

# Budget Proposal 2022/23

## Analysis of the Budget Proposal for the Health, HIV and AIDS Cluster

22 February 2022

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UNICEF Malawi

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# Outline of the presentation

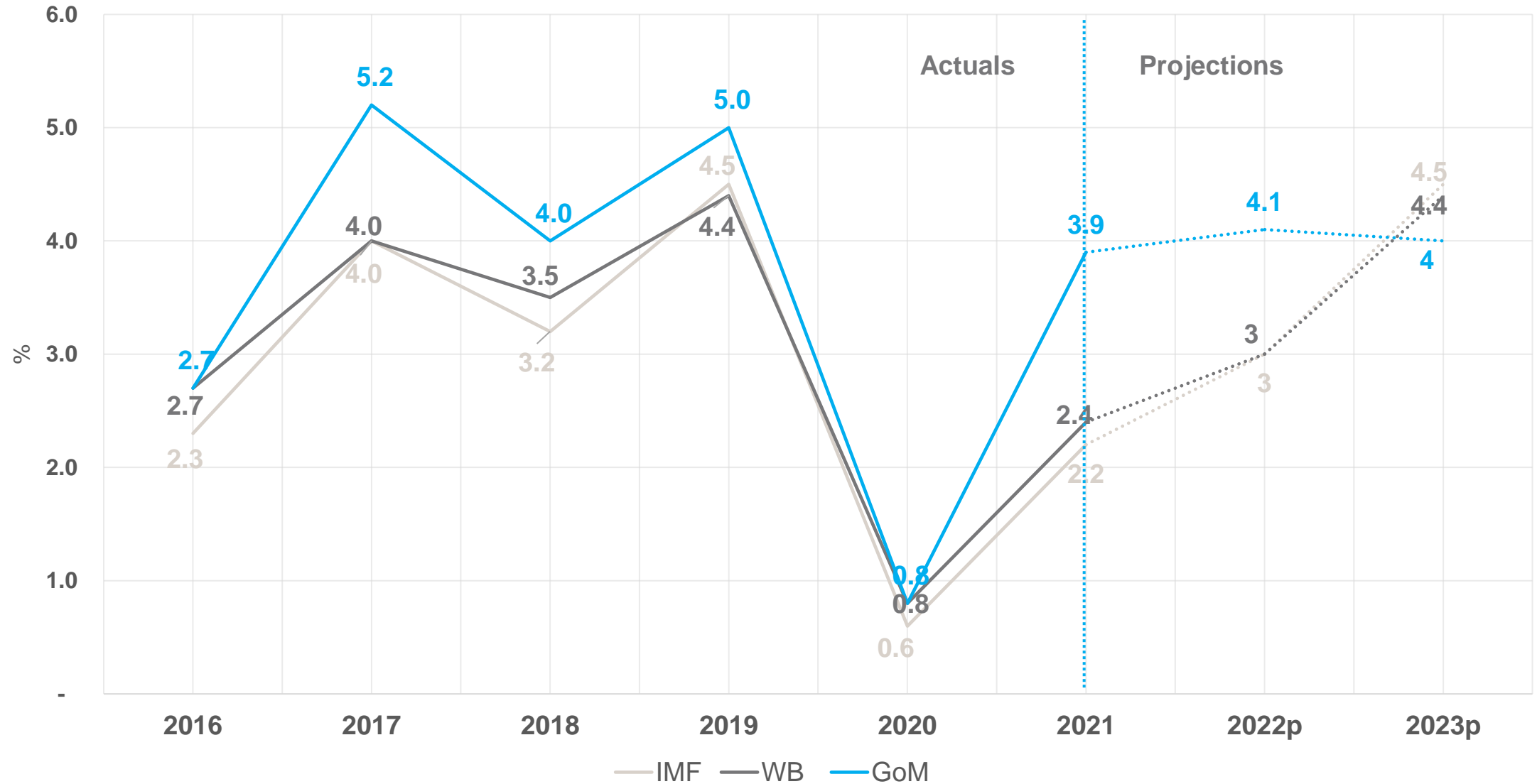
- General overview of the Budget Proposal 2022/23;
- Health and HIV (budgetary trends, issues and recommendations);
- Nutrition (budgetary trends, issues and recommendations);
- WASH (budgetary trends, issues and recommendations);
- Questions and answers.



