

# Social Protection Budget Brief 2023/24

Building a shock-sensitive social protection system in the face of frequent shocks

## Key messages and recommendations

1

Recurring shocks and high levels of poverty, estimated at 50.7% as of 2019/20, have elevated the role of social protection in Malawi.

**Recommendation:** The Government is encouraged to strengthen integrated shock sensitive social protection (SSSP) for early recovery of affected households, including through, for instance, developing and operationalizing a vision for SSSP, and a comprehensive social protection long-term financing strategy, that also covers flexible contingency financing mechanisms for crisis response.

2

The social protection allocation through the National Budget has more than doubled from Malawi Kwacha (MK) 52 billion (1.8% of the total government budget and 0.5% of GDP) in 2022/23 to MK130 billion in 2023/24 (3.4% of the total government budget and 0.9% of GDP). The increase is largely driven by additional funding from the World Bank, through the Malawi Social Support for Resilience Project (MSSRLP) grant.

**Recommendation:** Government should ensure timely use of committed donor resources and leverage them to enhance the comprehensiveness of social protection programmes in both rural and urban areas and to support economic empowerment, resilience building and pathways to sustainable graduation out of poverty in line with the Second Malawi National Social Support Programme (MNSSP II) and the Malawi Vision 2063 (MW2063).

3

The 2023/24 Government provision for the Social Cash Transfer Programme (SCTP) through the Ministry of Gender, Community Development and Social Welfare (MoGCDSW) is worth MK2.8 billion, compared to the revised estimate of MK1.79 billion in 2022/23, representing an average of 5% of the total on-budget SCTP allocations over the last three fiscal years.

**Recommendation:** Government needs to progressively increase its contribution to the SCTP funding to enhance national ownership of the flagship social protection programme, and in line with its commitment to contribute 15% to the total SCTP budget by 2027, and in line with the 15% targeted increase in the programme's coverage, as outlined in the recently launched 5-year Malawi SCTP Strategic Plan (2022-2027).

**The increased frequency of climate related and macro-fiscal shocks in Malawi is driving more people into poverty and elevating the role of shock-sensitive social protection.**





Malita Fulayitoni, 40 years old from Kasale 1 Village, Mpira Zone making a withdraw of her money in the Social Cash Transfer Program. © UNICEF/2023

## Introduction

**This budget brief provides a summary analysis of the trends in social protection spending in Malawi in the framework of the 2023/24 fiscal year (FY) budget.** It provides insights on the adequacy, equity, efficiency, and effectiveness of social protection spending in Malawi.

**The information contained in this brief is particularly relevant for Government, donors, civil society organizations (CSOs) and other stakeholders** who might be able to support advocacy and implementation of interventions geared towards increased comprehensiveness, efficiency, sustainability, and flexibility of Malawi's national social protection sector, in the context of increasing shocks.

**For this brief, the social protection budget on-budget allocations to three main Ministries, Departments and Agencies (MDAs) focusing on social protection.** These are the Ministry of Gender, Community Development and Social Welfare (MoGCDSW) (Vote 320) – the principal implementing agency for Malawi's flagship Social Cash Transfer Programme (SCTP) – the

National Local Government Finance Committee (NLGFC) (Vote 121) – the fund holder for the World Bank's social protection budgets – and the Poverty Reduction and Social Protection (PRSP) Division of the Ministry of Finance and Economic Affairs (MoFEA) (Vote 270) – responsible for the coordination of the social protection policy.

**The analysis primarily covers the SCTP and the Climate-Smart Enhanced Public Works Programme (CS-EPWP) which are funded through the national budget.** The budget analysis does not cover the other two main social protection programmes – the School Meals Program (SMP) as well as the Village Savings and Lending Schemes (VSLs) – which are funded completely off-budget and for which accurate data is limited.

**The analysis builds on previous social protection budget briefs<sup>1</sup> and is informed by government budget documents,** especially the program-based budget (PBB), detailed budget estimates as well as World Bank funding estimates for social protection obtained from the NLGFC.

