



WASH

MALAWI BUDGET BRIEF

KEY MESSAGES AND RECOMMENDATIONS

- **Over the past years, WASH budgets have shown irregular trends as percentage of Total Government Expenditure (TGE) and GDP, linked to variations in donor funding for major water supply and sanitation projects. In 2021/22, Government own resources covered less than 5% of major capital projects in the sector.**

Recommendation: Against a challenging macro-fiscal situation, Government should aim at a more sustainable financing mix for WASH, protecting its own investments in the short term and progressively increasing them in the medium-to-long term, while exploring new financing mechanisms. The climate-resilient WASH financing strategy, which is currently being developed, is a positive step in this regard.

- **Government is yet to establish a separate budget line for sanitation and hygiene in line with its Commitment 3 of the Ngor Declaration on Sanitation and Hygiene (2015).**

Recommendation: Government is encouraged to establish a separate sub-program for sanitation and hygiene (and budget tracking mechanisms) that will help better understand the programmatic composition of sector allocations and support efforts to monitor progress towards achieving SDG 6.

- **Capital projects, mostly donor-funded, account for a disproportionately high share (over 90%) of WASH resources at the expense of recurrent investments to support operations and maintenance (O&M) and salaries (ORT).**

Recommendation: The Government should rebalance WASH investments on infrastructure creation towards operations and maintenance as well as ORT, with the aim of ensuring continued functionality of water and sanitation facilities.

- **WASH budgets remain heavily centralized under the Ministry of Forestry and Natural Resources (MoFNR), with only 5.5% of the sector resources being managed at local government authority (LGA) level in 2021/22, the distribution of which is not responsive to district-specific WASH needs and deprivations.**

Recommendation: The Government is encouraged to align transfers to LGAs for water and sanitation services to district-specific needs and deprivations as well as to costed service delivery estimates.

INTRODUCTION

This budget brief analyzes the extent to which the 2021/22 National Budget responds to the needs of the Water, Sanitation and Hygiene (WASH) sector. It analyzes the size and composition of government spending on WASH and offers insights on efficiency, effectiveness, equity and adequacy of past 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 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. Additional information on the specifics of the WASH sector in Malawi can be found in UNICEF's WASH Sector Budget Brief 2020/21 available on UNICEF's website¹.

SITUATIONAL ANALYSIS



About 69%

of Malawians benefit from basic **water access**



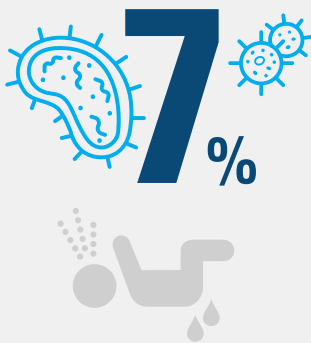
yet only 26%

have access to basic sanitation.



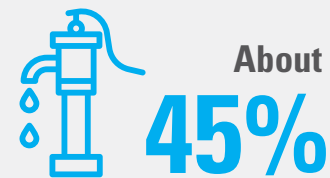
Hand washing with soap

is very low at just 10% escalating the incidence of waterborne diseases.



7% of under-5 deaths are caused by waterborne diseases

such as **diarrhoea**, constituting it as the second highest killer of children in Malawi.



of the traditional water systems in Malawi are reported to be non-functional.



In rural areas

37%

of households spend



30 minutes or more obtaining their drinking water

in comparison to

13%

In urban areas



Climate induced crisis are one of the main causes of non-functionality of water and sanitation services in Malawi.

