to sustain the increase in the health sector budget, especially in the context of ongoing emergencies (COVID-19, polio, cholera).

The health sector budget has reached its highest value (10%) as a share of the total budget since 2017/18.

The share of the district budget allocated to personnel emoluments (PE) has been consistently increasing, at the expense of allocations to drugs and other recurrent transactions (ORT), with implications on the effective delivery of primary health care in the country.

Recommendation: As more resources are being channelled to Local Councils, the Government is encouraged to ensure a balanced mix between allocations to PE, drugs, and Generic-ORT, to support effective delivery of primary health care in the country, alongside ongoing efforts to further strengthen health financing and expenditure systems at sub-national level.

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

Recommendation: The Health Sector Financing Strategy (HSFS), which is currently being finalized by the Ministry of Health (MoH), provides an opportunity for the Government to work towards promoting financial sustainability, efficiency, and resilience of the health system, in the face of the continued COVID-19 emergency.

1 INTRODUCTION

This budget brief provides an overview of the size and composition of budgetary allocations to the health sector in fiscal year (FY) 2022/23, focusing on key health sector spending trends and issues connected to the adequacy, equity, efficiency, and effectiveness[1] of spending. 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 2022/23, with 2016/17 used as the base year for inflation adjustments. In this brief, the health sector budget is comprised of allocations to the Ministry of Health (MoH) (Vote 310), Local Councils and Subvented Health Organizations (SHOs) (Vote 275).

2 BRIEF OVERVIEW OF THE HEALTH SECTOR

Health is one of the key priority areas of the Government of Malawi and a crucial part of the human capital enabler of the Malawi Vision 2063 (MW2063). Through the MW2063, the Government committed itself to improve access, equity and quality of primary, secondary and tertiary health services in Malawi. The Government acknowledges that a healthy population is crucial to support the envisaged socio-economic transformation in Malawi. The health sector is guided by the overarching Malawi National Health Policy (2018-2030) and by a set of additional sector policies and plans. The Government is currently finalizing the development of the Third Health Sector Strategic Plan (HSSP) III (2022-2030).

Malawi has made significant progress in key child health outcomes over the years, but more effort is needed to accelerate progress towards achieving SDG 3 targets. Under-5 mortality significantly declined from 232 per 1,000 live births in 1990 to 63 per 1,000 live births in 2016. However, about 40,000 children still die every year from preventable or easily treatable diseases, linked to neonatal causes (43%), pneumonia (14%), diarrhea (8%) and malaria (7%). About 40% of the under-five deaths occur during the first 28 days of life, which is largely linked to premature births, infection, and asphyxia, all of which have low-cost solutions. According to the 2019/20 Malawi Multiple Indicator Cluster Survey (MICS) U5 mortality rate is highest among the poorest and second wealth quintile (62 deaths per 1,000 live children) compared to the richest quintile (39 deaths per 1,000 live children).

Although maternal mortality registered a significant decline from 1,100 deaths per 100,000 livebirths in 2000 to 439 in 2016, it ranks amongst the highest in the world. This is in part the result of particularly high rates of early sexual debut, child marriage and adolescent birth rates with adverse maternal and neonatal outcomes. Skilled birth attendance has dropped from 90% in 2019 to 75% in 2021. In addition, despite the success of the HIV prevention programme, about a quarter of children do not have access to antiretroviral therapy (ART), compared to 20% for adults. This is concerning given the MICS finding that 30% of children living with HIV who are not on ART will die before their first birthday while half by their second birthday. Data from the World Health Organization (WHO) and UNICEF estimate infant pentavalent vaccination coverage above 90% with every district having at least 80% coverage.

Ongoing health outbreaks are posing serious challenges to an already overstretched health sector in Malawi and could potentially reverse the gains achieved to date. Malawi declared an outbreak of wild poliovirus type 1 on 17 February 2022, the first such case in the country in three decades, and the first in Africa since the region was certified free of indigenous wild poliovirus in 2020. This was followed by a cholera outbreak in early March 2022, in flood-affected districts, mostly in the Southern region, including Nsanje, Neno, Chikwawa, Machinga, Phalombe and Mangochi. These outbreaks are overstretching the health sector, which is already grappling with the effects of COVID-19. Against this background, it is critical for the Government to maintain the delivery of essential health services, such as immunizations, to prevent severe outcomes and safeguard the gains made over the past years in reducing maternal and child mortality. Already, the Government has responded by launching vaccination campaigns for both cholera and polio. Going forward, Malawi's healthcare system should be made increasingly shock-responsive to avoid losing ground on achieved outcomes.