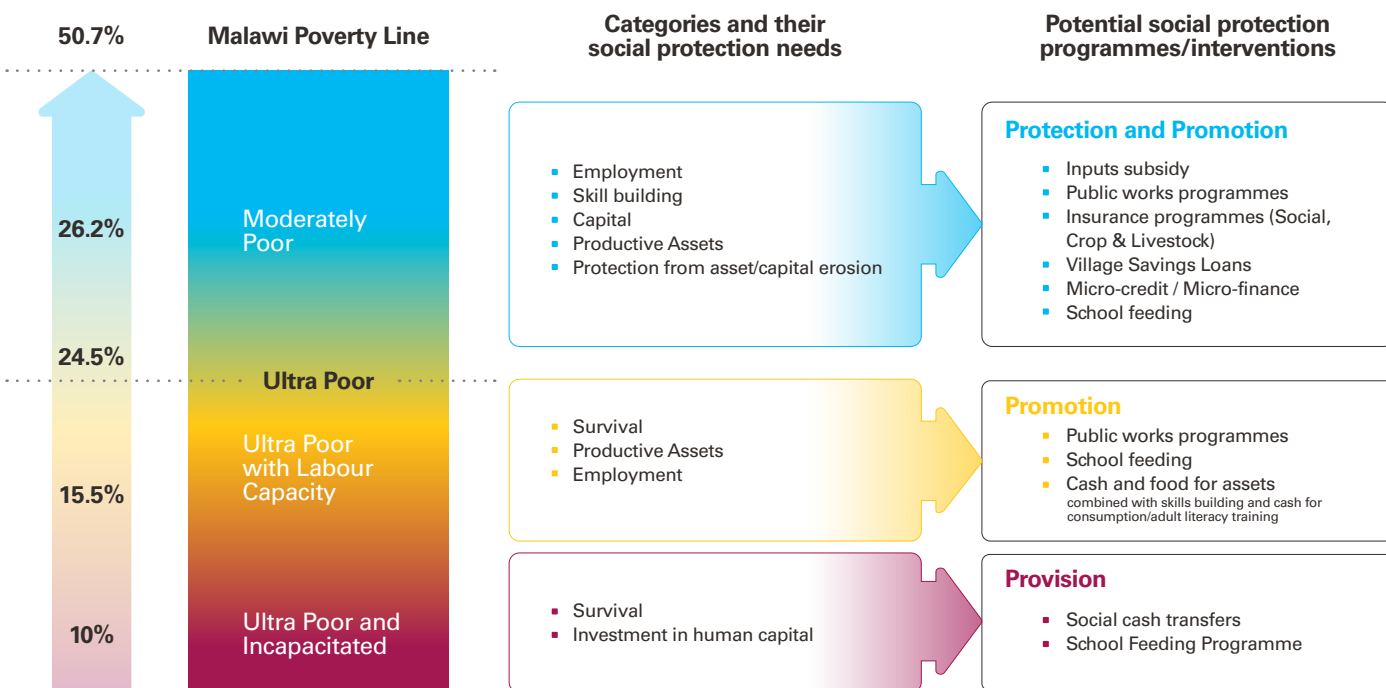
<sup>1</sup> These are available at: <https://www.unicef.org/esa/reports/budget-briefs#malawi>

# Overview of Social Protection

Malawi has made progressive efforts to build a solid social protection system, organised around the Malawi National Social Support Policy (MNSSP) and two five-year Malawi National Social Support Programmes (MNSSP I and II) operationalized over a ten-year period from 2013 to

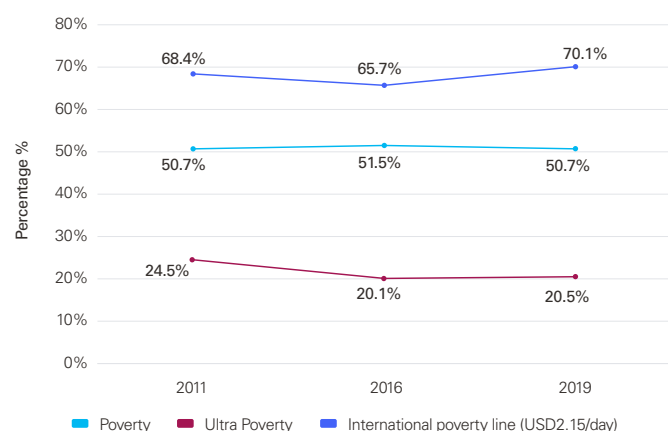
2023. The combination of interventions fully or partially geared towards providing social support has contributed to creating an ecosystem that aims to address the different needs of the various segments of the population, according to their poverty profiles and productive capacities (Figure 1).

