Health Budget Brief 2023/24

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Building a Resilient and Sustainably Financed Health System in Malawi

Key messages and recommendations

1

The frequent health emergencies facing Malawi are a significant threat to the country's efforts to achieve universal health coverage (UHC).

Recommendation: The Government is encouraged to enhance ongoing efforts to strengthen the resilience of the healthcare system to several shocks. The Ministry of Finance is also encouraged to transform the budget line on "COVID-19 Response" under the Ministry of Health and Local Council Votes to "Public Health Emergencies" considering the recurrence of health emergencies.

2

The 2023/24 health sector budget is worth MK328 billion or 8.7% of the total government budget and translate into a per capita allocation of roughly MK17,000 (US$14), which is significantly short of the US$78.7 target in the Third Health Sector Strategic Plan (HSSP III).

Recommendation: The Government is encouraged to progressively increase its health sector budget allocation to meet the targets in the HSPP III, to at least 10% of the total government budget in the medium-term expenditure framework (MTEF) for 2024-26 and to 15% by 2030.

3

The MoH has restructured its programmes and budgets to align with the HSSP III and the Malawi Vision 2063 (MW2063).

Recommendation: The Government and Local Government Authorities (LGAs) should ensure that resources are set aside for the monitoring of the HSSP III.

4

The overall execution of the total health budget is strong, averaging 96 per cent between 2016-19, but challenges remain with capital projects, whose execution rate is estimated at 46 per cent, on average.

Recommendation: The Government is encouraged to strengthen measures to improve the execution of capital projects through, for instance, strengthening planning of capital projects, procurement systems and contract management.

5

The Government has devolved additional resources to Local Councils, in line with Government's efforts to reform primary healthcare (PHC) financing. An allocation of MK13.6 billion has been provided for transfers to seven selected districts in 2023/24 to support the rehabilitation of district hospitals while the 10% devolved drugs budget has been increased from MK1.5 billion in 2022/23 to MK2 billion in 2023/24.

Recommendation: As more resources are being devolved, the Government is encouraged to continue strengthening expenditure and reporting systems at sub-national level as well as the health sector resource allocation formula so that more resources are channelled to where they are needed the most. This may imply exploring direct facility financing (DFF) modalities.

Frequent health emergencies pose a threat to Malawi's universal health coverage efforts.

Introduction

This budget brief provides a summary analysis of the trends in health spending in Malawi in the framework of the 2023/24 fiscal year (FY). It provides insights on the adequacy, equity, efficiency, and effectiveness of health spending in Malawi. The analysis builds on previous health budget briefs and is informed by Government Budget Documents, mainly the program-based budget (PBB), detailed budget estimates as well as ceilings for Local Councils from the National Local Government Finance Committee (NLGFC). For this brief, the health sector budget is made up of allocations to three main entities, namely the Ministry of Health (MoH) (Vote 310), transfers to Local Councils for personnel emoluments (PE), other recurrent transactions (ORT) and rehabilitation of district hospitals and Subvented Health Organizations (SHOs).[1]

Overview of the Health Sector

Malawi has made progressive efforts in its health policy and legal framework, following the launch of the Third Health Sector Strategic Plan (HSSP III) and Health Financing Strategy (HFS) covering the period 2023 to 2030. Together with a set of additional strategies, the HSSP III and the HFS provide a solid enabling environment to support current efforts to achieve universal health coverage (UHC) targets in Malawi, in the framework of the Malawi National Health Policy (2018-2030) which is aligned to the Malawi Vision 2063 (MW2063) and Sustainable Development Goal (SDG) (2030) number 3.

1 Medical Council of Malawi, Kachere Rehabilitation Centre, National AIDS Commission (NAC), Nurses & Midwife Council of Malawi, Malawi Red-Cross Society and Pharmacy, Medicines & Poisons Board,

Despite the solid enabling environment, Malawi's maternal and neonatal mortality rates remain alarmingly high, indicating inadequate maternal and newborn services. Latest data from the World Health Organization (WHO, 2023) reveals that maternal mortality, at 381 deaths per 100,000 live births, is among the highest in the world[2]. Neonatal mortality, at 26 deaths per 1,000 live births, is also high and accounts for about half of the deaths among under five (U5) children. The U5 mortality rate is 56 deaths per 1,000 live births, with significant disparities along geographical and wealth lines. For instance, U5 mortality rate is 62 deaths per 1,000 live children for children from the poorest quintile compared to only 39 deaths for those from the wealthiest quintile [3]. Poor quality healthcare services, worsened by the COVID-19 pandemic, contribute to the problem.