©UNICEF/2021

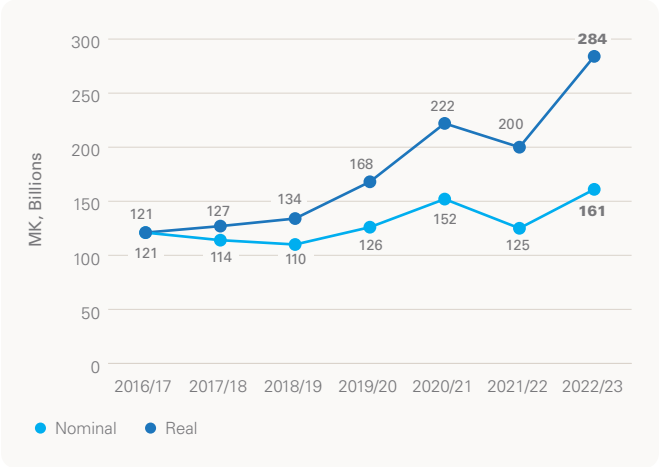
1 For a detailed overview of the health sector, please refer to the 2020/21 Health Budget Brief, available at: https://www.unicef.org/esa/media/8991/file/UNICEF-Malawi-2020-2021-Health-Budget-Brief.pdf

3 HEALTH SECTOR SPENDING TRENDS

The Government allocated Malawian Kwacha (MK) 284 billion to the health sector in 2022/23 (Figure 1). This translates to an increase of 28% when compared to the allocation of 2020/21[2]. Per capita allocations have consequently reached their highest value since 2016/17, at about US$15 but remain significantly lower than the World Health Organization (WHO) recommended minimum per capita investment in health (US$86).

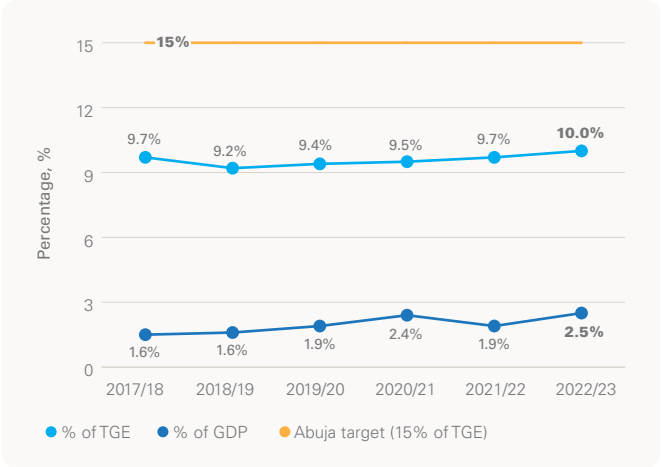
The health sector budget has reached its highest level (10%) as a share of the Total Government Expenditure (TGE) since 2017/18 (Figure 2). This takes the allocations back to be the third largest national spending priority after education (16.3%) and agriculture (15.8%) without considering debt servicing (18.4%). Despite this increase, Malawi is still below the Abuja Declaration target for African States to allocate 15% of their total budget to the health sector. The health sector budget also has reached its highest value in relation to the country's gross domestic product (GDP), at 2.5% in 2022/23.