**Figure 1: Social protection interventions created to address the different poverty levels in Malawi**



Source: Government of Malawi, MNSSP II Document

**Figure 2: Trends in poverty (national and international poverty lines) and ultra-poverty**



Source: NSO, 2011-2020 and World Bank Poverty Statistics, 2022

The Government is in the process of reviewing the National Social Support Policy<sup>2</sup> and developing a new Malawi National Social Protection Strategy (MNSPS), as a successor to the MNSSP II, which is scheduled to phase out in June 2023.

Malawi's poverty incidence has remained stagnant since 2010/11, and stands at 50.7%<sup>3</sup> as of 2019/20 (Figure 2). One in five Malawians (20.5%) live in ultra-poverty – a statistic that has remained unchanged since 2016/17<sup>4</sup>. Despite poverty being largely a rural phenomenon, basic needs poverty in urban areas rose from 17.7 to 19.2% between 2016/17 and 2019/20. The uneven rates of progress (or lack thereof) in graduating from poverty and ultra-poverty in the country point to the underlying complexity of multidimensional poverty drivers that cannot merely be explained along the geographical and urban/rural divides.

<sup>2</sup> The new policy will be referred to as the Malawi National Social Protection Policy (MNSPS).

<sup>3</sup> This figure is based on the IHS5 (2019/20) and does not factor the effects of COVID-19, which might have increased the poverty levels over the past three years.

<sup>4</sup> Poverty Report, National Statistics Office, 2020. The national poverty line is set at MK165,879 (about USD202) a year, with a food component of MK101,293 (about USD124) year or kcal 2215 a day. The ultra-poverty line is set at the value of the food component.

The incidence of multidimensional poverty among children is 60.5%<sup>5</sup> as of 2018. The National Statistical Office (NSO) is in the process of updating the child poverty analysis based on the Fifth Integrated Household Survey (IHS5) and new figures are expected by the end of 2023.

**Malawi is exceptionally vulnerable to climate shocks** and is one of the most vulnerable countries to climate change, ranking 161 out of 181 in the ND-Global Adaptation Initiative Index. Since the advent of COVID-19, Malawi has experienced frequent shocks, including the recent Tropical Cyclone Freddy (March 2023)<sup>6</sup>, preceded by Tropical Storm Ana and Cyclone Gombe in 2022. These climatic-related shocks have been compounded by several health emergencies, including the historical outbreak of cholera since February 2022 as well as the outbreak of wild polio virus in March 2022. These are just the latest of a significant number of shocks that Malawi has experienced over the past twenty years.

**Shocks are driving more people into poverty.** A poverty assessment report published by the World Bank (2022)<sup>7</sup> revealed that the probability of a household being poor increases by 14% after experiencing a climatic shock. The report further showed that for every three Malawians that moved out of poverty between 2010 and 2019, four fell back in due to the impact of climatic shocks. Further analysis also showed how the global increase in food and fuel prices, connected to the Russian-Ukraine conflict, is contributing to increase the incidence of poverty in Malawi, especially for the urban population. Price increases of 32% were found to increase the national poverty rate by almost eight percentage points, implying that the share of people living with less than US\$1.2/day would increase from 50% to 58% in relation to inflationary shocks<sup>8</sup>.

**Women and children continue to be the hardest hit by crises.** Since 2019/20, Malawi has activated a temporary expansion of the flagship SCTP for the slow onset crisis caused by dry spells, the Lean Season Response (LSR). Cash transfers top-ups are provided to ultra-poor households during the two to five months when households experience acute food insecurity.

**With increasing shocks, social protection coverage in Malawi remains far too inadequate to alleviate the vulnerabilities of households steeped in poverty.** For instance, the flagship social protection programme, the Social Cash Transfer Programme (SCTP), is limited to 10% of the ultra-poor<sup>9</sup> population in each district. This approach excludes significantly vulnerable (and eligible) populations in districts that have more than 10% of ultra-poor and labour constrained households. Inequities in access to social services also contribute to exacerbating the exclusion of the most marginalized women and children, including those with disabilities and albinism, and those living in areas prone to climate-related shocks.