¹ <https://www.unicef.org/esa/media/9021/file/UNICEF-Malawi-2020-2021-WASH-Budget-Brief.pdf>

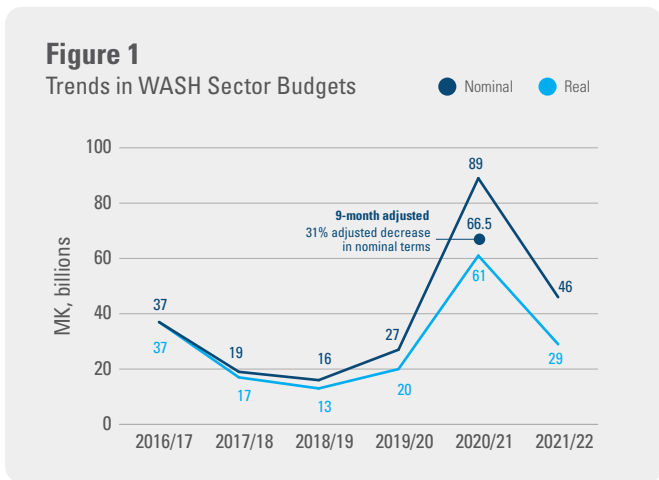
SIZE OF WASH BUDGETS

Government allocated MK45.5 billion to the WASH sector for the nine months of 2021/22 (Figure 1). The allocation represents a decline of 31% in nominal terms when compared to the allocation for the nine months of 2020/21. In per capita terms, the WASH budget has declined from an adjusted level of about MK3,700 in 2020/21 to MK2,450 in 2021/22.

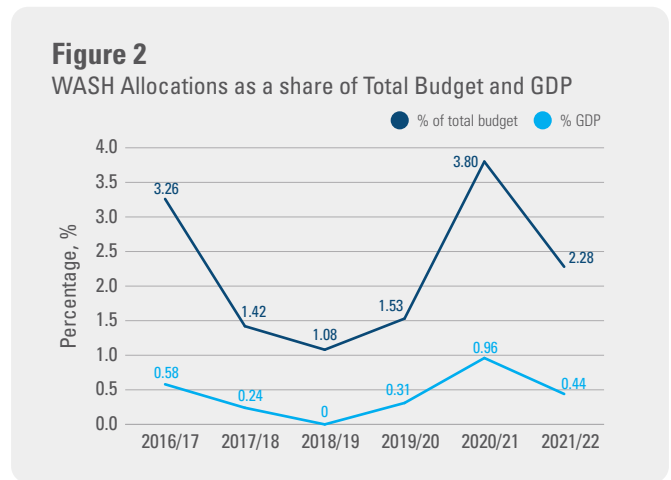
Over the past years, WASH budgets have shown irregular trends as percentage of Total Government Expenditure (TGE) and GDP (Figure 2). After peaking to 3.8% of TGE and 0.96% of GDP in 2020/21, WASH budget allocations have respectively shrunk to 2.28% and 0.44% in 2021/22. The irregular trend in WASH budgets is largely influenced by donor funding patterns, reducing

sustainability of WASH financing in Malawi and has potential negative implications on service delivery.

Current WASH investments significantly fall short of sector financing needs. The analysis of the investment needs using the SDG costing tool developed by the Sanitation and Water for All (SWA) secretariat², performed by UNICEF in 2019, gives an annual WASH funding requirement of US\$97 million (MK72 billion) for basic services and an additional US\$259 million (MK194 billion) for safely managed services. The Government committed to the development of a (climate resilient) WASH financing strategy to help leveraging the required resources until 2030.



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



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COMPOSITION OF WASH SPENDING

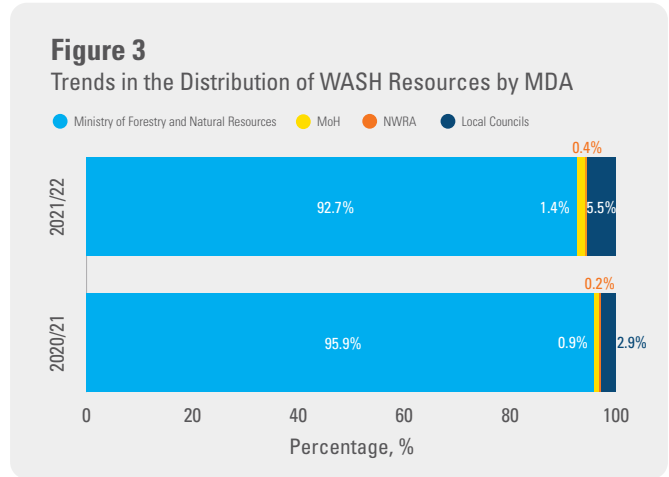
WASH budgets remain largely developmental with limited resources for operations and maintenance. The bulk of WASH investments in 2021/22 are directed towards water infrastructure projects, such as the Lilongwe Water and Sanitation Project (MK15.8 billion) and Nkhatabay Town Water Supply and Sanitation Project (MK5.6 billion). Compared to the total sector resources, a very low share is allocated for recurrent purposes to cover operations and maintenance, monitoring, behaviour change campaigns and awareness raising. For instance, only 1% of the Water Supply Services (Cost Centre 035) budget was directed towards recurrent expenditures in 2021/22. The limited funding for operations and maintenance has the potential to undermine the sustainability of the infrastructural investments in the long-term and leaves the sector vulnerable to shocks and disasters.