Figure 1: Evolution of Health Sector Spending



Source: Government Budget Documents (2017/18-2022/23)

Figure 2: Trends in Health Sector Spending % of Total Budget and GDP



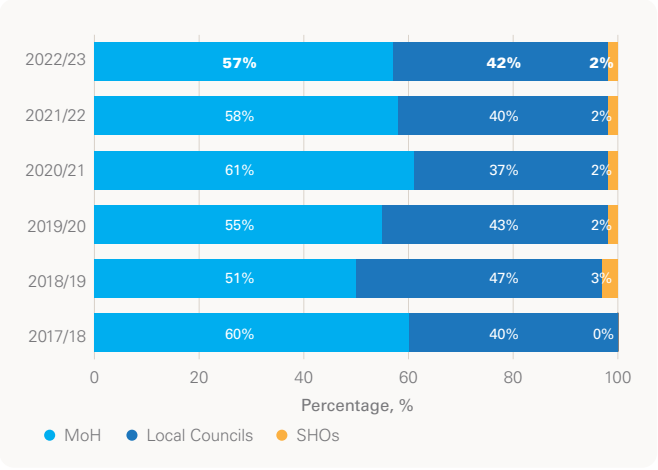
Source: Government Budget Documents (2018/19-2022/23)

4 COMPOSITION OF HEALTH SECTOR SPENDING

The distribution of the health sector resources by implementing agency has remained in line with the average of the period 2017/18-2021/22 (Figure 3). About 57% of the health sector budget is channelled through the MoH, with another 42% channelled through Local Councils, mainly for personnel emoluments (PE). The rest (2%) is allocated to subvented health organizations (SHOs), in line with shares for previous years.

About 57% of the health sector budget is channelled through the MoH, with another 42% channelled through Local Councils.

Figure 3: Trends in the Composition of Health Sector Budgets by Implementing Agency



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

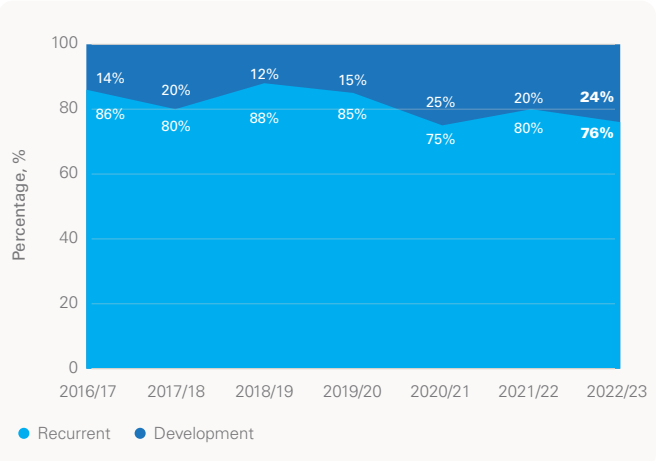
2 In 2021/22 the fiscal year only lasted 9 months and allocations were therefore lower

The large part (76%) of the total health sector allocations is directed towards recurrent expenditures (Figure 4), mainly for wages and salaries of health personnel (68%). The rest (32%) covers other recurrent transactions (ORT) namely drugs, medical supplies and operations, including for subvented health organizations. The share allocated to development projects has increased from 20% in 2021/22 to 24% in 2022/23.

"Health Services" became the largest Ministry of Health programme, absorbing 62% of its budget (highest since 2018/19), while allocations to the "Support to service delivery" programme were halved compared to 2021/22, reaching their lowest since 2018/19 (Figure 5). The increase in the budget for "Health Services" programme is largely linked to donor funds for the COVID-19 response, while the decline in the budget for "Support to service delivery" programme is due to notable reductions in the health infrastructure budget (from MK32 billion in 2021/22 to MK20 billion in 2022/23) and Medicines and Pharmaceuticals budget (from MK12.9 billion in 2021/22 to MK687 million in 2022/23). The allocation to the National Level Health Programme (preventive services), which was introduced in 2021/22, has declined from MK1.59 billion to MK940 million in 2022/23.