Apart from the limited coverage, adequacy of the current SCTP benefit levels, last adjusted in 2020, is being significantly eroded by rising inflation, estimated to average 24.5% in 2023. The average SCTP monthly transfer value of MK9,000, translates to roughly MK7,000 (~US\$6) in real terms when considering the average annual inflation of 20% in 2022-23. Food inflation is notably high during the post-harvest season and reached a peak of 34.5% in October 2022. These trends highlight the need to index the transfer levels to annual inflation to protect their real value.

**Additional efforts are therefore needed to enhance the coverage, adequacy, and comprehensiveness of existing social protection programmes, especially in the context of the increasing multivariate shocks facing Malawi.** Since 2006, the SCTP has been progressively expanded in rural areas reaching over 300,000 households and 1.33 million ultra-poor people<sup>10</sup>. Latest available evidence shows positive results from the investments in SCTP to date, as detailed in Box 1.

### BOX 1 Selected impacts of cash transfers in Malawi

- **Cash transfers have yielded significant economic benefits for local communities**, through raising the demand for goods and services and creating income generating opportunities for beneficiaries and non-beneficiaries alike.
- **SCTP has an economic multiplier effect of 2.94 (Handa et al., 2021).** This means that for every MWK1 transferred to SCTP beneficiaries an additional MWK1.94 is generated. In addition, the SCTP generates spill over effects to the local economy, with a multiplier effect of 1.27 for both beneficiaries and non-beneficiaries (Handa et al., 2021).
- **The SCTP has a significant impact on household food security**, with 12% increase in the consumption of 2 or more meals a day among SCTP beneficiaries.
- **Children in SCTP households are more likely to attend primary school** (+12 percentage points) and secondary school (+16 percentage points) regularly compared to non-SCTP households.

## Malawi faces rising multidimensional poverty amidst climate shocks and inadequate social protection coverage.

5 National Statistical Office (NSO) (2018), Child Poverty Report. The NSO is currently working on updating the child poverty analysis, based on the 2019/20 IHS.

6 The devastating impact of the cyclone has left over 506,475 people affected, with 183,159 individuals deprived of shelter and food.

7 World Bank (2022): Malawi Poverty Assessment Report, Poverty Persistence in Malawi: climate shocks, low agricultural productivity and slow structural transformation. Available at: Malawi Poverty Assessment : Poverty Persistence in Malawi - Climate Shocks, Low Agricultural Productivity, and Slow Structural Transformation (worldbank.org).

8 UNICEF Malawi (2023): Impact of Shocks on the Most Vulnerable Populations in Malawi.

9 To be considered eligible for SCTP a households must be deemed to be ultra-poor, and labor constrained.

10 SCTP MIS, accessed on 11th April 2022.

**The cost of not implementing social protection interventions, particularly the SCTP, in Malawi is significant.** Latest available evidence from UNICEF<sup>11</sup> reveals significant opportunity costs and policy implications associated with deprioritizing social protection programmes in Malawi, particularly the SCTP. For instance, deprioritising the SCTP over time, could lead to an estimated annual loss in consumption spending of about MK387

billion or 2.7% of GDP and could plunge an additional 713,363 households into extreme poverty, as summarized in Box 2. These costs eventually translate into much larger and significant losses in the long-term, especially when considering the role of social protection as a critical enabler for human capital development and Malawi's developmental aspirations, outlined in MW2063, including the SDG target 1.

11 UNICEF Malawi (2023): A Cost of Inaction Study for the Social Cash Transfer Programme

## BOX 2

### What additional benefits will be foregone by 2032 if the SCTP is terminated?

- An MWK387.1 billion loss in consumption spending or 2.7% of GDP per year.
- A 42.8% loss in per capita consumption spending of the average quintile 1 household.
- 713,363 more households will be living below the ultra-poverty line.
- 188,411 fewer children enrolled in school.
- 272,149 fewer children attending school regularly.
- 169,607 more households worry about food daily.
- 665,805 fewer individuals regularly eating two or more meals per day.
- 570,690 fewer individuals per year seeking treatment when ill.

Source: UNICEF Malawi (2023): A Cost of Inaction Study for the SCTP

Malawi has made steady efforts in establishing and strengthening core systems to support the effective and efficient delivery of social protection. These include the social registry – the Unified Beneficiary Registry (UBR) – the Emergency Management Information System (e-MIS), harmonised grievance and redress mechanism (HGRM), including call centre, and a harmonised electronic payment solution.