Furthermore, Malawian children continue to die from preventable deaths, including from malaria, pneumonia, and diarrhea. Approximately 41,000 children are not immunized against polio and other vaccine-preventable diseases, and 52,000 children aged 0–14 live with HIV.

There are several bottlenecks contributing to these key health deprivations in relation to supply and demand side factors as well as the policy and enabling environment. These are detailed in Box 1.

Malawi has made progressive efforts in its health policy and legal framework.

2 World Health Organization (WHO) et al., (2023), Trends in Maternal Mortality: 2000 to 2020.

3 Multiple Indicator Cluster Surveys (MICS), 2019–2020.

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BOX 1
Key Bottlenecks Leading to Health Deprivations

Enabling Environment

- Inadequate prevention and mitigation of environmental health and climate change impacts, such as drought, and floods.
- Limited and inefficient public investment in child survival and development (CSD) services.
- Weak standards, information management system (MIS) at district and central level.
- Insufficient planning, financing, coordination, monitoring and reporting.
- Lack of functional accountability systems.
- Poor implementation of health strategies and policies in line with HSSP III, MIP-1 and MW2063.
- Limited evidence-based planning and management for health and nutrition at the district and central levels.

Supply

- Household food insecurity.
- Inadequate coverage and quality of inclusive Health services and its determinants – nutrition and WASH – at the community level.
- Inadequate and intermittent availability of health supplies/ equipment.
- Insufficient in-service training, supervision, mentoring and feedback mechanisms.
- Poor integration of health and nutrition and WASH programmes at all levels (donor-driven, silo approach).

Demand

- Poor hygiene, sanitation, health-seeking behaviour and inappropriate feeding practices.
- Harmful cultural beliefs and social norms.
- Gender Inequality in decision making.
- Early marriage and early sexual debut.
- Limited access to health and nutrition information by the communities.
- Barriers to access and use of health and nutrition services (poor identification of danger signs, finance, distance).

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Frequent health emergencies are a significant threat to Malawi's efforts to achieve UHC targets by 2030. Malawi has been hit by a series of health emergencies since the outbreak of the COVID-19 pandemic in 2020. These include the outbreak of wild poliovirus type 1 in February 2022, the first such case in Malawi in three decades, followed by cholera outbreak in early March 2022. The impact of climatic shocks, including the recent Tropical Cyclone Freddy, is a significant risk to Malawi's progress

KEY TAKEAWAYS

- The need to make Malawi's healthcare system resilient to shocks cannot, therefore, be overemphasized if the country is to avoid losing ground on achieved health outcomes.
- Government is encouraged to establish an inter-ministry coordination mechanism for health, water, sanitation, and hygiene (WASH) and social and behavior change communication (SBCC).

Malawi's maternal mortality rate is among the world's highest, at 381 deaths per 100,000 live births.

Health Sector Spending Trends

in achieving UHC targets by 20230.

The Government allocated Malawian Kwacha (MK) 328 billion to the health sector in 2023/24 (Figure 1). This represents a nominal increase of 35% compared to the 2022/23 allocation of MK243 billion. The increase is largely driven by additional resources from donors for development projects (DI), growth in MoH's ORT budget as well as in the PE budget for salaries and wages for healthcare workers.

The health sector allocation has generally not changed in relation to the total government budget and GDP over the recent past (Figure 2). Malawi has consistently missed the Abuja Declaration target for African States to allocate 15% of their total budgets to the health sector. As a share of GDP, the current allocation of 2.2% fall below the target of 5% committed by Southern African Development Community (SADC) Countries to allocate to the health sector. According to the WHO it is difficult to ensure financial protection and achieve UHC for low-income countries (LICs) without allocating at least 5% of GDP to funding the health sector.