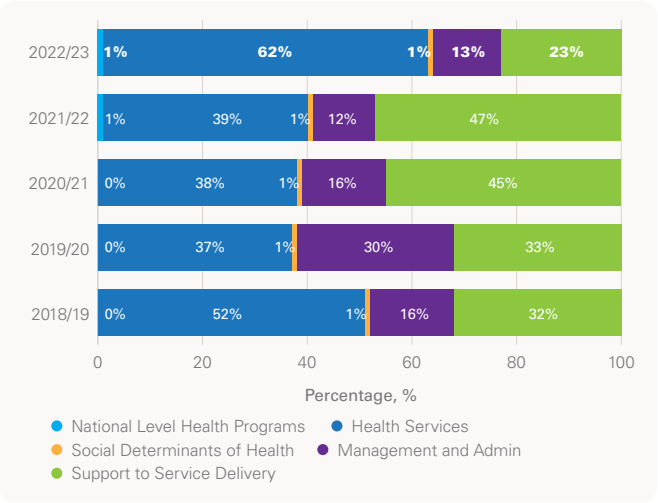
The incidence of donor contribution to on-budget development projects remains high, at 88% of total (or 37% of the MoH budget) (Figure 6). The high level of dependency on donor financing in the health sector raises sustainability concerns on the capacity of the Government to increase physical access to health facilities across the country. Compared to 2021/22, the Government's contribution to the development budget has slightly declined from 15% of the total development budget to 12%. The share of the MoH budget allocated to ORT has consistently been declining, reaching its lowest level of 22%, since 2017/18, which could pose negative implications on service delivery activities.

Figure 4: Trends in the Composition of Health Sector Budgets by Economic Classification



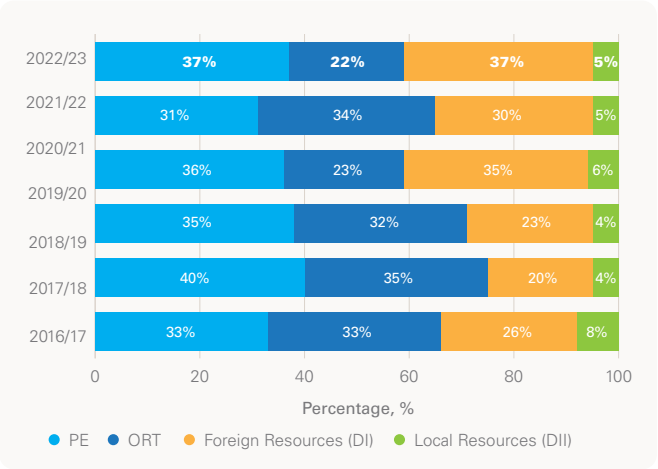
Source: Government Budget Documents (2017/18-2022/23)

Figure 5: Trends in the Programme Composition of the MoH Budget[3]



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

Figure 6: Trends in the Composition of the MoH Budget by Economic Classification



Source: Government Budget Documents (2018/19-2022/23)

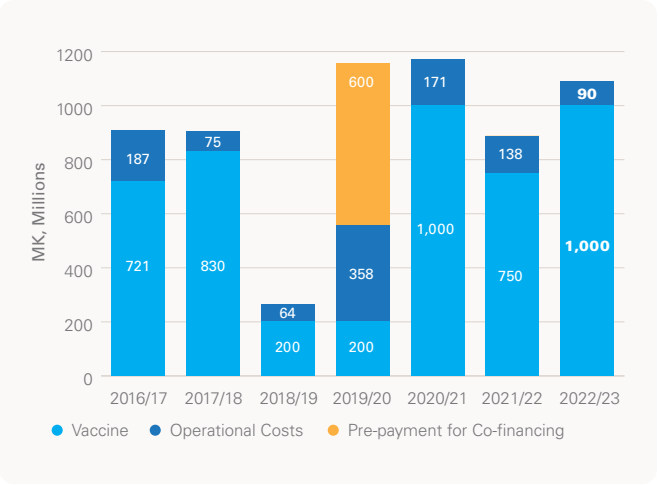
The incidence of donor contribution to on-budget development projects remains high, at 88% of total.

3 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.

The Government allocated MK1 billion for the procurement of vaccines under the Expanded Programme on Immunization (EPI) (Figure 7). The allocation has remained the same at nominal level over the past two fiscal years, considering that 2021/22 was just nine months. An additional MK90 million was allocated towards EPI related operational costs (fuel and lubricants, maintenance of medical equipment, subsistence allowances and other consumables). As shown in Figure 7, the budget for operational costs has been declining since 2019/20. There was no allocation made for the procurement of COVID-19 vaccines, which is entirely being supported by donors.

As shown in Figure 7, the budget for operational costs has been declining since 2019/20. There was no allocation made for the procurement of COVID-19 vaccines, which is entirely being supported by donors.