Despite these efforts, more work is required to address several challenges affecting the sector. There are weak linkages and referral mechanisms among social protection programmes and/or others to support resilience building and amplify the impacts of social assistance. The development of a national framework for nutrition-sensitive social support will work to link beneficiaries of social protection with critical social services. The social protection sector currently lacks an overall visioning of shock-sensitive social protection (SSSP) and nascent capacity and systems to respond to unpredictable shocks.

The Government is conducting a categorical targeting pilot in Thyolo district as part of efforts to build evidence on the impact and cost of an alternative approach to targeting, beyond the current poverty-based targeting approach. A shift in targeting to categories of vulnerable groups will support a transition towards more cost effective, simplified, and transparent categorical approach that addresses life-cycle vulnerabilities (e.g. children under 2, old age and disability).



9 year old Angella Maxwell is able to attend school because her parents are able to provide for her because of the Social Cash Transfer Programme. She is in Std 3. © UNICEF/2022

# Size of Social Protection Spending<sup>11</sup>

The allocation to social protection through the national budget has increased by 2.5 times from MK52 billion in 2022/23 to MK130 billion in 2023/24 (Figure 3). The growth in the social protection budget is connected to additional resources from the World Bank, through the Malawi Social Support for Resilience Project (MSSRLP) grant. These resources are managed by the NLGFC and are mainly for the SCTP (regular, emergency, and horizontal expansion), CS-EPWP and livelihoods

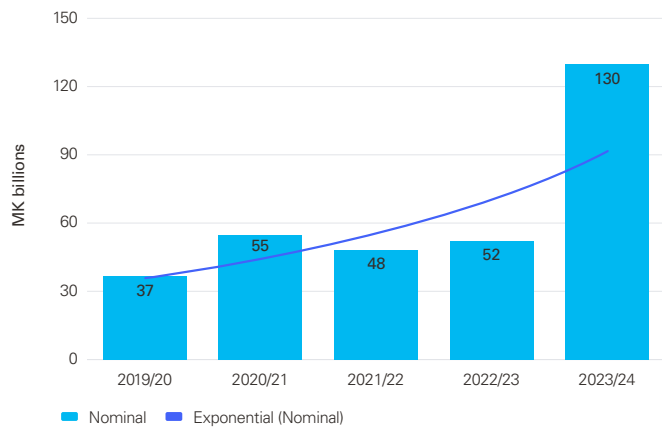
support via COMSIP. Actual spending is estimated to likely increase due to additional social protection needs created by Tropical Cyclone Freddy.

Social protection allocation has reached historically highest levels, in relation to the total Government budget (3.4%) and GDP (0.9%) (Figure 4). However, despite reaching an all-time high, it still falls short of the regional average.

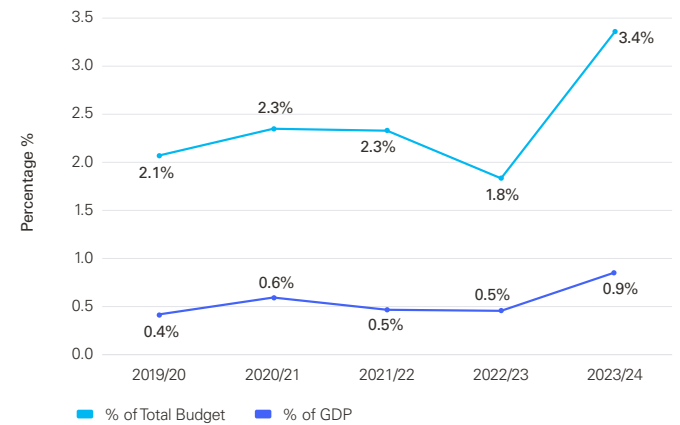
<sup>12</sup> The analysis included in this section only considers social protection allocations (for SCTP and PWP) through the National Budget (on-budget) and does not account for funding channeled outside the Government Budget (off-budget) for which data is not accurately available. If off-budget funding is included, the total social protection investment would be significantly higher.