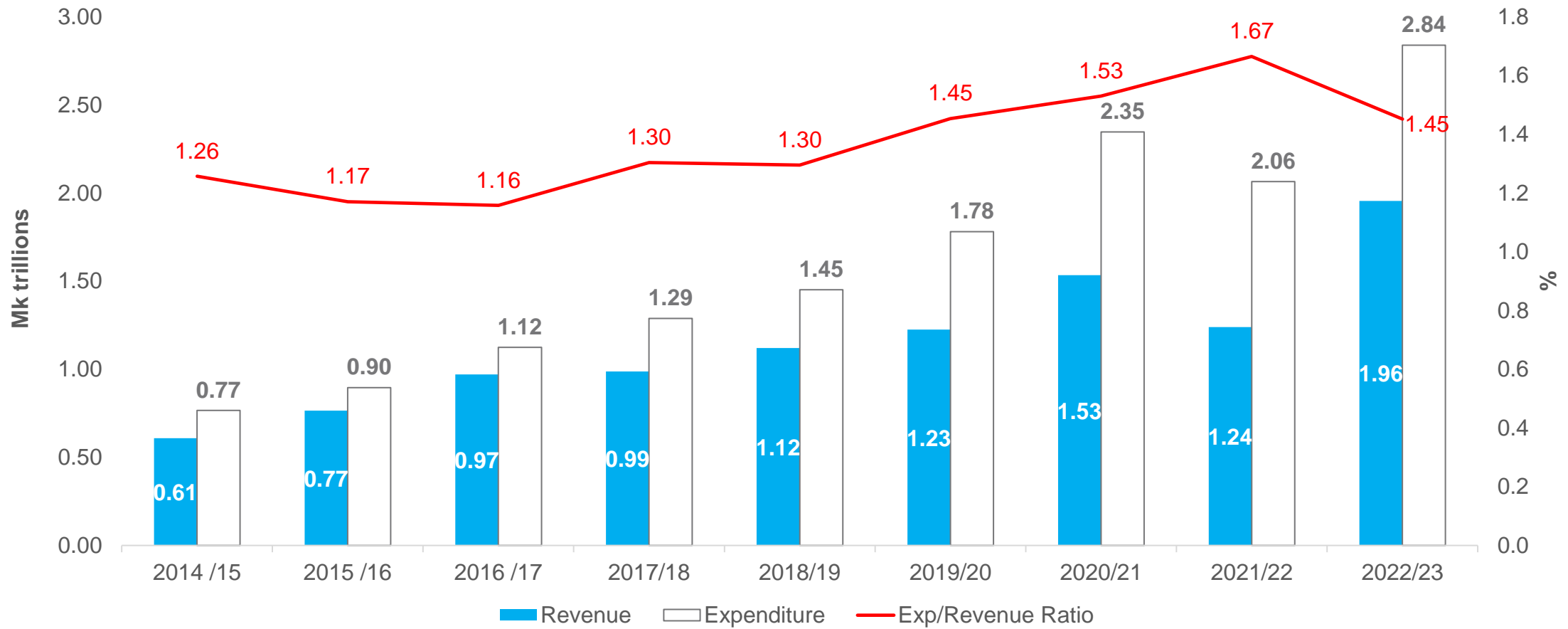
# 01. General Overview

Budget Proposal 2022/23

# Trends in GDP Growth (actual and projected)

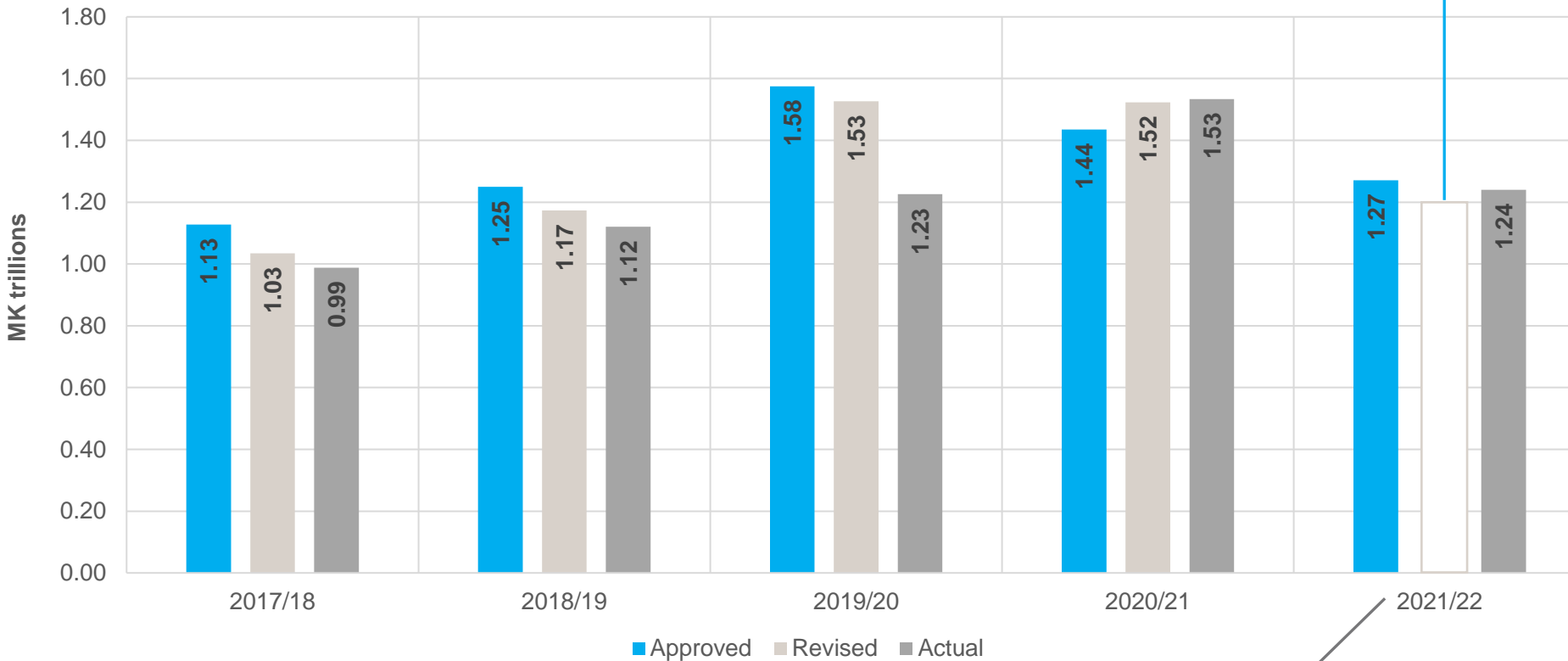


# Evolution of the Fiscal Situation



# Revenue Performance Trends

There was no mid-year budget review for 2021/22



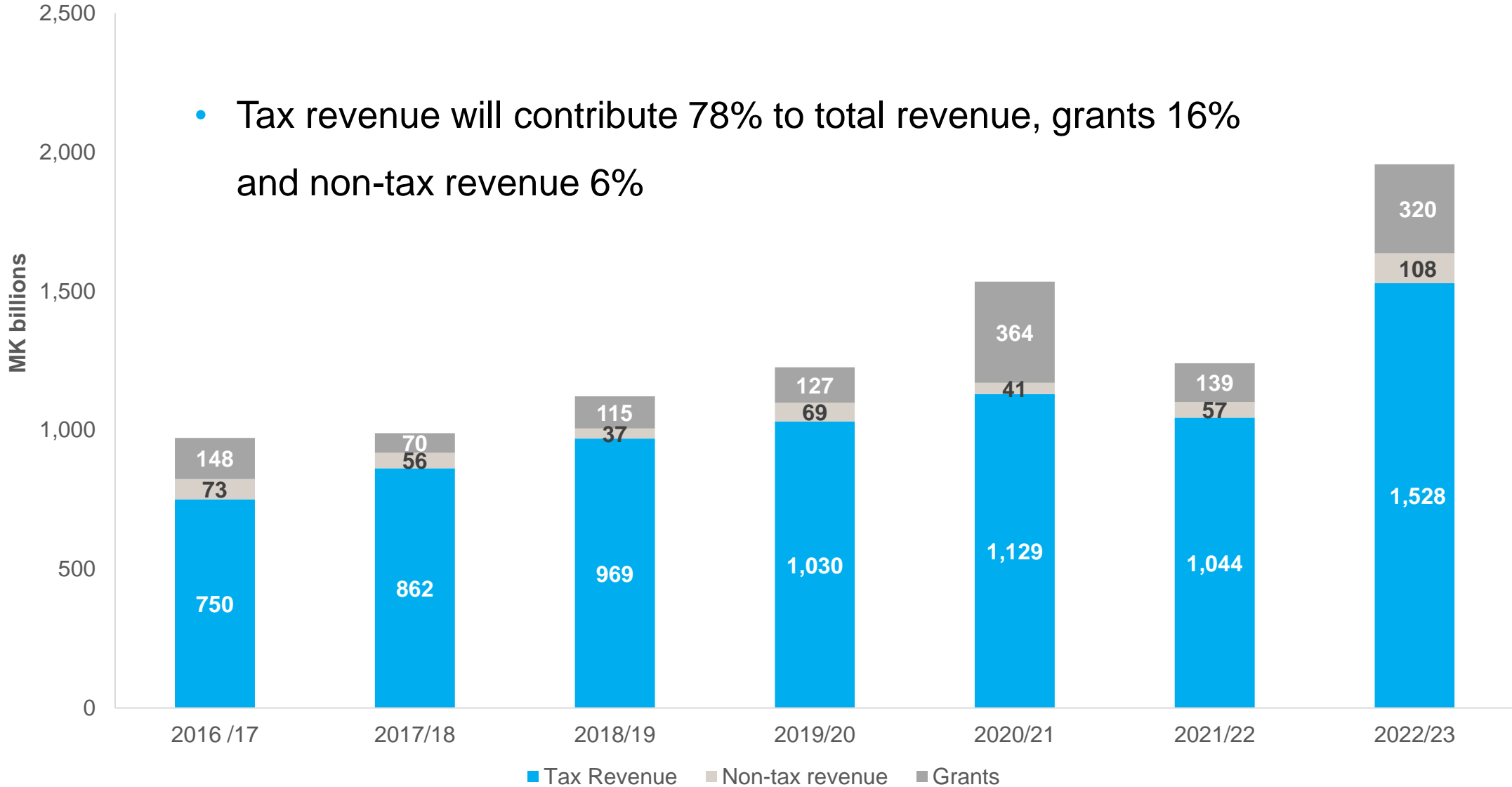
Underperformance of grants attributed to delayed start to some projects. GoM countermeasures are:

- strengthening PIUs for increased and timely disbursement of grants
- enhancing the M&E Division of MoFEA to help improve the low absorption of donor-funded projects.

2021/22 Revenue Performance		
	Approved	Likely Outturn
Tax Revenue	1,044,051	1,044,051
Non-Tax Revenue	56,895	56,895
Grants	170,314	138,961

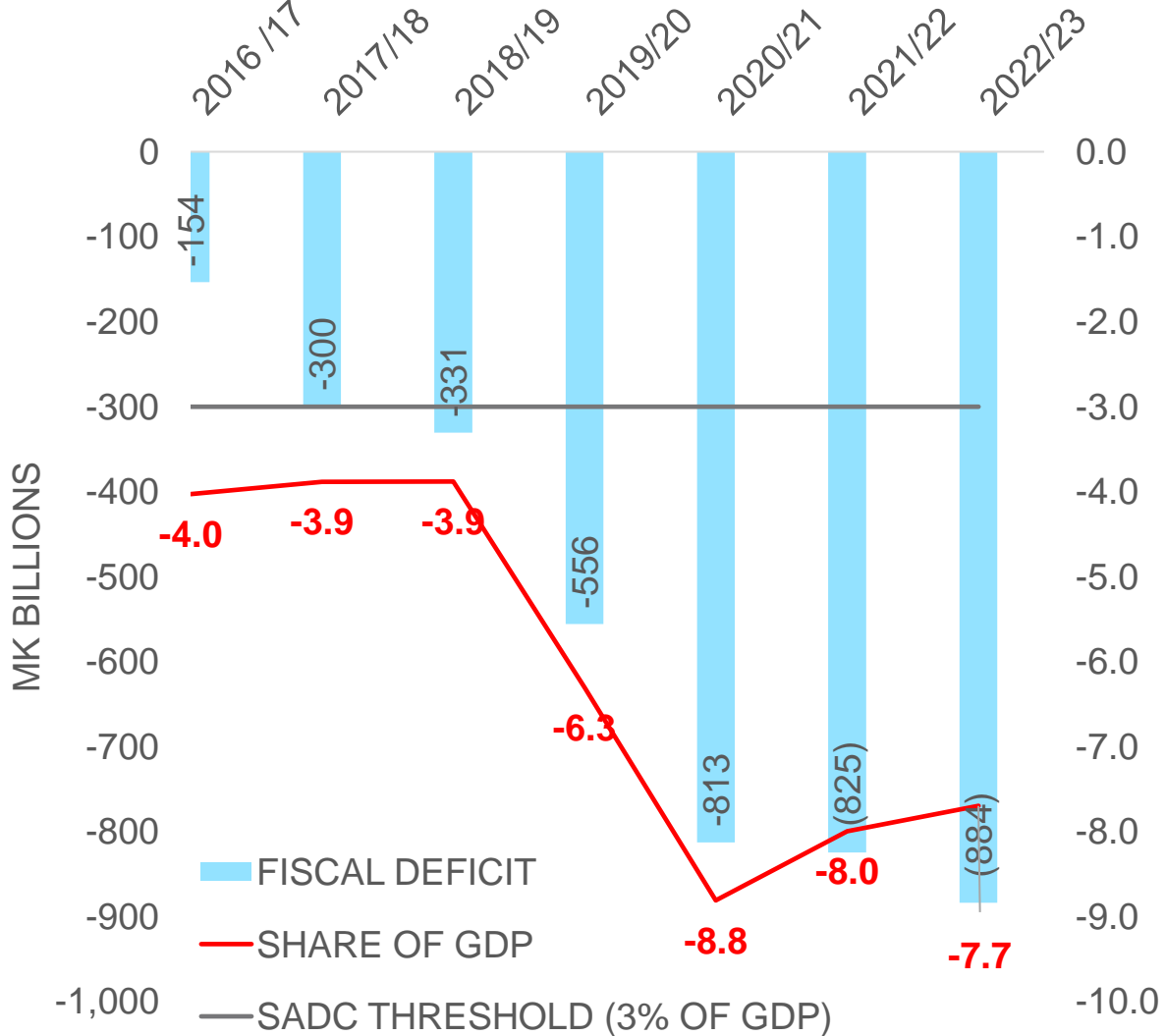
# Revenue Composition Trends

- Tax revenue will contribute 78% to total revenue, grants 16% and non-tax revenue 6%