Figure 7: Trends in the Composition of EPI Spending



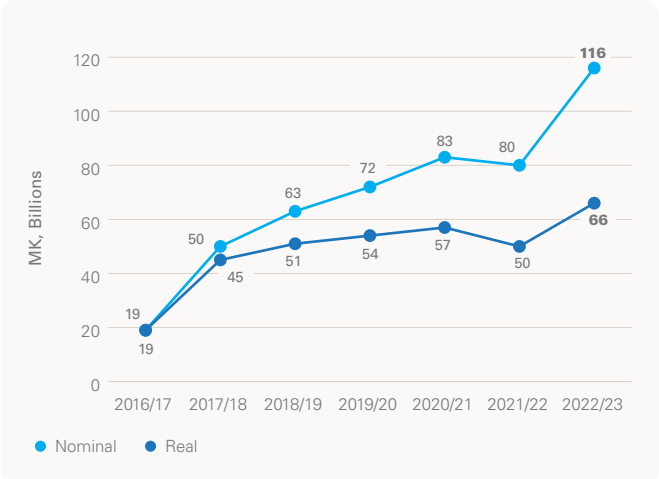
Source: MoH (2020-2022)

5 FISCAL DECENTRALIZATION AND EQUITY CONSIDERATIONS

The 2022/23 district health budget amounts to MK116 billion, which is 1.4 times the value of 2020/21. The increase is largely driven by salaries for healthcare workers.

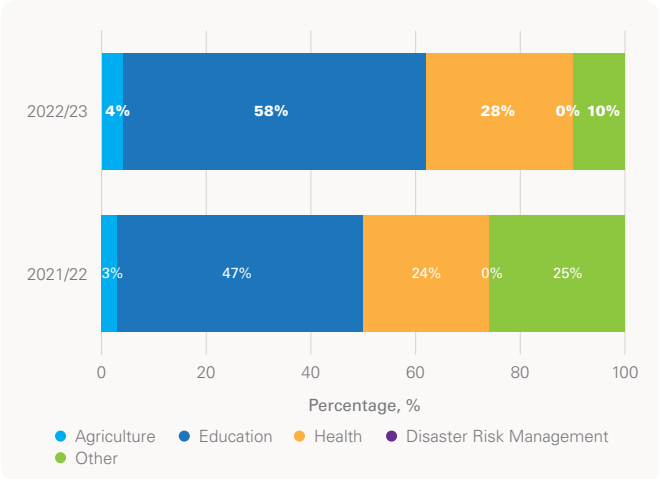
The health sector remains the second largest in terms of planned transfers to Local Councils, receiving 28% of the total in 2022/23. This marks an increase from 24% in 2021/22. The high share of the district health budget indicates continued Government commitment to implementing its primary health care strategy.

Figure 8: Trends in District Health Budget



Source: Government Budget Documents (2017/18-2022/23)

Figure 9: Transfers to LGAs by Sector



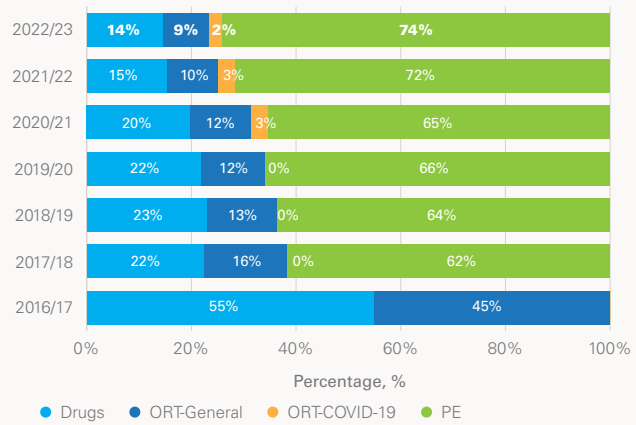
Source: NLGFC (2022)

The share of the PE budget has been consistently increasing, at the expense of allocations to drugs and ORT (Figure 10), with implications on the effective delivery of primary health care in the country. As shown in Figure 10, the share of the PE budget has reached its highest level of 74% since 2017/18, while that of drugs and ORT have reached their lowest.