## The social protection allocation has reached historically highest levels.

**Figure 3: Trends in Social Protection Spending**



**Figure 4: On Budget Social Protection Spending as a Share of the Total Budget and GDP**



Source: Government Budget and Financial Statements, 2017-23

Source: Government Budget and Financial Statements, 2017-23



Meet the Adini Family From left respectively Labson Adinin 17 years (cholera survivor), Sheini Saulosi, 6 year old Shakira Adini and 21 year old Mustafa Adini (cholera survivor) they all come from Chiyenda Usiku, Balaka. © UNICEF/HDPlus/2023

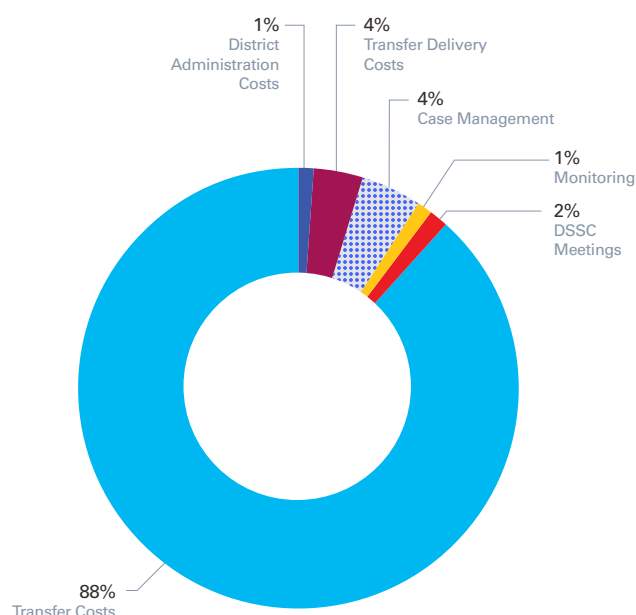
# Composition of Social Protection Budgets

The bulk of the on-budget SCTP resources are for regular cash transfers to SCTP beneficiaries (Figure 5). For instance, analysis of the World Bank spending through the NLGFC shows that about 88% of the regular SCTP budget is for actual transfer costs while the remainder (12%) is to cater for operational costs, including supporting the strengthening of core social protection systems such as UBR, GRM and electronic payments.

Majority of the social protection funds are channelled through the NLGFC (Vote 121) – estimated at 91.5% (~MK120 billion) of the total allocations for 2023/24. The remaining 8.5% is channelled through the MoGCDSW – for the implementation of SCTP in Thyolo – and the MoFEA, for the coordination of social protection. The World Bank funding is divided among three main programmes, namely the SCTP, CS-EPWP as well as COMSIP, with the respective allocations as shown in Table 2.

## The SCTP is rolled out with minimal operational costs.

**Figure 5: Composition of the WB-funded Regular SCTP Budget, Average, 2019-22<sup>12</sup>**



Source: NLGFC (2023)

**Table 2: Composition of On-budget Social Protection Spending (MK millions)<sup>13</sup>**

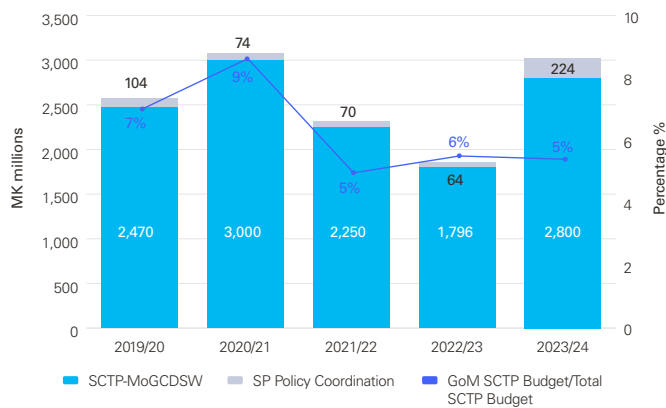
Budget Line Item	Funding Source	2019/20	2020/21	2021/22	2022/23	2023/24	% change (2023/24 vs. 2022/23)
SCTP - MoGCDSW sub-programme 139.5	GoM via MoGCDSW	2,470	3,000	2,250	1,796	2,800	8%
SCTP - MoGCDSW sub-programme 139.5		14,919	-	17,731	8,534	8,059	-6%
SCT (Lean Season) i.e. SSSP	Donors via MoGCDSW	-	-	1,422	-	-	-
Scale-Up SCTP i.e. SSSP		2,473	2,543	2,845	-	-	-
Social Protection Policy Coordination - MoFEA sub-programme 132.2	GoM via PRSP	104	74	70	64	224	250%
Regular SCTP - NLGFC programme 121		15,197	29,100	20,783	22,095	20,158	-9%
Support to Urban SCTP	World Bank via NLGFC	-	-	-	-	11,663	-
Emergency Cash Transfer		-	-	-	-	8,726	-
<b>Total SCTP Budget (On-Budget)</b>		<b>35,163</b>	<b>34,717</b>	<b>45,101</b>	<b>32,489</b>	<b>51,630</b>	<b>55%</b>
PWP	GoM via NLGFC	1,737	1,535	2,991	-	-	-
MASAF 4 - Grant		-	6,247	-	-	-	-
MASAF 4 - Loan	World Bank via NLGFC	-	12,298	-	-	-	-
CS-EPWP		-	-	-	15,105	57,719	282%
<b>Total Social Protection Budget (On-Budget)</b>		<b>36,900</b>	<b>54,797</b>	<b>48,092</b>	<b>52,294</b>	<b>130,037</b>	<b>145%</b>