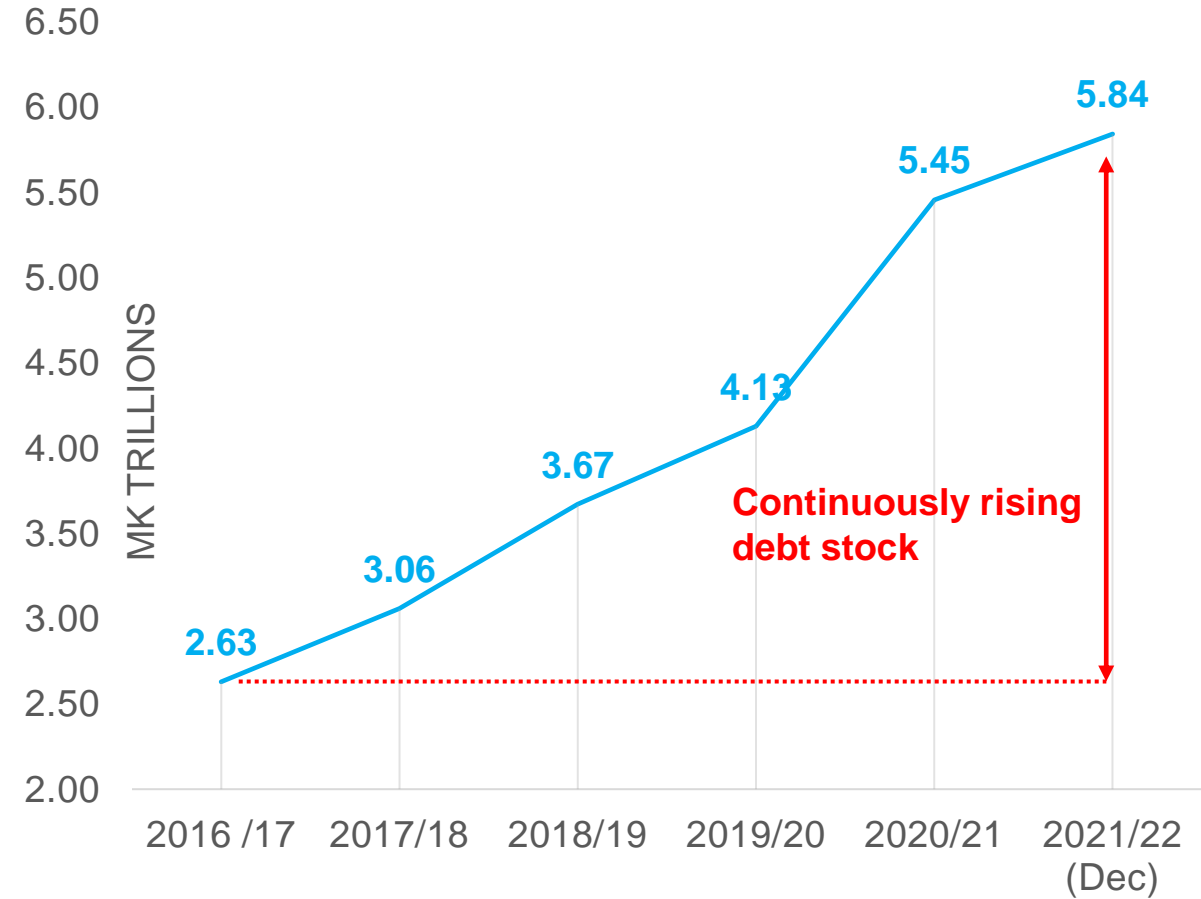


# Fiscal Deficit and Debt Trends

## TRENDS IN ANNUAL FISCAL DEFICIT

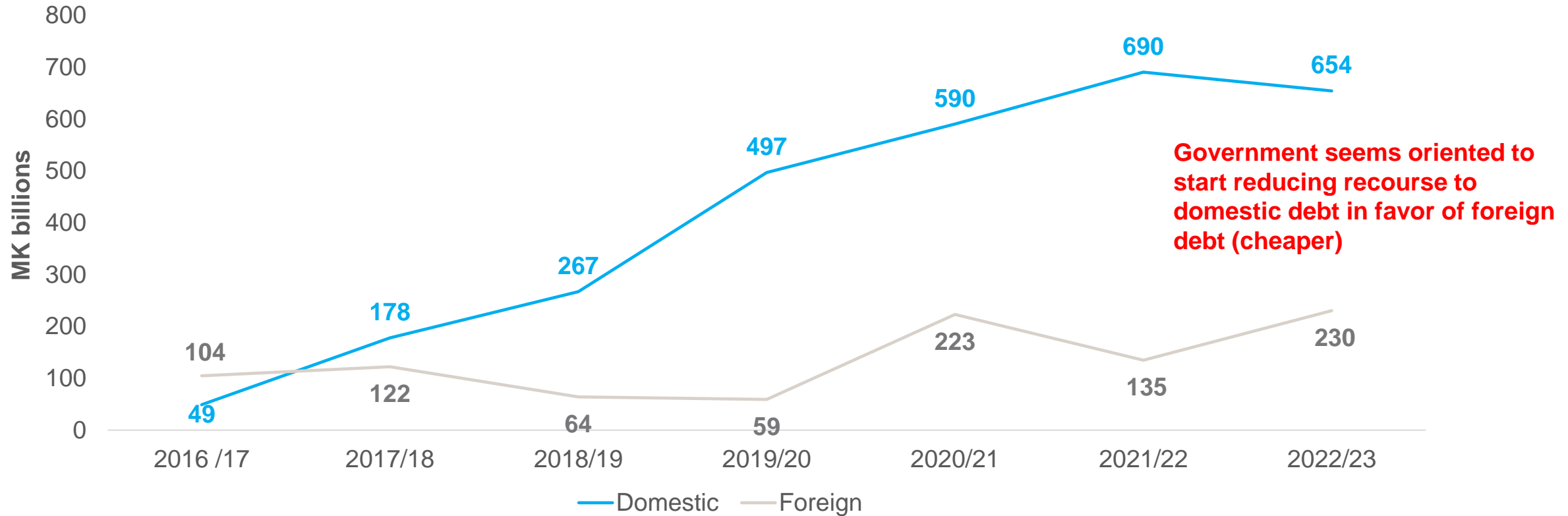


## EVOLUTION OF PUBLIC DEBT



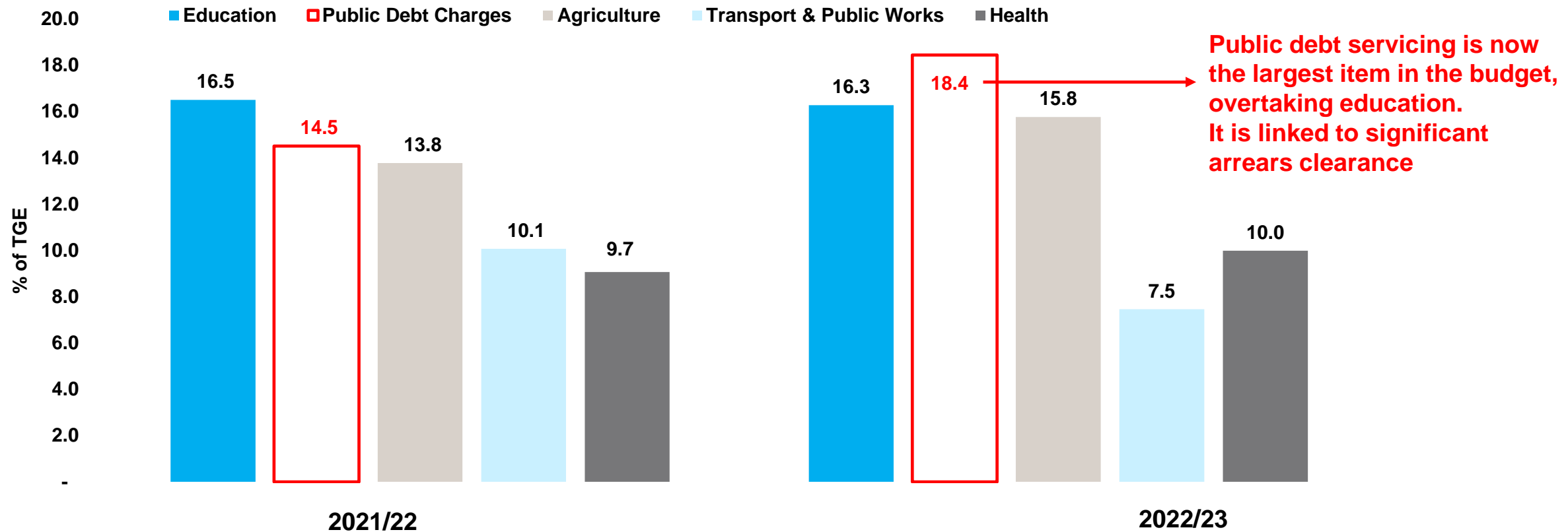
**With rising debt stock, public debt service is now the biggest item in the budget, absorbing 18% of the TGE (or 4.6% of GDP)**

# Deficit Financing Trends



% Shares								
Source	2015 /16	2016 /17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Domestic	50	32	59	81	89	73	84	74
Foreign	50	68	41	19	11	27	16	26

# Major Sectoral Allocations in 2021/22 and 2022/23



Main Sectoral Allocations, in Nominal MK billions					
Sector	Education	Public Debt Charges	Agriculture	Transport & Public Works	Health
2021/22	327	300	284	208	187
2022/23	462	524	448	212	284

## 02. Health and HIV



## Key Health Indicators

**42**

Under 5 mortality rate (deaths per 1k livebirths) (decline from 232 in 1990)

but about **40k**  
U5 children still die from preventable deaths

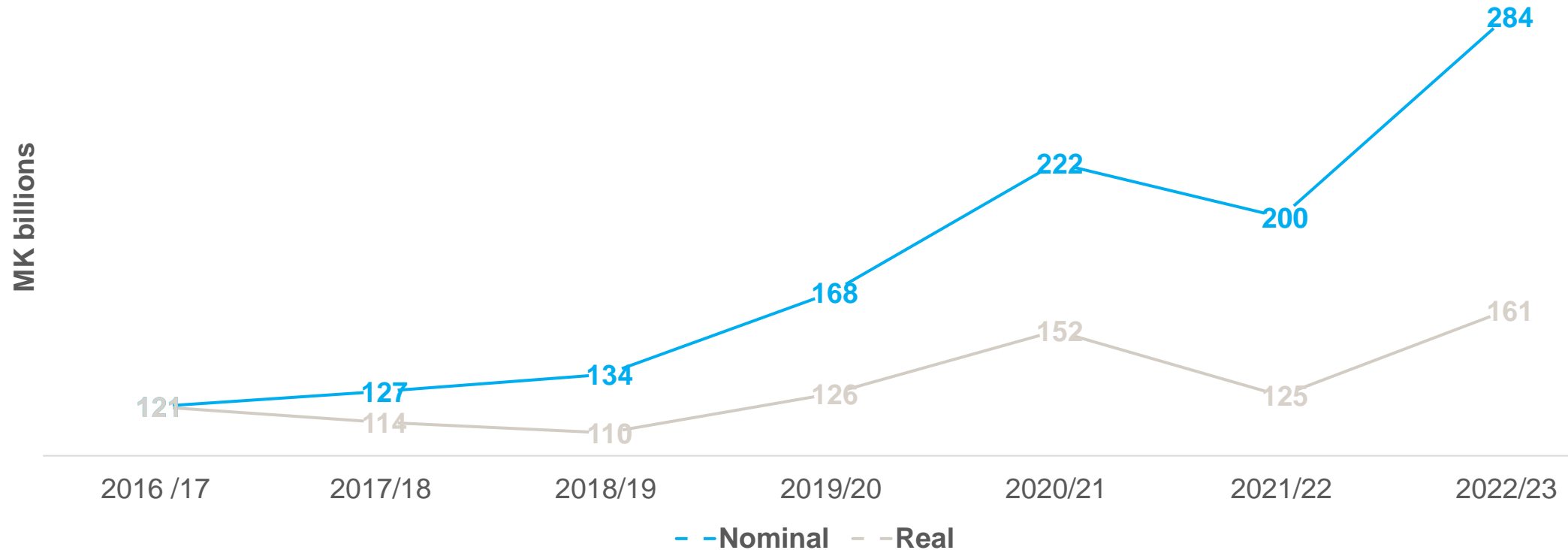
**349**

Maternal Mortality Rate (deaths per 100k livebirths) (ranking among the highest in the world)