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² <https://www.sanitationandwaterforall.org/tools-portal/tool/sdg-costing-tool>

The bulk of the WASH resources are channeled through the Ministry of Forestry and Natural Resources (MoFNR) (Figure 3). WASH services under the MoFNR were allocated a total of MK42.2 billion in 2021/22, representing 93% of the total WASH sector budget. About 1.4% was channeled through the Ministry of Health (MoH) for environmental health while 0.4% is subvention for the National Water Resources Authority (NWRA). Only 5.5% of the WASH sector budget is allocated to Local Councils for the Borehole Fund (MK2.3 billion) and ORT (MK182 million).

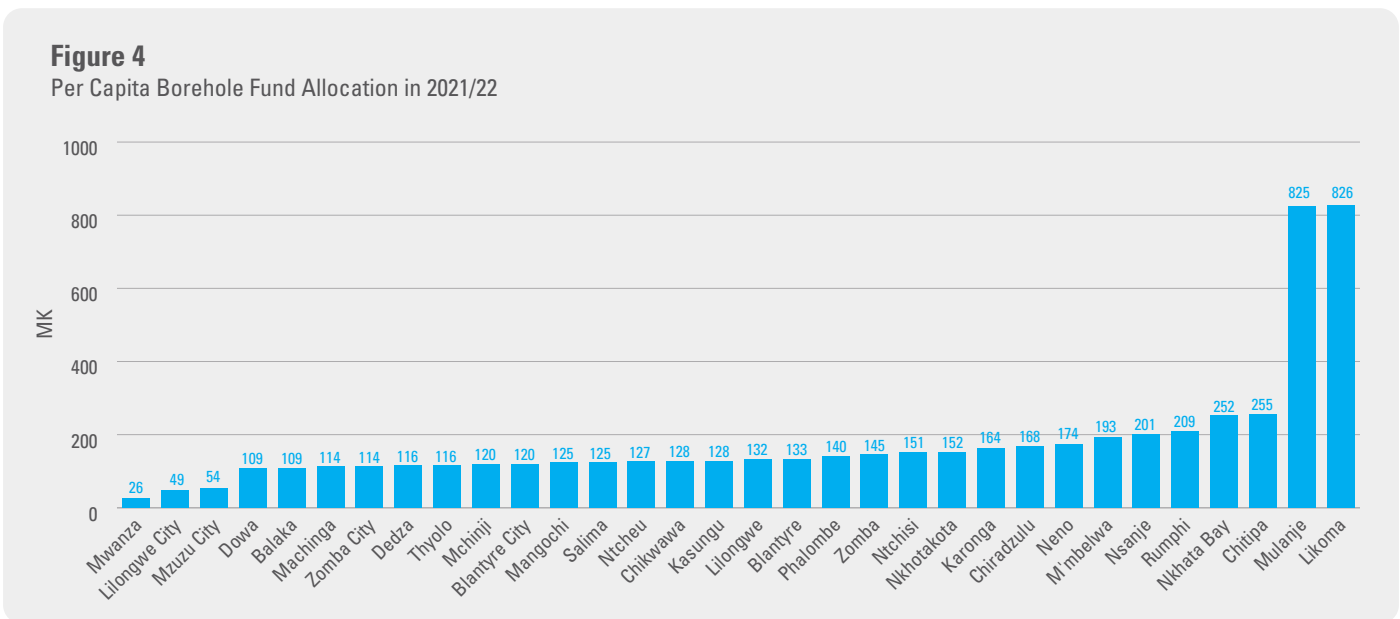


Source: Government Budget Estimates (2018/19-2021/22)