Drugs (for district hospitals) have been allocated MK16.8 billion, continuing a declining trend when expressed as a share of the total district health budget, from 23% in 2018/19 to 14% in 2022/23. This has negative implications on the supply of drugs (and health outcomes) in the country, especially given the recent issues of drug shortages. With the full fiscal year, the generic ORT budgets have declined in real terms compared to the levels of 2020/21, which could negatively impact on service delivery activities such as outreach, coordination, and supportive supervision at local level.

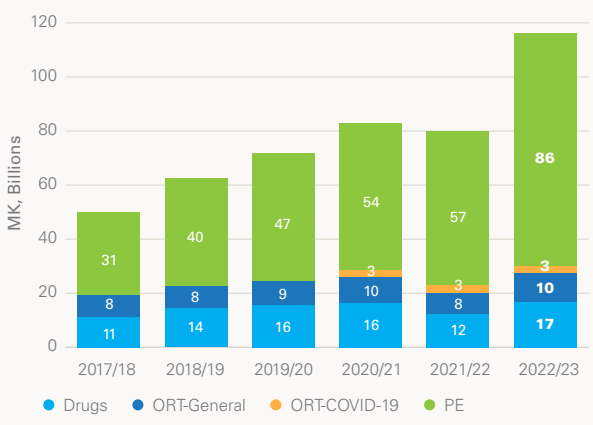
The distribution of the district COVID-19 ORT budget does not consider differences in the COVID-19 burden and financial needs by districts, resulting in significant per capita ORT variations by district as shown in Figure 12. The District ORT budget allocated to support the COVID-19 Response has been maintained at MK2.72 billion. The allocation is mainly for the purposes of testing, screening, supplies, surveillance, enforcement and coordination and monitoring.

Figure 10: Trends in the Composition of District Health Budgets



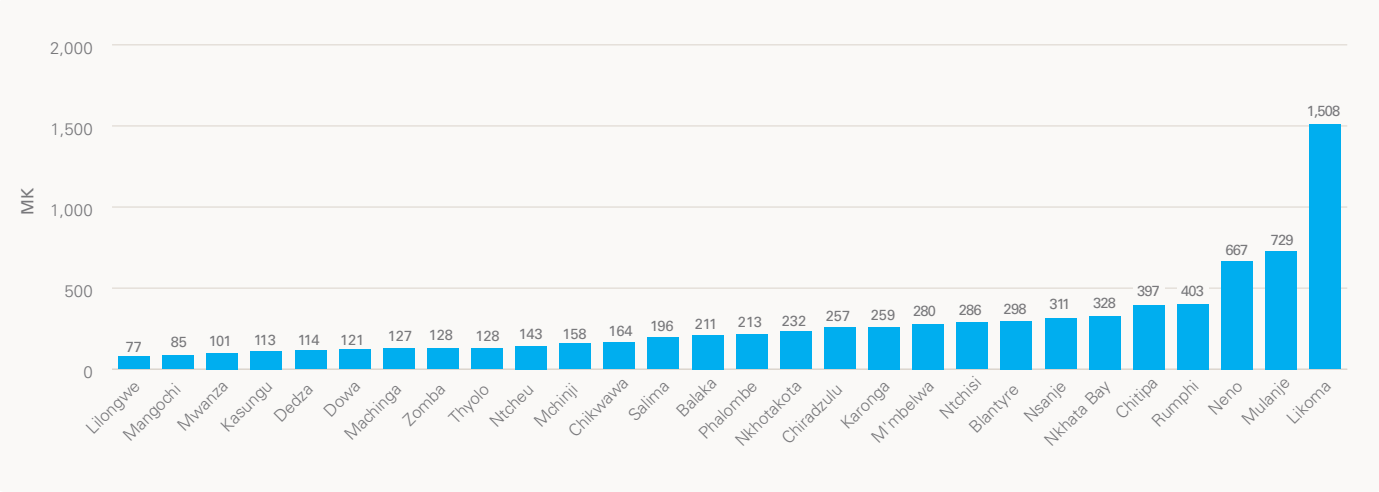
Source: Government Budget Documents (2017/18-2022/23)