Skilled birth attendance has dropped to **75%**

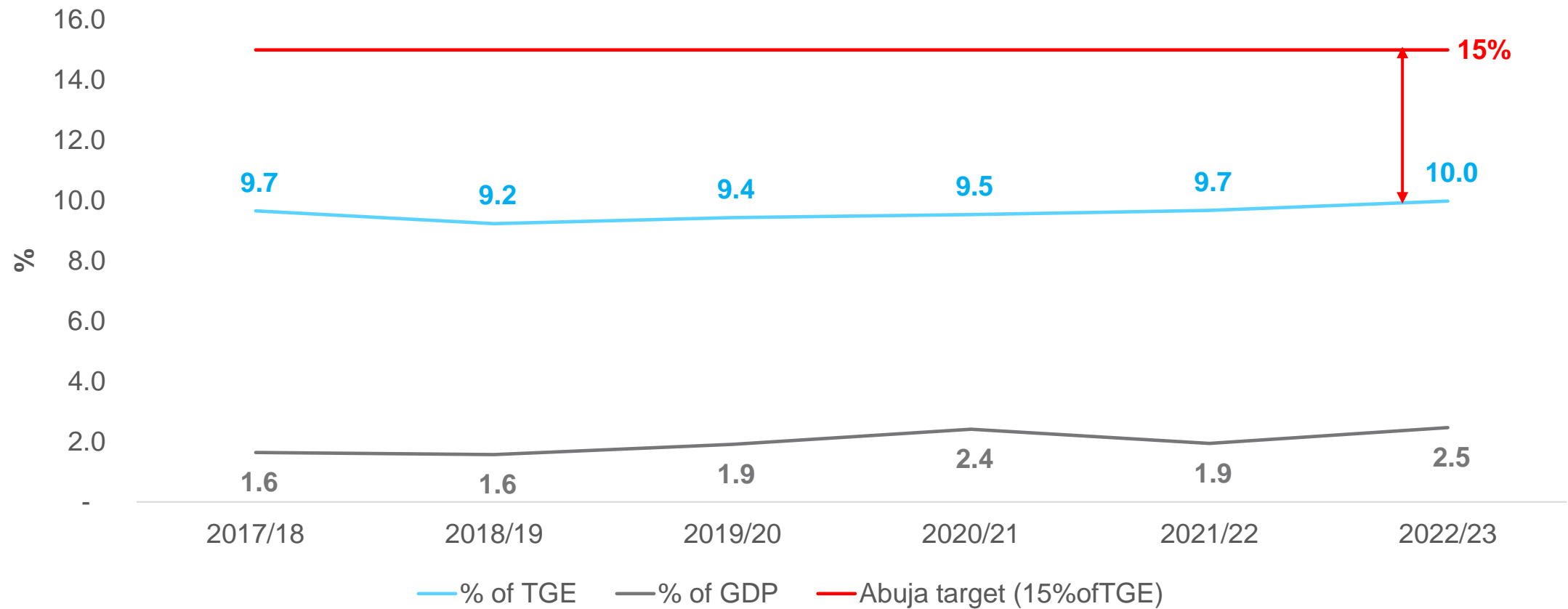
from **90%** in 2019

# Evolution of Health Sector Spending



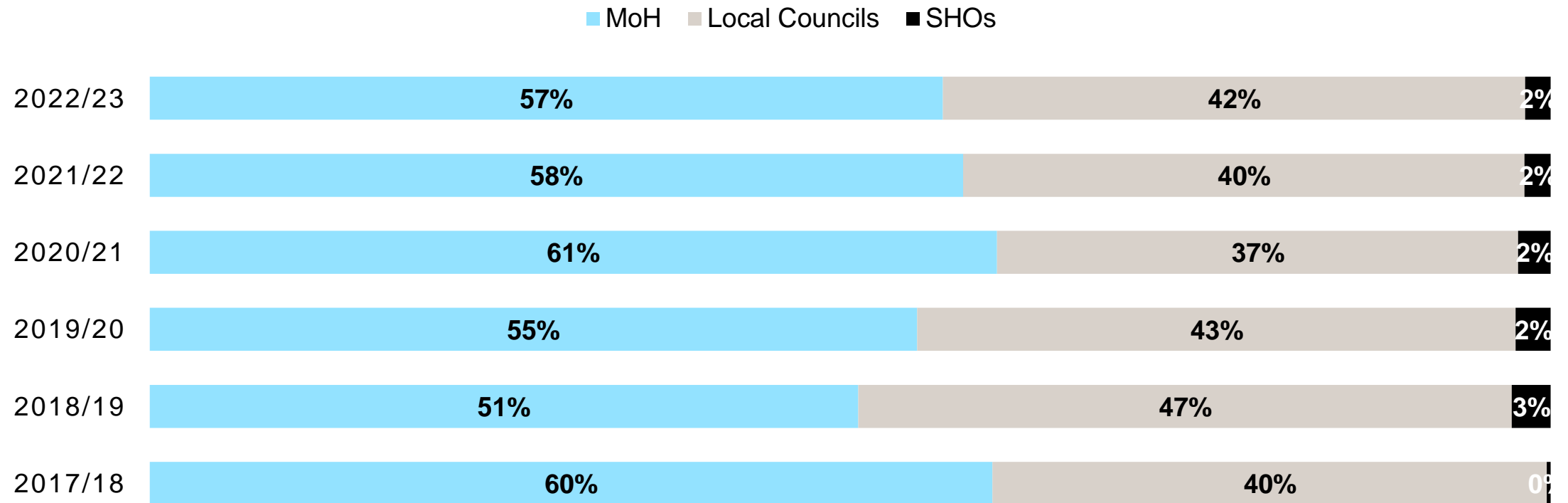
- The health sector budget increased by 42%, higher than the overall increase in the total national budget of 38%. Per capita allocations have consequently reached its highest level since 2016/17, now worth about US\$18, albeit still far short of the World Health Organization (WHO) minimum per capita investment (US\$86).

# Health Sector Allocations (% of TGE and GDP)



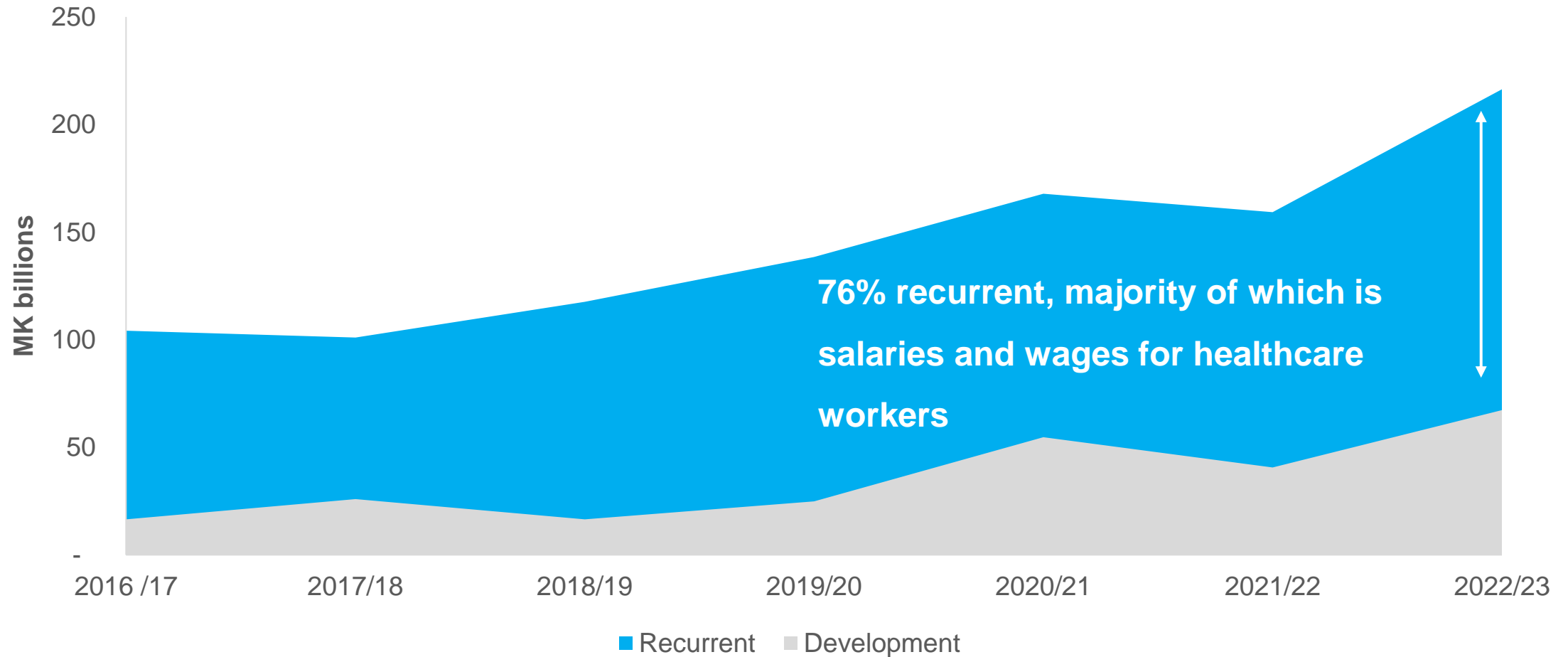
- Health sector allocations have reached their highest level since 2017/18 as a share of the total budget (and GDP), steadily below the Abuja target, and have increased to reach a peak of 2.5% in relation to GDP.

# Distribution of Health Sector Allocations by Spending Agency

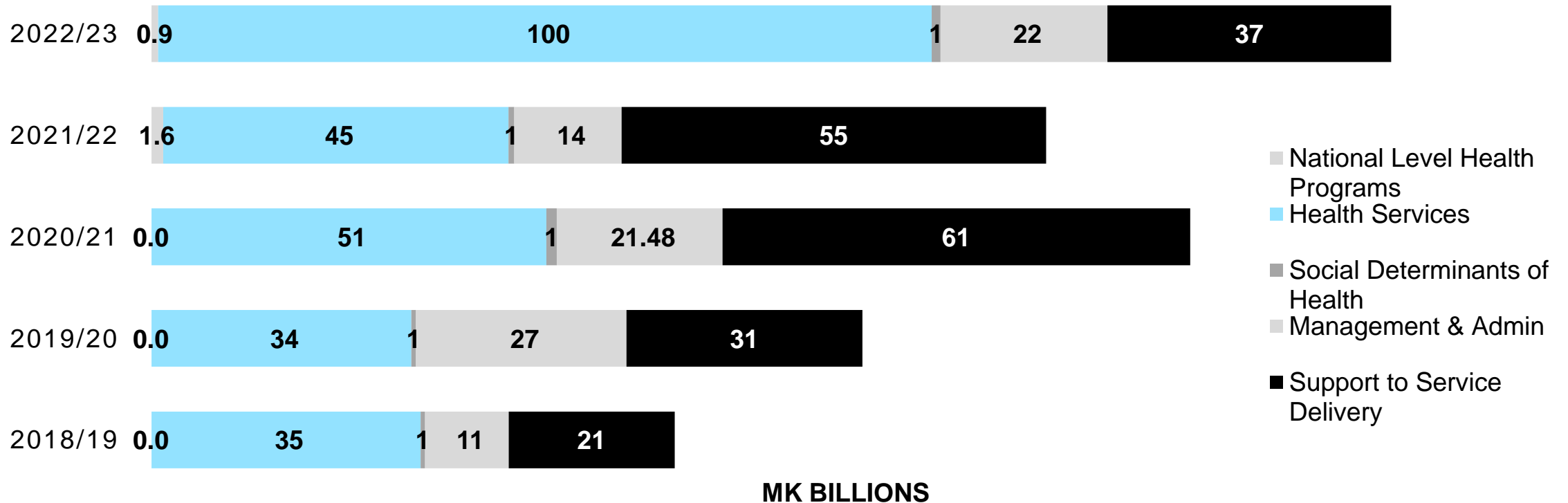


- The distribution of health sector resources by spending agency has remained relatively the same as that of 2021/22