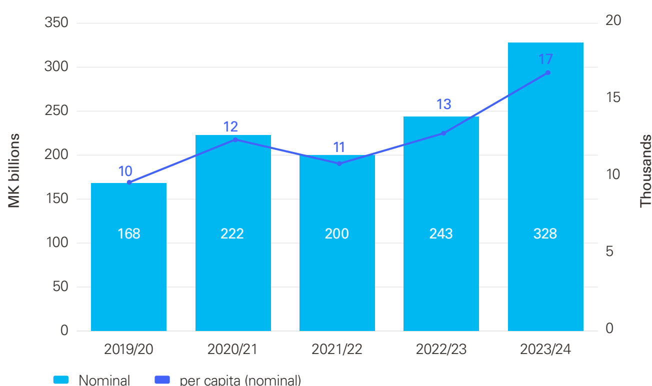
Compared to other sectors, the health sector remains the third largest in terms of budget allocations, after education (16.5%) and agriculture 11.8% and not counting public debt servicing costs (24.6%).

The 2023/24 health budget is inadequate to support Malawi's efforts to accelerate progress in achieving UHC targets by 2030. For instance, the 2023/24 health budget translates to roughly MK17,000 or about US$14 per person/year and reaches US$40 when off-budget donor spending and private contributions are added. Even so, the overall funding levels remain significantly short of the HSSP III spending target for 2023/24 of US$78.7 and the WHO recommended minimum per capita investment of US$86 for LICs. The average funding gaps of over 50% of the total costs highlighted during the implementation of the HSSP II are projected to continue for the HSSP III given the high levels of fiscal deficits and debt, obstructing Malawi's economic growth path.

KEY TAKEAWAY

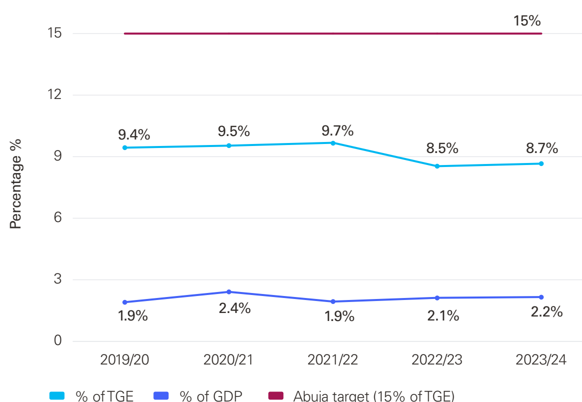
- Government is encouraged to progressively increase public investments on health to meet spending targets outlined in the HSSP III in the medium-term expenditure framework (MTEF) and aim to align these with regional and international benchmarks in the long term to ensure UHC.

Figure 1: Trends in Health Sector Spending



Source: Government Budget and Financial Documents (2017-23)

Figure 2: Trends in Health Sector Spending as a Share of Total Budget and of GDP



Source: Government Budget and Financial Documents (2017-23)

The 2023/24 health budget is inadequate to support Malawi's efforts to accelerate progress in achieving UHC targets by 2030.

Composition of Health Sector Spending

The distribution of health sector budget by fund holder has remained relatively stable over the past two years (Figure 3). About half of the health sector budget is centrally managed through the MoH while 47% is decentralized to Local Councils for primary healthcare (PHC). The remaining 2% is used to support the management and operations of subvented health organizations (SHOs). A huge chunk of the health sector resources, averaging over 80%, cater for recurrent expenses, mainly salaries and wages and operational costs for implementing health interventions across the country.

The incidence of donor funding for development projects (DI) remains unsustainably high, at 92% in 2023/24. The donor contribution to development projects is projected to double from MK24.9 million in 2022/23 to MK54.5 million in 2023/24. This increase needs to be interpreted in the context of low execution rates registered for DI over the years. Government's own contribution for development projects (DII) has generally not changed in real terms in 2023/24.