<sup>13</sup> DSSC refers to District Social Support Committee.

<sup>14</sup> The Table only considers social protection allocations (for SCTP and PWP) through the National Budget (on-budget) and does not account for funding channelled outside the Government Budget (off-budget). If off-budget funding is included, the total social protection investment would be significantly higher.

The Government's contribution to the SCTP through the MoGCDSW has averaged 5% of the total on-budget SCTP allocation over the past three fiscal years (Figure 6). The 2023/24 provision for the SCTP from Government's other recurrent transactions (ORT) budget is worth MK2.8 billion, compared to the revised estimate of MK1.79 billion in 2022/23. An additional MK224 million in 2023/24 has been allocated under the MoFEA for the coordination of social protection policy, an increase from MK 64 million in 2022/23. Government is encouraged to continue to build on these initial steps to progressively increase its contribution to the SCTP funding to enhance national ownership of the flagship programme, and in line with its commitment in the 5-year SCTP Strategic Plan to contribute at least 15% of the total SCTP budget by 2027.

**Figure 6: Trends in Government Contribution to the SCTP**



Source: MoGCDSW & MoFEA PBBs, 2017-23



Learners taking porridge. © UNICEF/2022

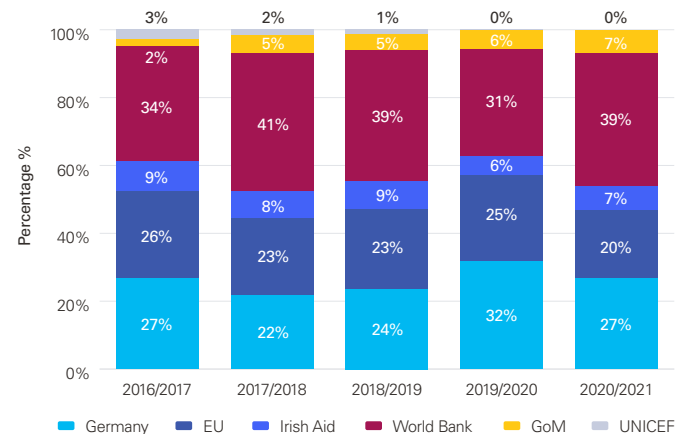
**The Government's average contribution to the SCTP through the MoGCDSW has been 5% of the total on-budget SCTP allocation over the past three years.**

## Social Protection Financing

The funding of key social protection programmes in Malawi remains significantly funded through donor support. On average, Government has been contributing 5% to the funding of the SCTP since 2016/17, with the majority (95%) of resources coming from donors – World Bank (36%), Germany (27%), European Union (EU) (23%), Irish Aid (7%) and UNICEF (1%) for technical support, as shown in Figure 7.

The Government's contribution to the SCTP still covers only one district, with the other 27 districts funded through donor support (Figure 8). The division of donor funding to districts is (i) the World Bank (11 districts); (ii) the German Government – through Kreditanstalt für Wiederaufbau (KfW) (7 districts); (iii) the European Union Delegation (EUD) – through KfW (7 districts) as well as (iv) the Embassy of Ireland (2 districts). UNICEF and other partners provide technical support for the regular operations and for the vertical and horizontal expansions of the SCTP.