# Distribution of health sector allocations by Economic Classification

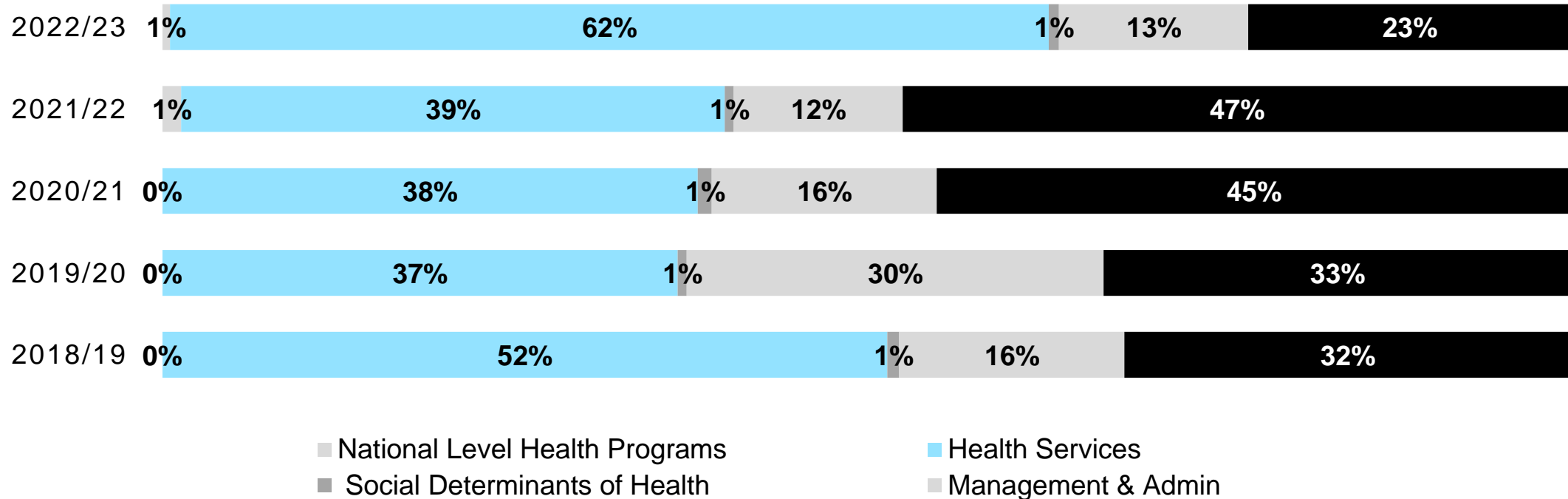


# Program Composition of the MoH Budget



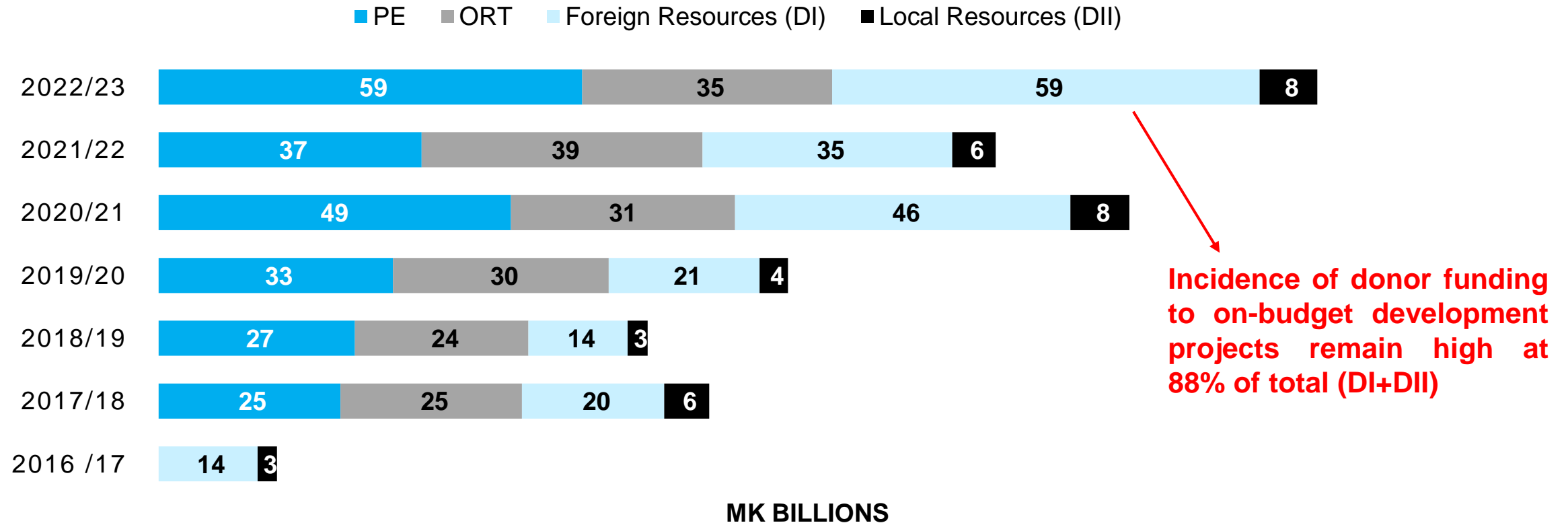
- Changes (relative to 2021/22): The more-than-doubling of the Health Services budget is largely linked to donor funds for the COVID-19 response (+MK29.2 billion) while the decline in Support to Service delivery is due to notable reductions in (i) the health infrastructure budget (from MK32 bn to MK20 bn) and (ii) Medicines and Pharmaceuticals budget (from MK12.9bn to MK687 mn). Mgmt. & Admin budget back to its 2020/21 level
- Allocation to National Level Health Program (065) has declined from MK1.59 bn to MK940 million

# Program Composition of the MoH Budget



- Consequently, the budget share of Health services has swelled to reach 62% (highest since 2018/19), while that of Support to service delivery has halved in relation to 2021/22 (the lowest since 2018/19)

# MoH Budget by Economic Classification



Changes (in relation to 2021/22):

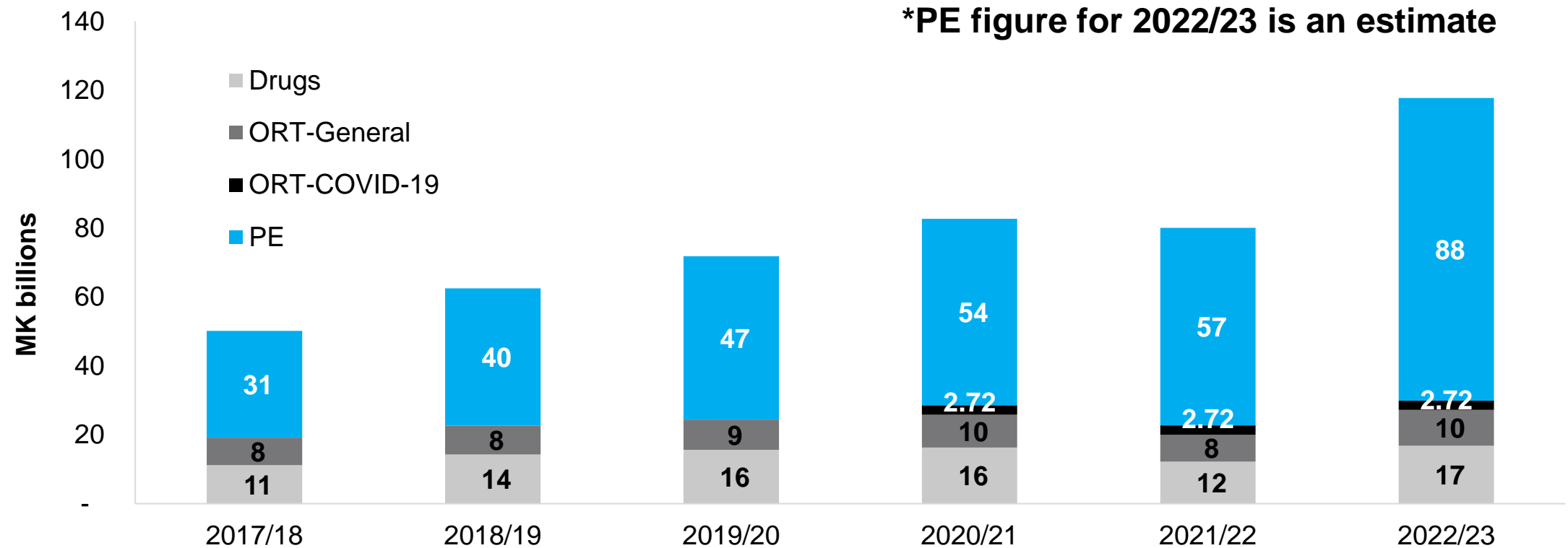
- Increase in donor funds (DI) linked to the COVID-19 Response budget item (+MK29.2 billion) – (including for continued Construction of Infectious Disease Centers and Isolation blocks)
- Increase in GoM development budget are for additional MK2 billion for the Designs for the Construction of Mponela Hospital (total allocation MK5bn) and a new allocation of MK1bn for Improved Access to Primary Health Service Delivery.

# Health Sector Budget Credibility and Execution

	Approved	Outturn	% Variance
<b>MoH (Total)</b>	<b>103,445</b>	<b>116,072</b>	<b>12</b>
PE	36,532	36,532	-
ORT	26,292	38,920	<b>48</b>
DI	34,591	34,591	-
DII	6,030	6,030	-

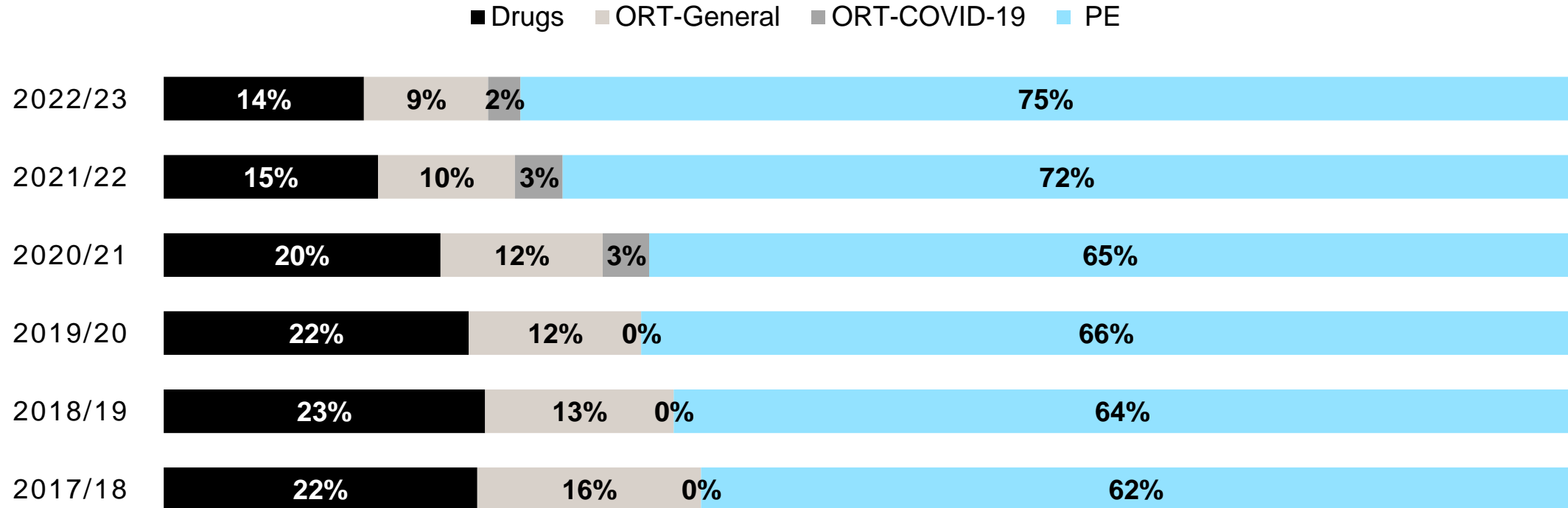
- According to Government budget documents (Doc. 3), expenditures on PE and development projects (both DI & DII) are expected to be in line with their approved levels by end March 2022.
- However, ORT expenditures overshoot their approved target targets by 48% (+MK12.5bn to support to service delivery – medicines and pharmaceuticals)