The MoH has restructured its programmes to align to the HSSP III, first Malawi ten-year implementation plan (MIP-1) and MW2063, as detailed in Table 1. Health service delivery becomes the largest programme in terms of budget allocations, receiving 72% of the MoH budget for 2023/24 (Figure 5). The MoH has created a specific programme on health research, with an allocation of MK92 million. This is crucial to support the implementation of evidence-based health interventions and reforms. The programme on Management and Administration has now been renamed to Management and Support Services, which is standardized across all entities.

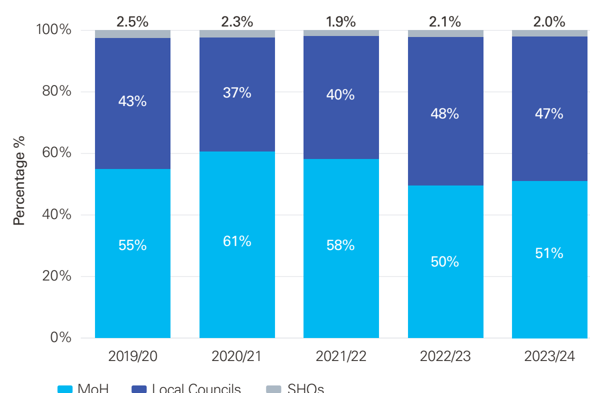
Table 1: Restructuring of MoH PBB*

Old Programmes (2018-2022/23)	New Programmes, from 2023/24
National Level Health Programs	Medical Products and Technology
Health Services	Health Service Delivery
Social Determinants of Health	Infrastructure and Medical Equipment
Management and Administration	Management and Support Services
Support to Service Delivery	Health Research

*Table 1 does not necessarily reflect a corresponding renaming of the programmes, except for Health Services, which has been renamed Health Service Delivery and Management

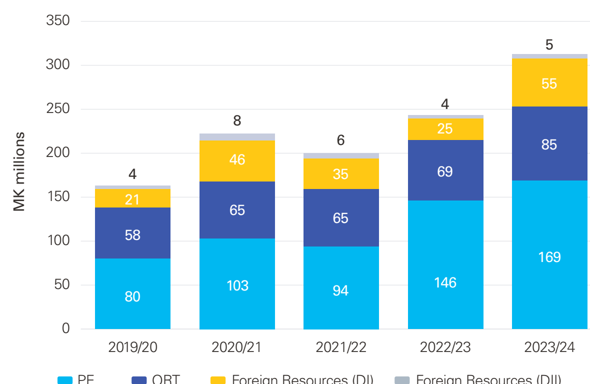
The creation of a specific programme on health research is crucial to support the implementation of evidence-based health interventions and reforms in Malawi.

Figure 3: Trends in the Composition of Health Sector Budgets by Fund Holder



Source: Government Budget and Financial Documents, 2017-23

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



Source: Government Budget and Financial Documents, 2017-23

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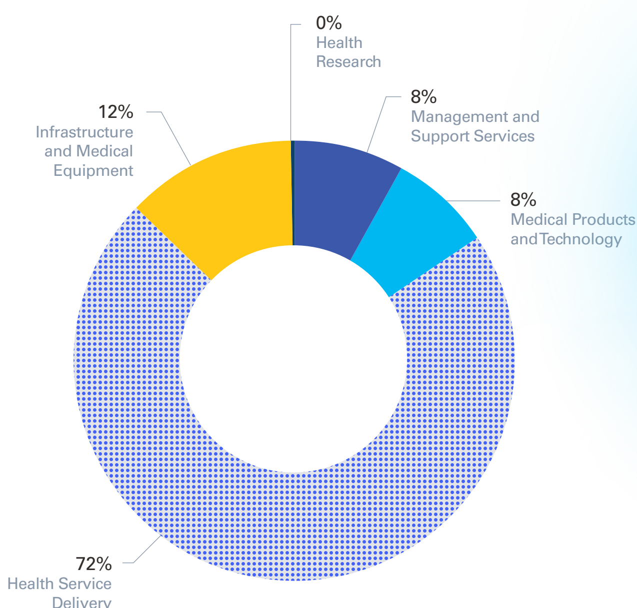
and Administration, which has been renamed to Management and Support Services

The budget allocations for awareness on mental health education on young people and "NCD Reduction Interventions" have been doubled in 2023/24, as shown in Table 2, which presents a breakdown of the MoH budget by selected key interventions. The increase in these budgets is crucial to support mental health education awareness campaigns, especially given the increased risk of mental health issues amongst adolescents and youth. Equally, the Government is commended for increasing allocations to support interventions geared towards reducing the increased incidences of NCDs across the country.