EQUITY OF WASH SPENDING

There are notable inequalities in access to basic WASH services. The results of the WASH Public Expenditure Review (PER) (2020)³ revealed that the progress in improving access to drinking water has not been pro-poor, as significant disparities in access based on wealth remain. Major WASH development projects have in recent years been focused on urban areas, with comparatively little funding for developing services in WASH-disadvantaged rural areas. The progress on access to improved basic water and sanitation has also been uneven across districts. The 2020 WASH PER revealed that four districts registered improvements in access to both water and sanitation facilities between 2013 and 2018 while the outcomes regressed in 12 districts.

The size and distribution of water budgets to District Councils are not responsive to observed disparities in outcomes. For instance, the fixed allocation of the Borehole Fund (MK12 million per year per each constituency) does not consider varying water infrastructural needs by districts. For instance, there are districts with lowest levels of access to water, such as Dowa (65.9%), that are receiving lower per capita Borehole Funds than other better performing districts, such as Mulanje (91.1%). Figure 4 shows per capita borehole fund allocation by district in 2021/22, ranging from MK26 in Mwanza to MK826 in Likoma.



Source: NLGFC (2021): MTEF District Ceilings for 2021/22

3 Government of Malawi (2020), Public Expenditure Review of the Water, Sanitation and Hygiene Sector

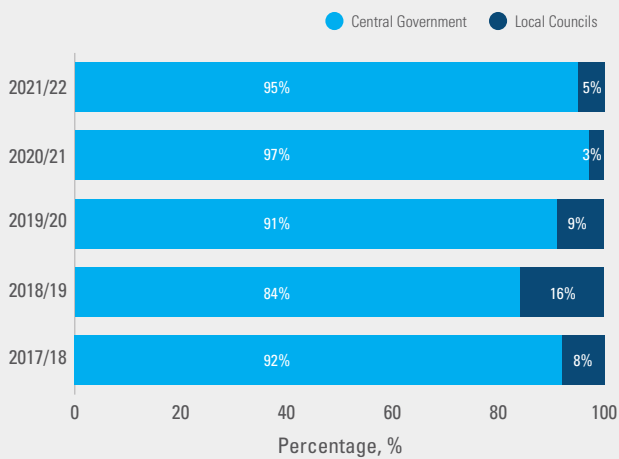
FISCAL DECENTRALIZATION AND WASH BUDGETS

The bulk (95%) of WASH resources remain heavily centralized, despite the drive towards fiscal decentralization. The share of the sector resources provided for Local Councils has increased from 2.9% in 2020/21 to 5.5% in 2021/22, but remains lower than the shares before 2020/21, as shown in Figure 5.

The allocation to the Borehole Fund has been maintained at MK2.3 billion, representing 93% of the

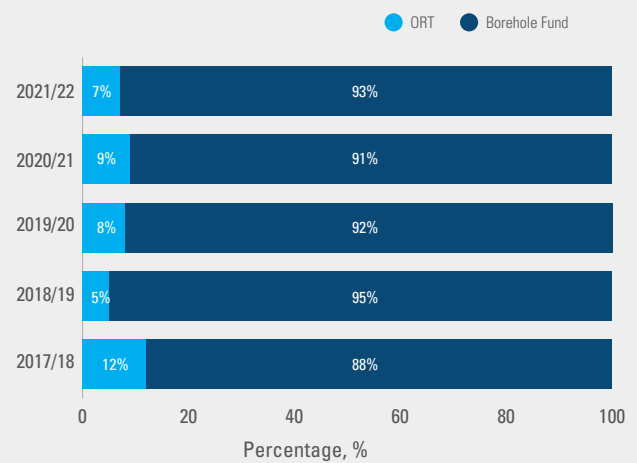
district WASH budget (Figure 6). The share of the district ORT budget has declined from 9% in 2020/21 to 7% in 2021/22. ORT budget allocations to Local Councils for the water sector remain less than 1% of the global ORT transfers to Local Councils, compared to education (32%) and health (28%). The decline in the ORT share has the potential to undermine the functionality of water systems in the country.