# Trends and composition of District Health allocations\*



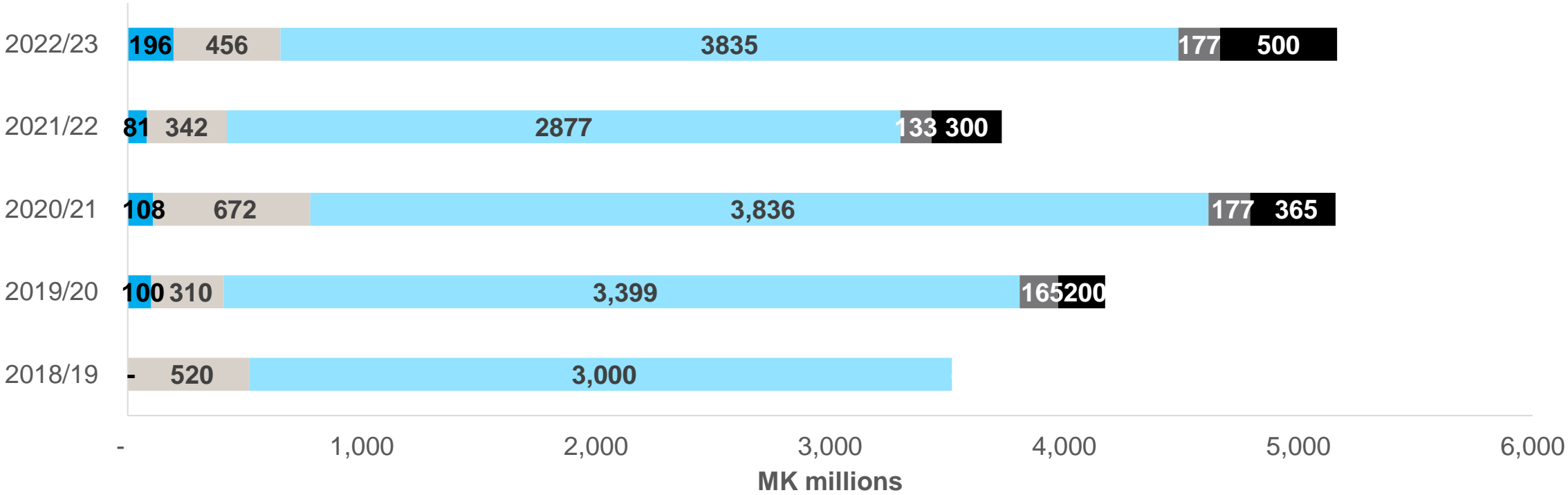
- With the full fiscal year, **the drugs and ORT budgets have declined in real terms** compared to their levels of 2020/21 while the District ORT-COVID-19 Response budget has been maintained at MK2.72 billion

# Trends and composition of District Health allocations (%)



- **The share of the PE budget has been increasing, at the expense of allocations to drugs and Generic-ORT, with potential implications on the effective delivery of primary health care in the country.**

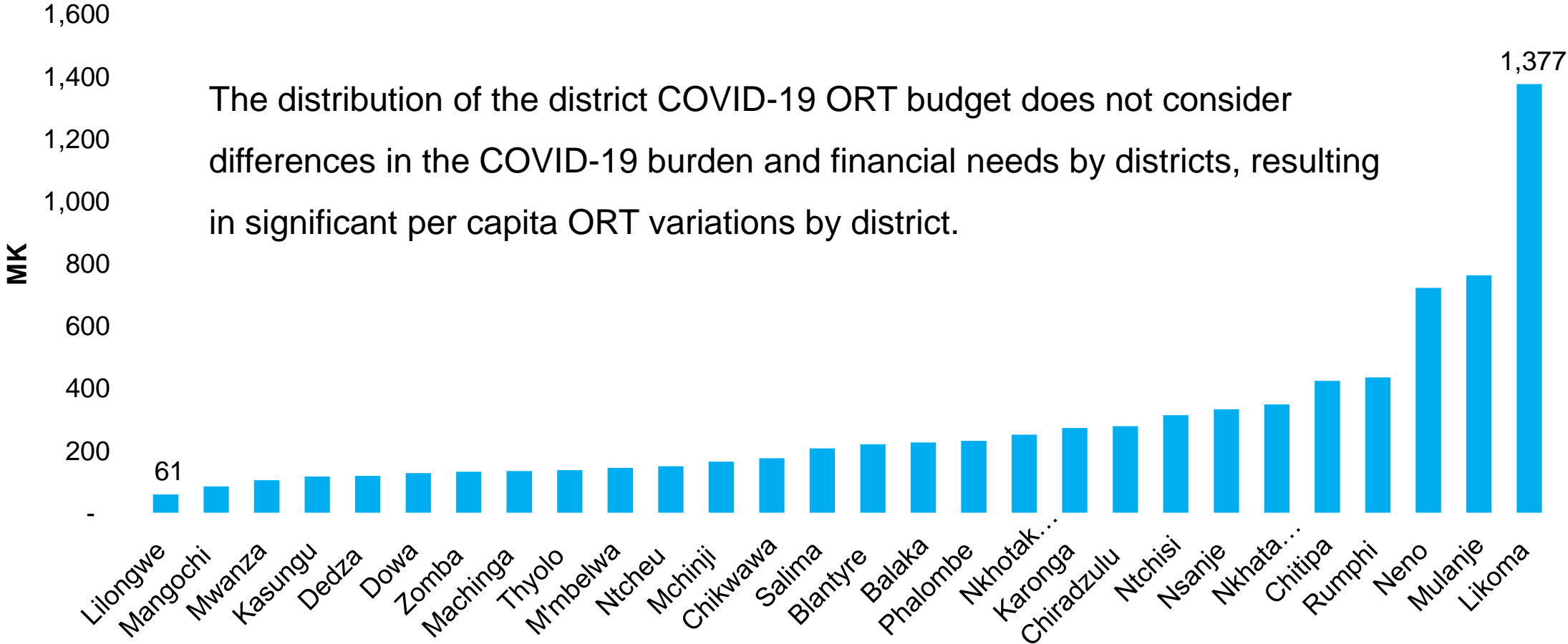
# Trends and composition of allocations to Subvented Health Organizations (SHOs)



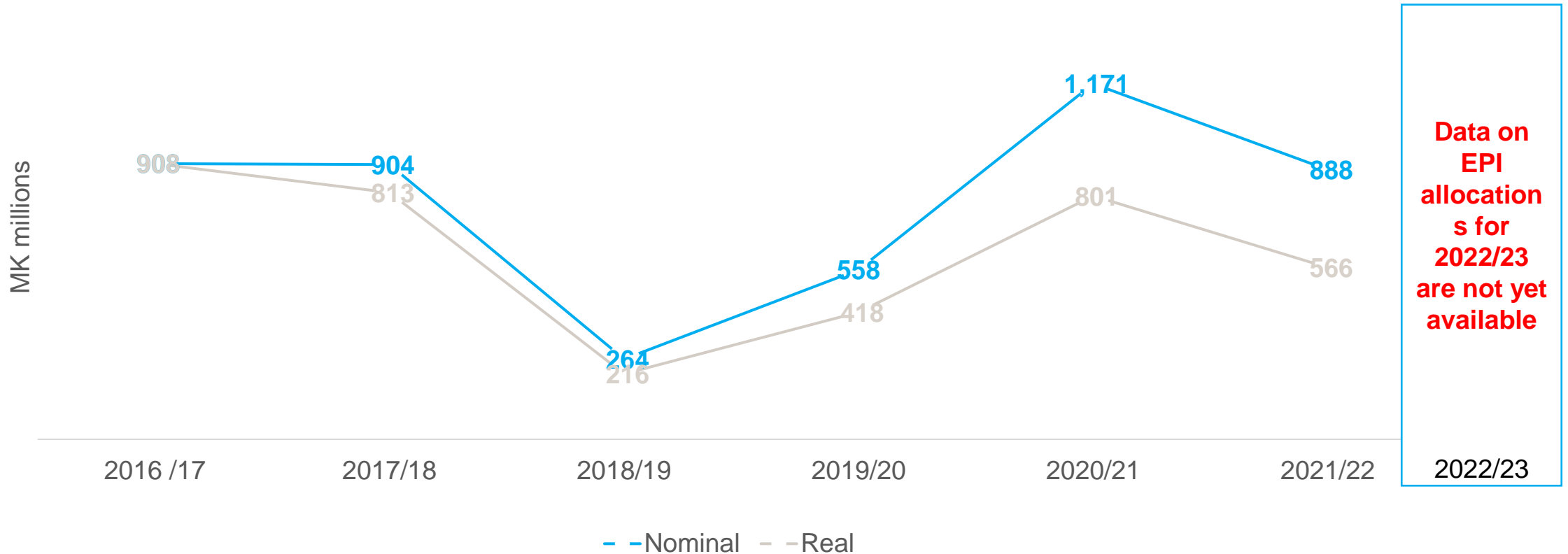
■ Medical Council of MLW 
 ■ Kachere Rehabilitation Centre 
 ■ NAC 
 ■ Nurses & Midwife Council of MLW 
 ■ MLW Redcross Society

- Over 90% of the SHOs budget is allocated through the National AIDS Commission (NAC), whose allocation is at the level of 2020/21