Table 2: Allocations to Selected Health Interventions under MoH, in MK millions

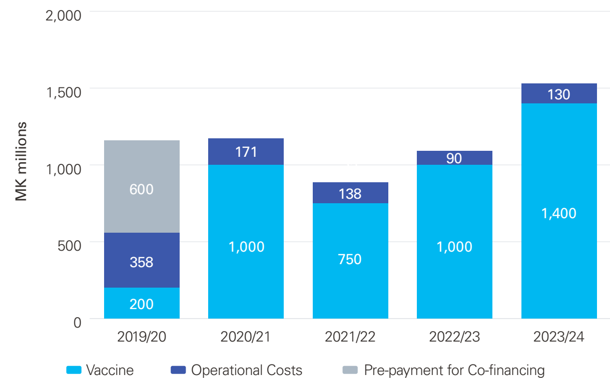
Budget Item	2022/23	2023/24
Awareness on Mental Health Education on Young People	47.5	94.8
NCD Reduction Interventions	475	94.8
Environmental Health Interventions	190	75.8
Medicines Supply Chain Strengthening	-	75.8
Health Workers Training	350	474
Vaccines	1,000	1,400
Ambulances	1,000	-
Family Planning Commodities	475	600
Purchase of New Medical Equipment	190	1,003
Scale Up Under 5 Nutrition	190	
Digital Health (ICHS)	95	137.4

Figure 5: Programme Composition of the MoH Budget



Source: MoH PBB (2023/24)

Figure 6: Trends in the Composition of EPI Spending



Source: MoH (2019-2024)

Source: Ministry of Health (2023)

The 2023/24 budget allocation (MK1.4 billion) for the procurement of vaccines under the Expanded Programme on Immunization (EPI) has increased in real terms by about 10% from MK1 billion allocated in 2022/23 (Figure 6). This demonstrates Government's commitment to finance the procurement and co-financing of vaccines for children under the age of five. An additional MK130 million was allocated towards EPI related operational costs (fuel and lubricants, maintenance of medical equipment, subsistence allowances and other consumables). This also represents a real increase of over 10% compared to MK90 million allocated in 2022/23.

KEY TAKEAWAYS

- The alignment of the health sector PBB to the HSSP III and MW2063 is a significant opportunity to improve strategic resource allocation and value for money from the allocated resources.
- The Government should leverage on the significant donor funding for development projects to support the creation of climate-resilient infrastructure within the health sector.
- The increase in budgets for interventions geared towards increasing awareness on mental health education and reduction of NCDs is a progressive step towards supporting mental health education awareness campaigns, especially given increased risk of mental health issues and incidences of NCDs amongst adolescents and youth.
- Government needs to sustain investments in vaccines and immunization, to preserve the remarkable gains realized to date in terms of coverage and reduction of the incidence of major illnesses.

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Health Budget Credibility and Execution

The overall execution of the total health budget is high, averaging 96% between 2016 and 2019, whereas that of the different budget items reveals a mixed trend (Table 3). First, the execution of recurrent budgets is generally high, including for essential health commodities that use non-public procurement systems like vaccines.

Second, capital projects, which involve high value capital procurements, show significantly low execution rates, averaging 46% between 2016 and 2019. Given limited resources, it is important that approved budgets are efficiently and effectively implemented to achieve intended objectives in the short to medium term, and UHC in the longer term.