Figure 5
Composition of WASH Budgets by Delivery Channel



Source: Government Budget Documents (2018/19-2021/22)

Figure 6
Trends in Composition of Local Councils Water Sector Budget



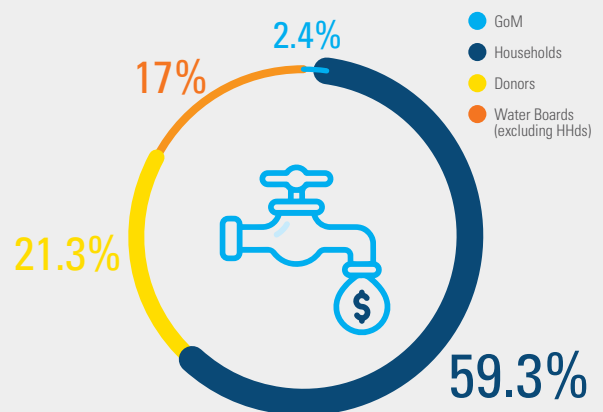
Source: Government Budget Documents (2018/19-2021/22)

FINANCING OF WASH SERVICES IN MALAWI

Malawi's WASH sector is heavily dependent on external support. In 2021/22, 98% (MK15.6 billion) of the funding for the Lilongwe Water and Sanitation project was from the World Bank while 86% of the funding for the Nkhatabay Town Water Supply and Sanitation project was from the African Development Bank (ADB). According to the WASH PER (2020), donors are the single largest source of funding to the WASH sector, when households are excluded (Figure 7). Government's own contribution to the funding of the sector remains comparatively very low at below 5% of total sector resources.

Funding for WASH sector projects is predominantly in the form of loan financing vis-à-vis grants. For instance, 75% (MK11.7 billion) of the budget for the Lilongwe Water and Sanitation Project is in the form of loan.

Figure 7
Sources of Financing for the WASH Sector in Malawi, Average 2015-19



Source: WASH PER (2020)

Malawi is facing a challenging macro-fiscal outlook, with a tight fiscal space situation, increasing exchange rate pressures and an unsustainable domestic debt burden to service.

Against this background, a sound financing mix is needed that should aim at protecting current Government's investment levels in the short-term and

progressively increasing them in the medium-to-long term, to avoid losing ground on achieved outcomes. The WASH sector financing strategy, which is currently being developed, is an opportunity for the Government to work towards promoting financial sustainability, efficiency, and resilience of the system, in the context of the continued COVID-19 emergency.

POLICY AND STRUCTURAL ISSUES

Government is yet to establish a separate budget line for sanitation and hygiene in line with its regional commitment. Malawi is party to the Ngor Declaration on Sanitation and Hygiene (2015)⁴, through which the Government committed to establishing and tracking sanitation and hygiene budgets. The absence of a separate budget line on sanitation and hygiene makes it difficult to understand the programmatic composition of sectoral allocations as well as track Government's progress in financing sanitation and hygiene services. Through Commitment 3 of the Ngor Declaration, the Government committed to consistently increase its annual budgetary allocations to sanitation and hygiene to a minimum of 0.5% GDP. This would support Malawi's efforts towards achieving universal access to adequate and equitable sanitation and hygiene services and an end to open defecation by 2030.



⁴ The Ngor Declaration vision focuses on universal access to adequate and equitable sanitation and hygiene services and an end to open defecation by 2030. For more details, see <https://www.speakupafrika.org/wp-content/uploads/2019/09/Is-Africa-on-track-to-achieve-the-SDGs-on-Sanitation.pdf>

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