# 2022/23 District Health COVID-19 ORT Budget, in nominal per capita terms

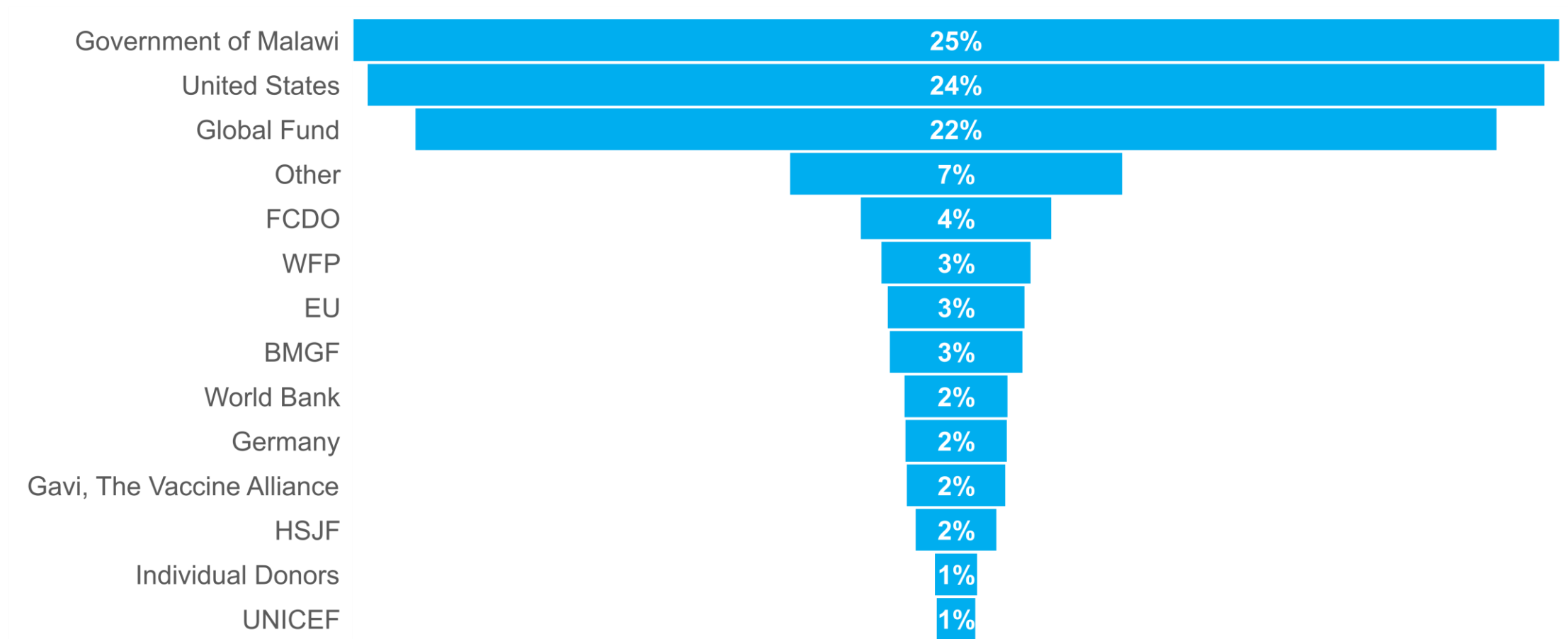


# Trends in EPI Spending



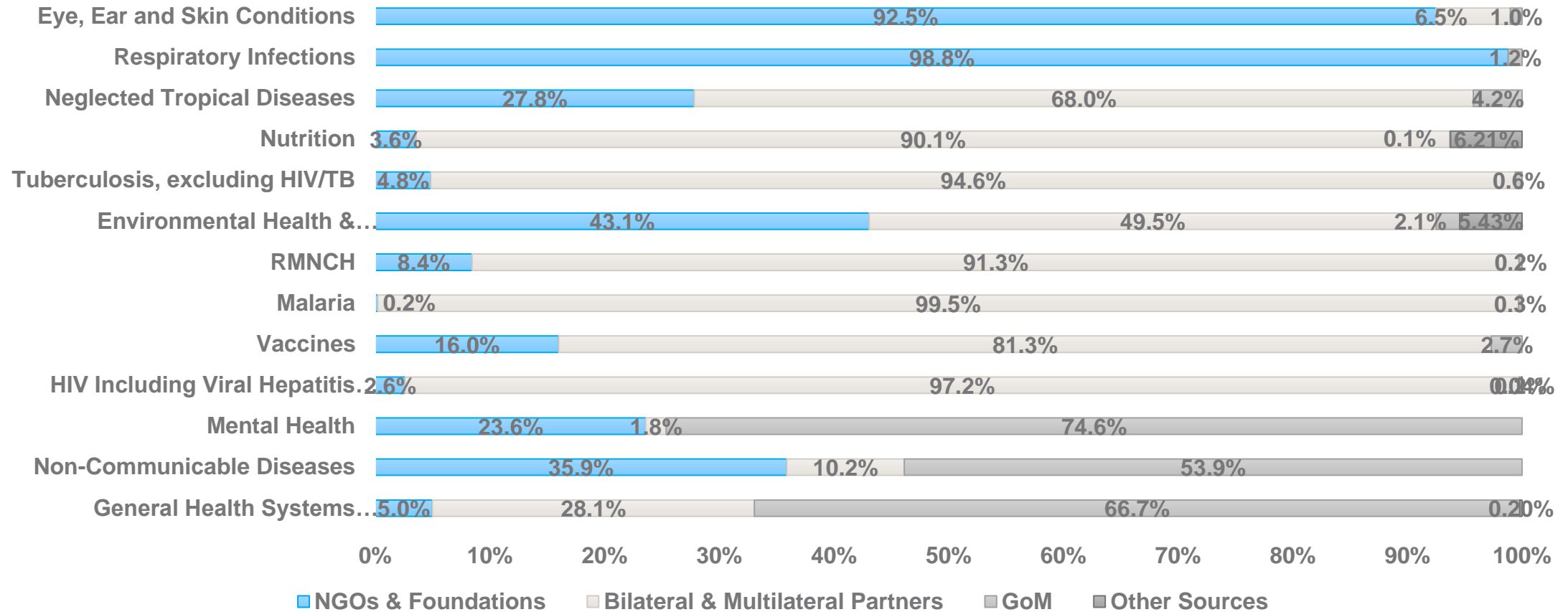
- Malawi has started a phased rollout of the malaria vaccine, GlaxoSmithKline (GSK)'s RTS, S/AS01e, for children under the EPI, in selected areas in eleven selected districts, following a 2021 recommendation by the World Health Organization (WHO) for broader use of the vaccine.

# Financing of the Health Sector



- The Malawi health sector relies heavily on external financing, which is largely (75%) channeled as off-budget support. 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.

# Financing of the Health Sector by Intervention and Source



- Funding for most programmatic interventions is also heavily donor dependent, The Government is the largest financier for mental health, NCDs and general health systems strengthening (HSS) programmes.

# Recommendations

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

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



# Recommendations

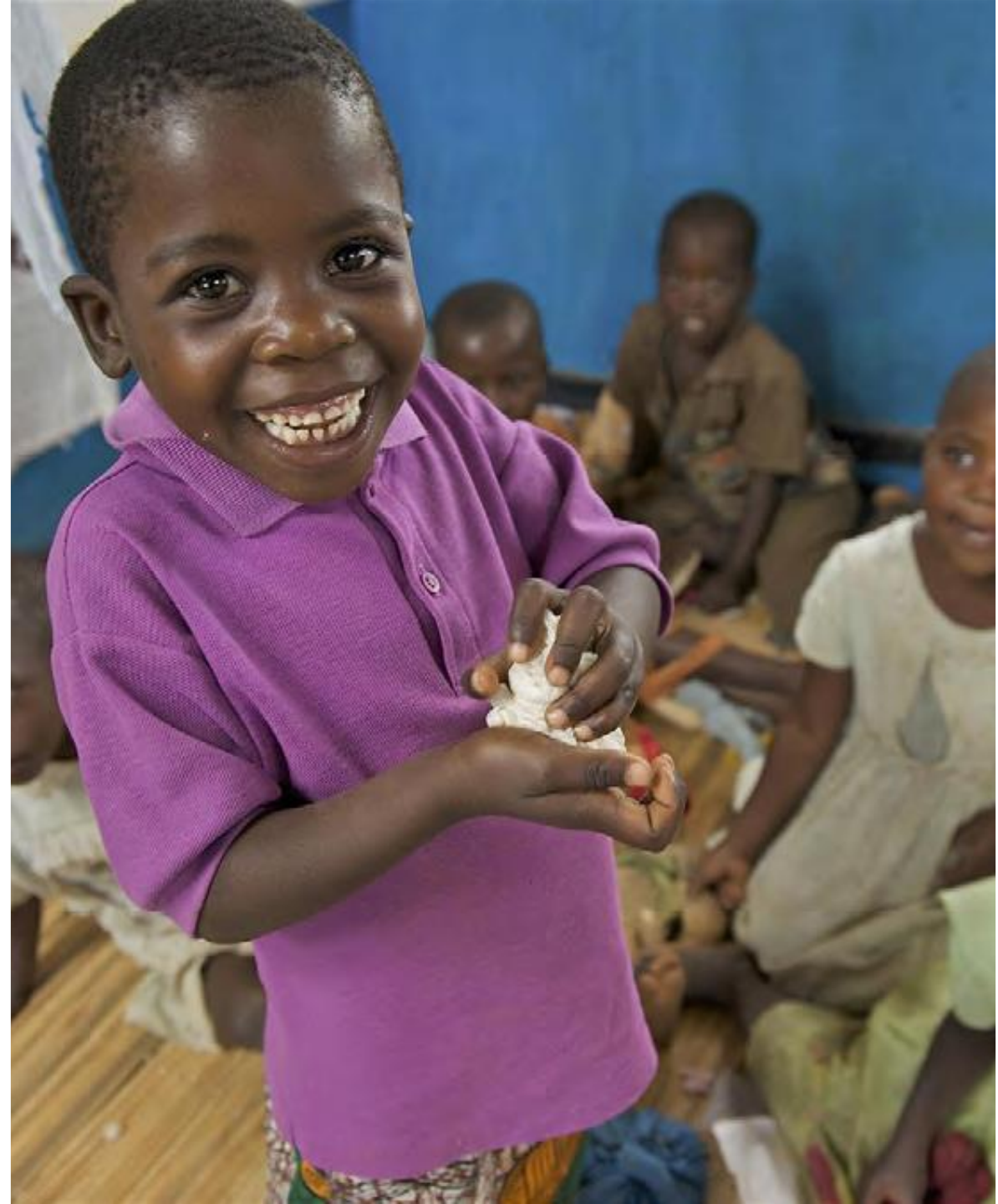
**03.** The allocation to National Level Health Programs (065 – preventive services) under the MoH should be maintained at its 2021/22 level of MK1.5 billion.

**04.** As more resources are being channeled 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.



## 03. Nutrition

The MW2063 stresses the importance of investing in nutrition to support the country's human capital development as well as ensure an inclusively wealth and self-reliant economy by 2063, acknowledging the significant impact that malnutrition has on children's future development, health as well as the wider implications on socio-economic development



# Key Child Deprivations in Nutrition

Only **9%**  
of children aged 6-23 months consume an adequate diet in Malawi (2020)

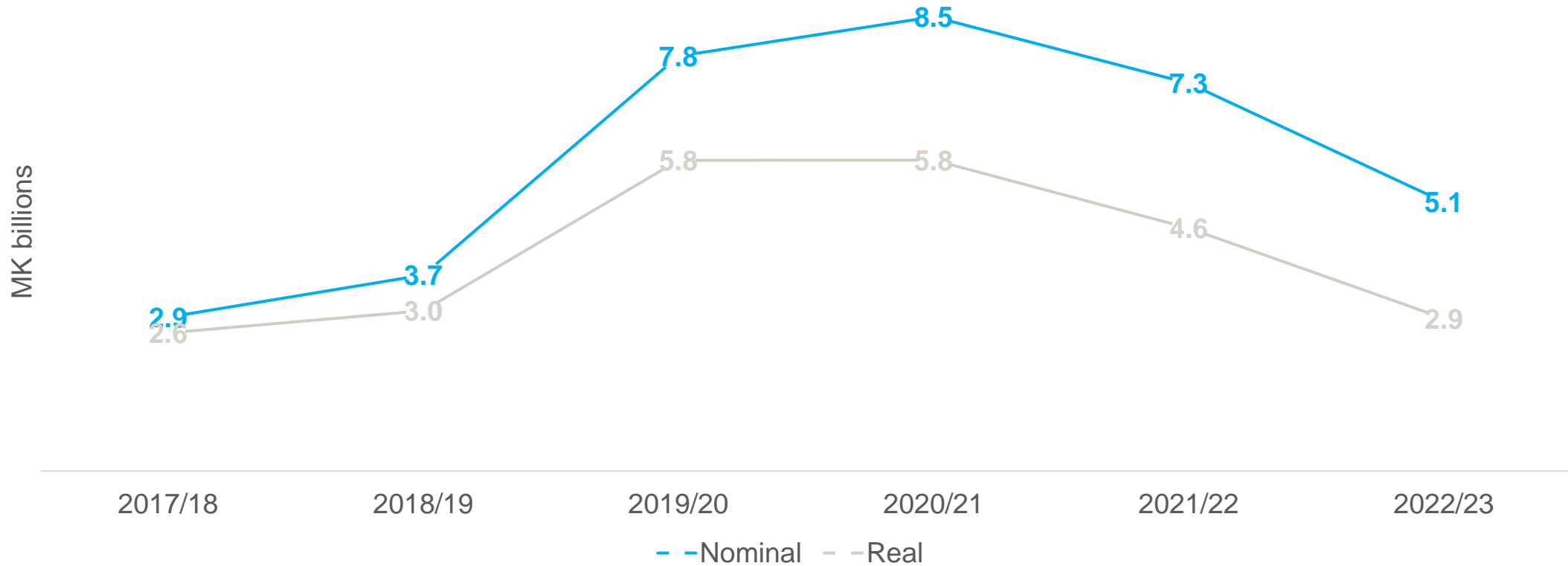
**63%**  
of children (Under 5) 6-59 months are anaemic.