Figure 11: Trends in District Health Budgets



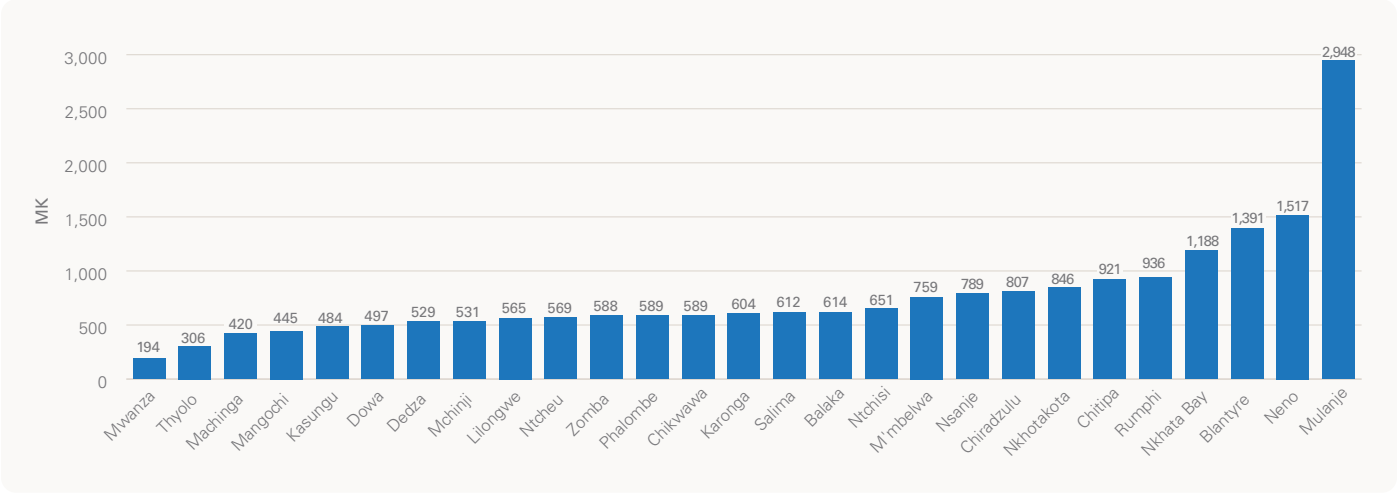
Source: Government Budget Documents (2017/18-2022/23)

Figure 12: 2022/23 Per Capita COVID-19 ORT Budget by District



Source: National Local Government Finance Committee (NLGFC) (2022)

Figure 13: Per capita ORT Budgets by District, 2022/23



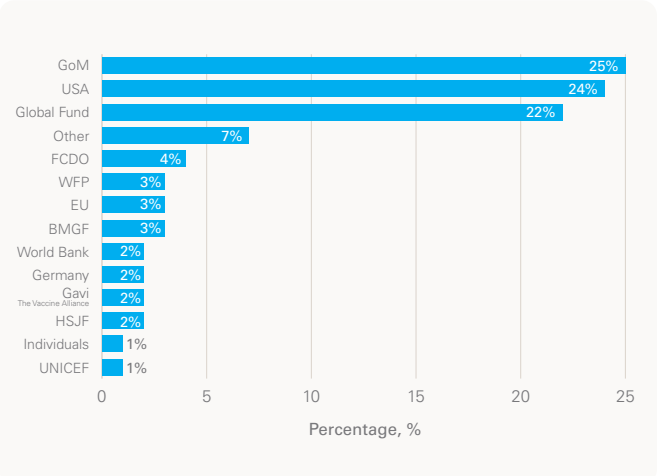
Source: National Local Government Finance Committee (NLGFC) (2022)

The health resource allocation formula is currently not being used as the distribution of resources to LGAs is based on historical precedence. Specifically, the allocation of resources to each LGA is based on the previous year's allocation, which is adjusted in line with the available budget. This approach perpetuates inequities and explains the variations across districts in per capita expenditures shown in Figure 13. The intergovernmental fiscal transfer system is therefore in need of reform to address these inequities. In addition, the current level of budgets for ORT and drugs is insufficient and would need to be aligned to district costed needs.