Table 3: Summary Health Expenditure Performance, 2016-19, in MK millions

Category	Year	Approved Budget	Actual Expenditure	Expenditure Outturn	Average Score
Total Health Budget	2016/17	105,279	105,485	100%	**96%**
	2017/18	141,795	128,823	91%	
	2018/19	150,241	144,838	96%	
Other Recurrent Transactions	2016/17	52,750	46,993	89%	**92%**
	2017/18	54,026	49,470	92%	
	2018/19	56,816	53,612	94%	
Personnel Emoluments	2016/17	49,300	55,087	112%	**111%**
	2017/18	57,347	62,677	109%	
	2018/19	67,082	74,494	111%	
Medicines & Medical Supplies	2016/17	24,735	22,238	90%	**85%**
	2017/18	22,859	14,339	63%	
	2018/19	23,398	24,197	103%	
Procurement of Vaccines	2016/17	721	682	95	**96%**
	2017/18	830	775	93	
	2018/19	219	219	100	
Development (DI +DII)	2016/17	17,322	3,355	19%	**46%**
	2017/18	30,422	16,676	55%	
	2018/19	26,343	16,731	64%	

Source: Health Public Expenditure Review (PER) Dataset (2020)

Between 2016 and 2019, the overall execution of the total health budget in Malawi has been commendably high, averaging 96%. This reflects the government's commitment to efficiently allocate and utilize resources for healthcare interventions.

Further analysis of health expenditure performance by fund holder also reveals mixed results (Figure 7). The average execution rates are relatively higher, at 118%, for expenditures on drugs managed by the NLGFC. On the other hand, the MoH generally underspent its funding, which is linked to lower execution of capital projects, which are largely centralized under the MoH. Execution rates for primary healthcare expenditures through Local Councils and for operations of central hospitals are within the +/-5% recommended by the public expenditure and financial accountability (PEFA) framework for a budget to be deemed credible.

The health budget credibility challenges, particularly for high value capital projects are linked to several reasons, including weak procurement systems and capacities. Procurement related challenges are a major bottleneck hindering budget credibility. The procurement challenges are multi-faceted and include weakly executed procurement plans and processes which could be linked to weak procurement capacities at the MoH – in terms of either limited procurement staff or limited expertise of the available staff. Other underlying reasons for budget credibility are related to cash flow challenges linked to limited fiscal space as well as diversion of funds for other uses, especially at local level.

The above mentioned are compounded by weak performance of the public finance management (PFM) system, especially at local level. According to a local government PFM assessment published by the World Bank (2021)[4], the performance of PFM for achieving UHC delivery goals in Malawi is extremely weak, especially at the budget formulation stage, where efficiency and accountability register weakest scores (D+) as shown in Table 4.

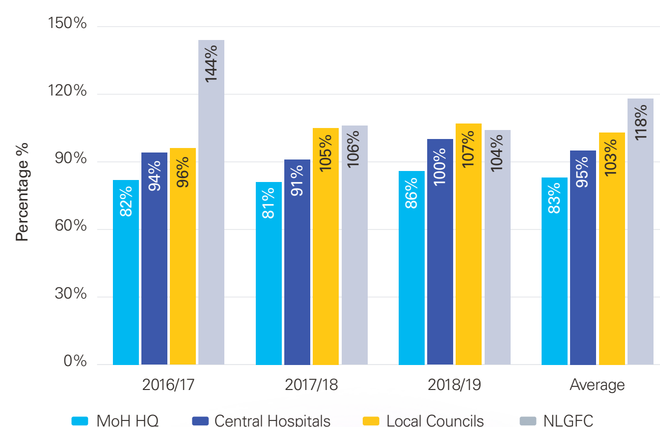
Table 4: PFM Performance, by Budget Phase with Respect to Health Service Delivery Goals in Primary Healthcare Facilities*

Budget Cycle Phase	Health Service Delivery Goals			
	Efficiency	Equity	Quality	Accountability
Formula-tion	D+	C	C	D+
Execution	B	B	C+	B
Evaluation	C	D	B	C

* The scores range from A+, representing the best performance, to D-, representing the worst performance.

Source: World Bank. 2021. Public Financial Management in the Health Sector: An Assessment at Local Government Level in Malawi. Washington, DC: The World Bank.