**Figure 7: Trends in the Funding of the SCTP Budget by Source**



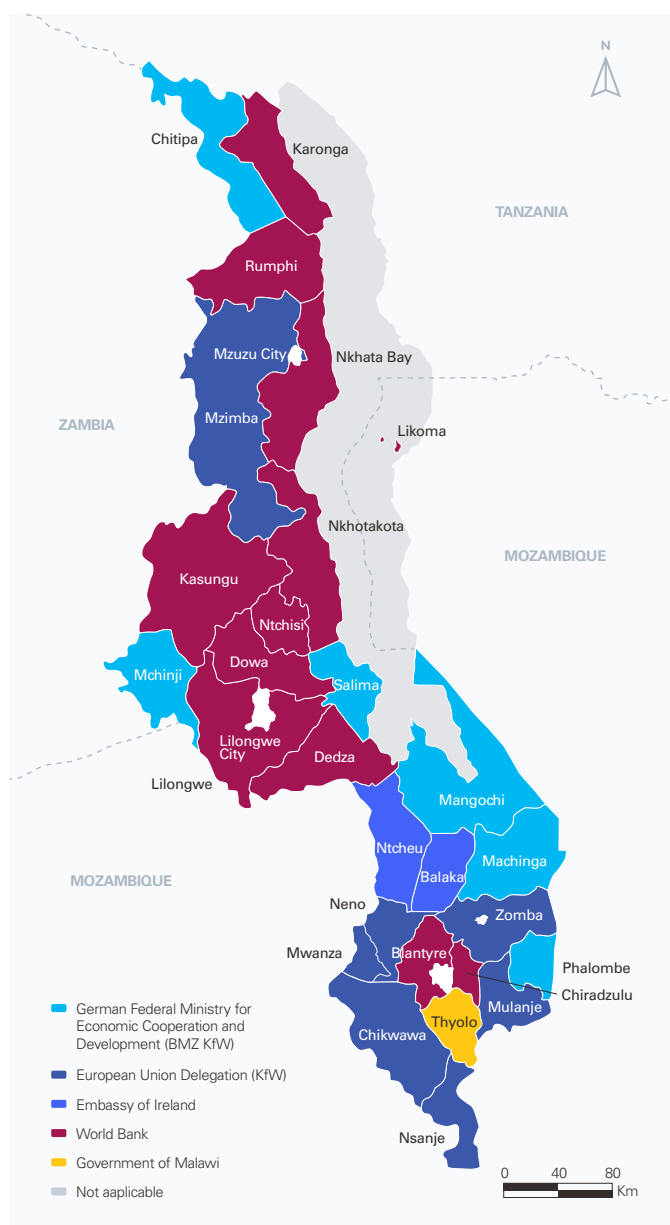
Source: Government Budget Documents and Donor Financial Reports, 2017-21



There are growing financing needs for the social protection sector given the multivariate shocks facing Malawi. For instance, the Government requires an additional MK12 billion for cash transfer expansion and MK32.5 billion for the expansion of the CS-EPWP to respond to the additional social protection needs of affected households caused by the significant livelihoods' losses from Tropical Cyclone Freddy. Malawi's considerable vulnerability to climate shocks in particular points to the need for more diversified and sustainable financing sources for a more financially resilient and responsive Government.

To harmonize and further optimize the effectiveness of social protection programs, the government and some development partners have jointly established the Multi-Donor Trust Fund (MDTF) currently managed by the World Bank. A sustainable financing structure is critical for improved efficiency and effectiveness of social protection programs.

**Figure 8: Division of SCTP Funding in Malawi by Donor**



## ACKNOWLEDGEMENTS

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### For more information, contact

**Mathew Tasker**

Chief of Social Policy, UNICEF Malawi  
mtasker@unicef.org

**Tapiwa Kelvin Mutambirwa**

Social Policy & Economic Specialist, UNICEF Malawi  
kmutambirwa@unicef.org

Meet 7 month old, Ashraf Kanaji, whose mother is Jamila Affick a beneficiary of the social cash transfer program from Chiyenda Usiku, Balaka.  
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