6 HEALTH SECTOR FINANCING

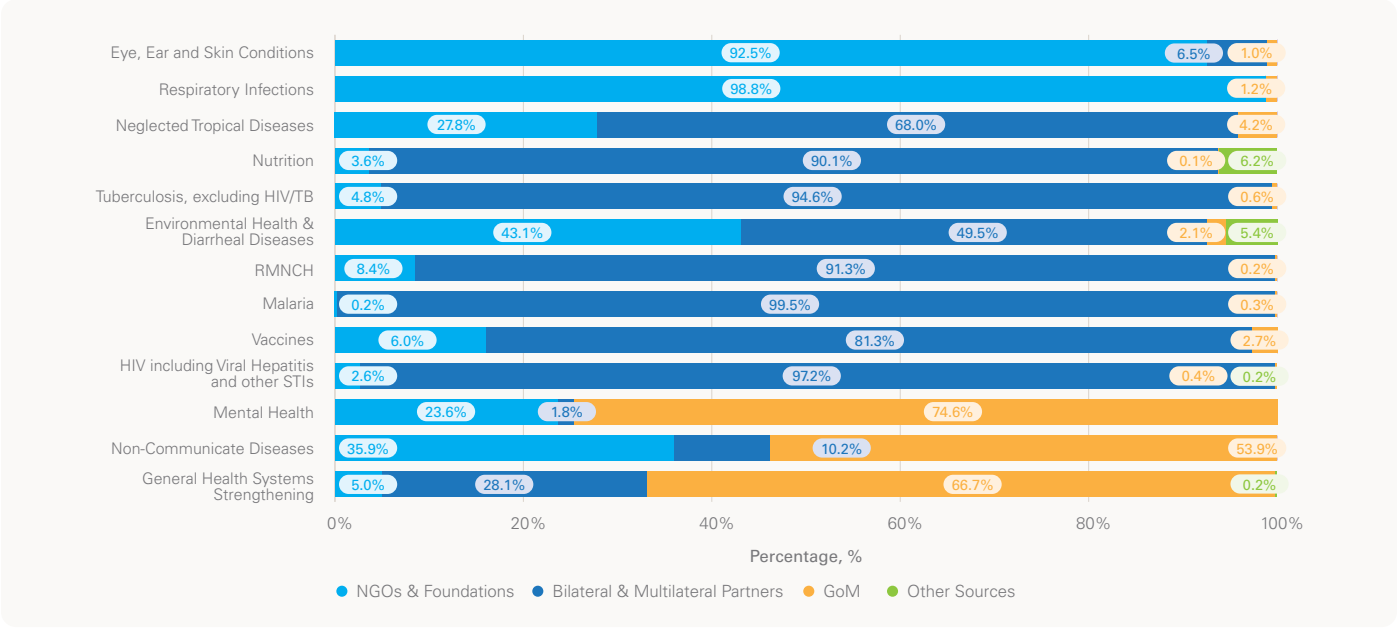
Overall, the Malawi health sector relies heavily on external financing, which is largely channeled as off-budget support. The results of the Health Sector Resource Mapping (HSRM) Round 6 showed that donors contributed an average of 75% to the funding of the health sector between 2018 and 2019, with the bulk of the funding coming from multilateral and bilateral partners (Figure 14). 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). The financing situation has generally not changed much over the past years.

Figure 14: Financing of the Health Sector by Source (excluding Households), Average 2018-19



Source: HSRM Round 6

Figure 15: Financing of Programmatic Health Interventions by Source, Average 2018-19



Source: HSRM Round 6

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 15). The Government is the largest financier for mental health, non-communicable diseases (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 effectiveness[4]. 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 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 emergency.

The Government is the largest financier for mental health, non-communicable diseases (NCDs) and general health systems strengthening (HSS) programmes.

4 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 Tapiwa Kelvin Mutambirwa and Ahmad Mmadi under the technical guidance of Alessandro Ramella Pezza and leadership of Beatrice Targa. Valuable inputs were by Ghanashyam Sethy from the Health Section and Bob Muchabaiwa from the Eastern and Southern African Regional Office (ESARO).

For more information contact

MESFIN SENBETE
Health Specialist
msenbete@unicef.org

BEATRICE TARGA
Chief of Social Policy
btarga@unicef.org

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

www.unicef.org/malawi

unicef
for every child