Figure 7: Trends in Health Expenditure Performance by Fund Holder



Source: Health Public Expenditure Review (PER) Dataset (2020)

KEY TAKEAWAY

- Improvements in health budget execution and efficiency are key to ensure improved health service delivery in pursuit of the goal to achieve UHC targets by 2030.

Fiscal Decentralization and Primary Healthcare Spending

The Government has steadily increased its allocation for primary healthcare services through the Local Councils (Figure 8). Government plans to transfer MK153 billion to Local Councils in 2023/24 for the delivery of primary healthcare services, an increase of about 5% in real terms from MK117 billion transferred in 2022/23. A significant chunk of the increase is to cater for salaries and wages of primary healthcare workers. The drugs and ORT budgets are dwindling in real terms, considering the average inflation rate for 2022-23 of over 20%.

The Government has devolved additional health resources to Local Councils, with a total of MK13.6 billion. These funds are planned for transfers to seven selected districts in 2023/24 to support the rehabilitation of district hospitals. These resources were previously centrally managed by the MoH and then the NLGFC from 2021/22. The beneficiary districts are Likoma, Chitipa, M'mbelwa, Dowa, Kasungu, Chikwawa and Balaka, with the allocation as shown in Figure 9. In addition, the allocation for the 10% district-managed drugs budget has been increased from MK1.5 billion in 2022/23 to MK2 billion in 2023/24.

4 World Bank. 2021. Public Financial Management in the Health Sector: An Assessment at Local Government Level in Malawi. Washington, DC: The World Bank. Available at: https://documents1.worldbank.org/curated/en/241411624431388240/pdf/Public-Financial-Management-in-the-Health-Sector-An-Assessment-at-the-Local-Government-Level-in-Malawi.pdf

The additional devolution of the health sector budget is in line with Government's efforts to reform primary healthcare financing as part of current efforts to deepen fiscal decentralization in the framework of ongoing decentralization reforms. This development is progressive and comes at a time when latest evidence[5] has shown the partiality of devolution in Malawi. An examination of LGAs district implementation plans (DIPs) carried out as part of the aforementioned costing exercise revealed that Local Councils are implementing some functions that were not formally devolved such as secondary healthcare. This is mostly because most of the sectoral devolution plans, including for health, were not updated since their development in around 2002/3.

5 National Local Government Finance Committee and UNICEF (2022): Costing of Social Service Delivery at Local Level in Malawi

Government increases allocation for primary healthcare services, supporting local councils with MK153 billion in 2023/24.

The costing exercise also highlighted significant funding gaps for delivering PHC at local level. The average annual operational cost (excluding salaries and wages) of delivering the identified minimum package of health services at local level (considered as EHP) was estimated at MK36.7 billion (~US$30 million). Yet, the annual allocation averaged MK9 billion between 2017-21, resulting in a significant funding gap of about MK27 billion (75%), as shown in Table 5.

KEY TAKEAWAY

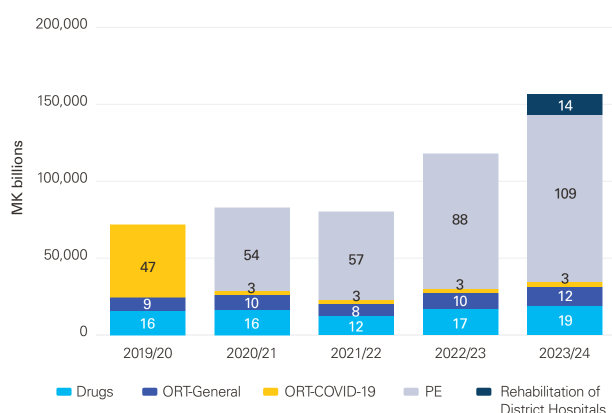
- As more resources are being devolved to Local Councils, the Government is encouraged to continue strengthening district planning, budgeting, financing, expenditure and reporting systems, including the inter and intra-district financing mechanisms.

Table 5: Funding Gap per Sector, Average Sectoral Funding Gaps for Period 2017-21, Amounts in MK millions

Sector	Funding	Requirement	Funding Gap	Funding Gap (%)
Education	9,206	35,778	(26, 572)	-74%
Social	394	9,521	(9,128)	-96%
Water	2,324	4,263	(1, 939)	-45%
Agriculture	1,674	18,683	(17,009)	-91%
Health	9,243	36,771	(27, 528)	-75%

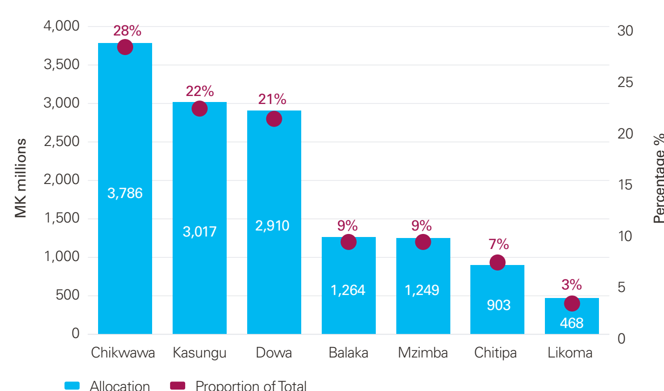
Source: NLGFC and UNICEF (2022): Costing of Social Service Delivery at Local Level in Malawi, UNICEF Lilongwe

Figure 8: Trends in District Health Budget



Source: Government Budget and Financial Documents, 2017-23

Figure 9: Budget for Rehabilitation of the Health Facilities by District



Source: NLGFC MTEF Ceilings, 2023

Health Sector Financing

The financing of the health sector is significantly donor dependent, with an average of 54.5% of total health expenditures (THE) funded by donors between 2016-2022. According to latest results from the National Health Accounts (NHA) (2022), donors are contributing an average of 54.5% to health sector funding, while 24.1% is mobilized from the Government, 11.9% from out-of-pocket expenses (OOP) and the rest (9.1%) is through private health insurance schemes (Table 6). The NHA results further indicate that 40.3% of THE is pooled under the Government scheme but the proportion of resources managed by the government agencies is slightly less, at 39.4% of THE. This reflects limited Government discretion in making direct health expenditure decisions, with donors, through funding to NGOs, having significant influence on health spending decisions.

Table 6: Key Health Financing Indicators for Malawi, Average, 2017-2022

Variable	Average Value
Per capita total expenditure on health (US$)	39.9
Government expenditure on health as % of THE	24.1%
Donor expenditure on health as % of THE	54.5%
Total private health insurance spending as % of THE	9.10%
Out-of-pocket expenditure on health as % of THE	11.90%
Total expenditure on primary healthcare as % of THE	39.70%
Percentage of THE pooled under government financing scheme	40.30%
Percentage of THE managed by government agents	39.40%

Source: National Health Accounts (NHA) 2022

According to the Government, the current distribution of healthcare spending presents some potential allocative inefficiencies, as demonstrated by low expenditures on PHC, averaging 39.7% of THE. These inefficiencies could be connected to the fact that secondary and tertiary-level healthcare providers in Malawi also largely provide PHC services.

Through the recently launched Health Financing Strategy (HFS) (2023-2030), the Government has established a solid framework to support the achievement of UHC goals. The HFS aims to achieve a fully functional healthcare financing system that supports achievement of the UHC aspirations outlined in the National Health Policy, HSSP III and MW2063. Through the HFS, the Government seeks to create a well-governed and adequately resourced health financing architecture, supported by efficient and equitable delivery systems that allow for strategic purchasing of services based on a well-defined health benefit package (HBP) in pursuit of UHC goals.

KEY TAKEAWAY

- It is important that Malawi's health system is sustainably financed and made increasingly shock sensitive to achieve UHC, building on the HSSP III and health sector financing strategy.

Through the recently launched Health Financing Strategy (2023-2030), the Government has established a robust framework to support the attainment of universal health coverage goals.

ACKNOWLEDGEMENTS

This budget brief was written by UNICEF Malawi Social Policy Team of Tapiwa Kelvin Mutambirwa, Sekerani Mvula and Ahmad Mmadi, with technical support from Bob Libert Muchabaiwa from UNICEF Eastern and Southern African Regional Office (ESARO), with thanks to technical inputs from the Health Section.

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