**10%**   
of EBF from 71% to 64% (2010 – 2020)

**35%**  
of children are stunted (2020)

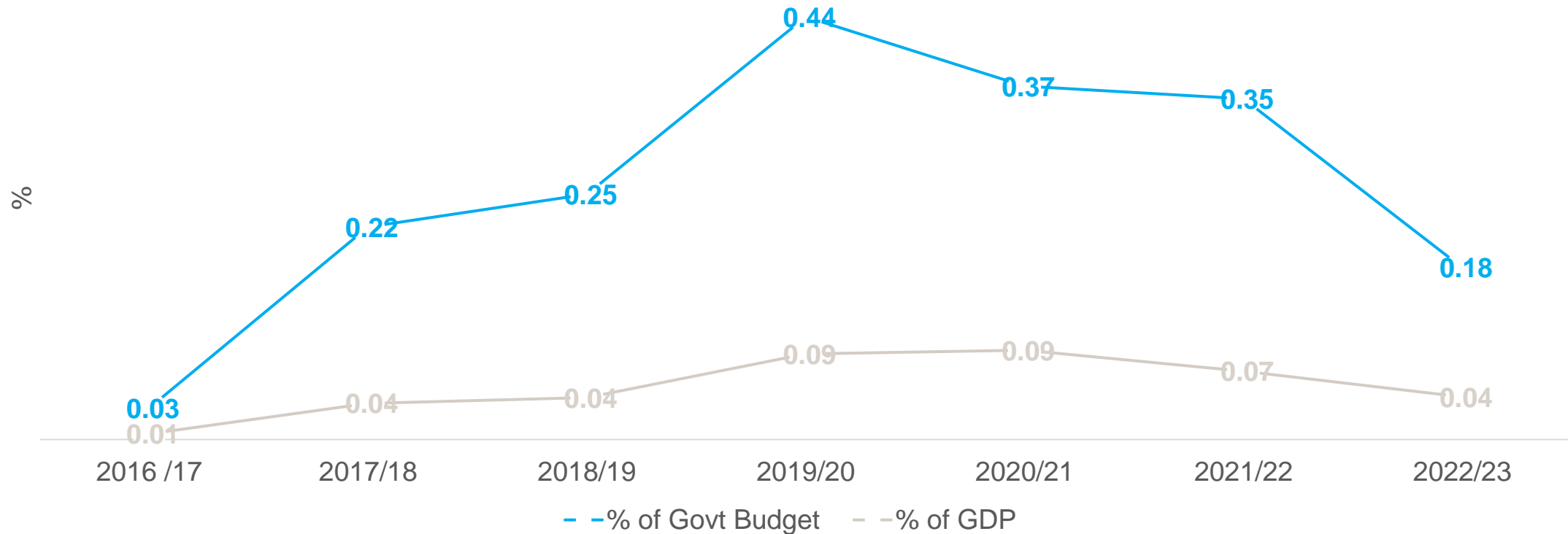
**60%**  
Of primary school children are zinc deficient (2015/16)

# Evolution of identifiable Nutrition-specific budgets



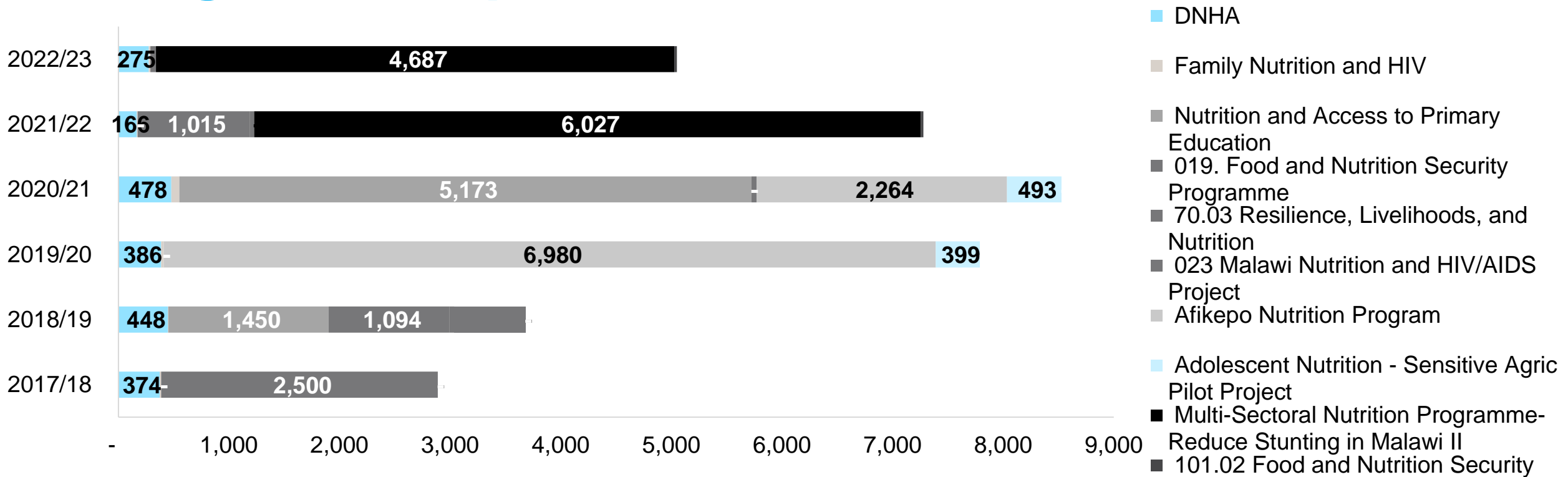
- Identifiable nutrition budgets continue to decline, to below 2019/20 levels, a **trend that is attributed to declining donor-funded on-budget nutrition programmes.**

# Evolution of identifiable Nutrition-specific budgets (as % of TGE and GDP)



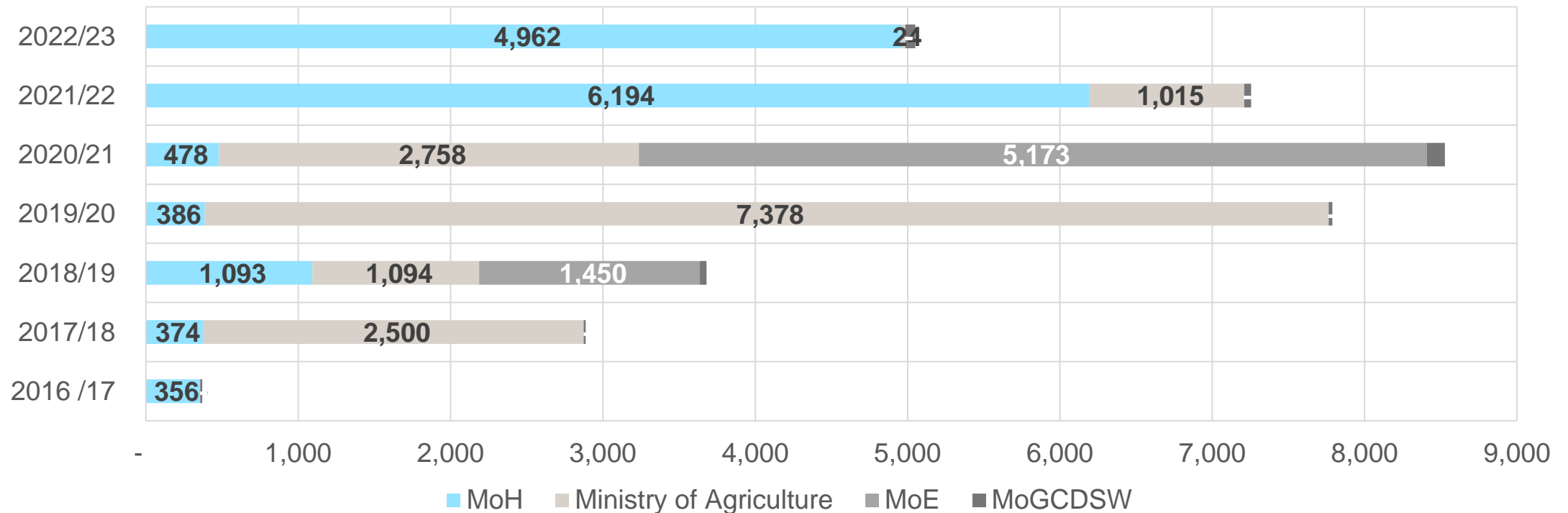
- As a share of TGE, the nutrition budget has sharply declined in 2022/23, **to below the 2017/18 levels**

# Program Composition of Nutrition Allocations



- The incidence of development partner funding to nutrition programmes remains unsustainably high, with the **KfW-funded Multi-Sectoral Nutrition Programme contributing up to 93% of the total nutrition** specific budget for 2022/23.
- With this arrangement, the procurement of **essential nutrition supplies** such as ready-to-use therapeutic food (RUTF) **remains entirely donor funded (since 2014/15).**

# Composition of Nutrition allocations by delivery channel



- Virtually all the identifiable on-budget nutrition allocations are still awarded to the Central Level, with **no visible allocations to Local Councils.**
- **98% of the nutrition budget is channeled through Ministry of Health**, despite other MDAs (such as Ministry of Agriculture and Education) having delegated nutrition responsibilities

# Recommendations

**01.** Government should ensure the development and implementation of a **comprehensive, coherent and sustainable nutrition sector financing plan**, with the immediate task to reverse the downward trend in on-budget nutrition financing, to avoid losing **ground on achieved outcomes.**

**02.** Government should **devolve the nutrition budget to Local Councils**, ensuring they have a dedicated budget to enhance nutrition coordination among sectors which implement nutrition interventions in the districts



# Recommendations

**03.** The Government is encouraged to **re-introduce the funding for essential nutrition supplies and supplements**, which are presently mainly procured through donor funding, for example through the World Bank funded Investment in Early Years Project (**IEYP**)



## 04. WASH

Government has created a standalone Ministry of Water and Sanitation (Vote 210), which is a significant development in the sector.



# Key WASH Deprivations

About **69%**  
of Malawians  
benefit from basic  
water access,

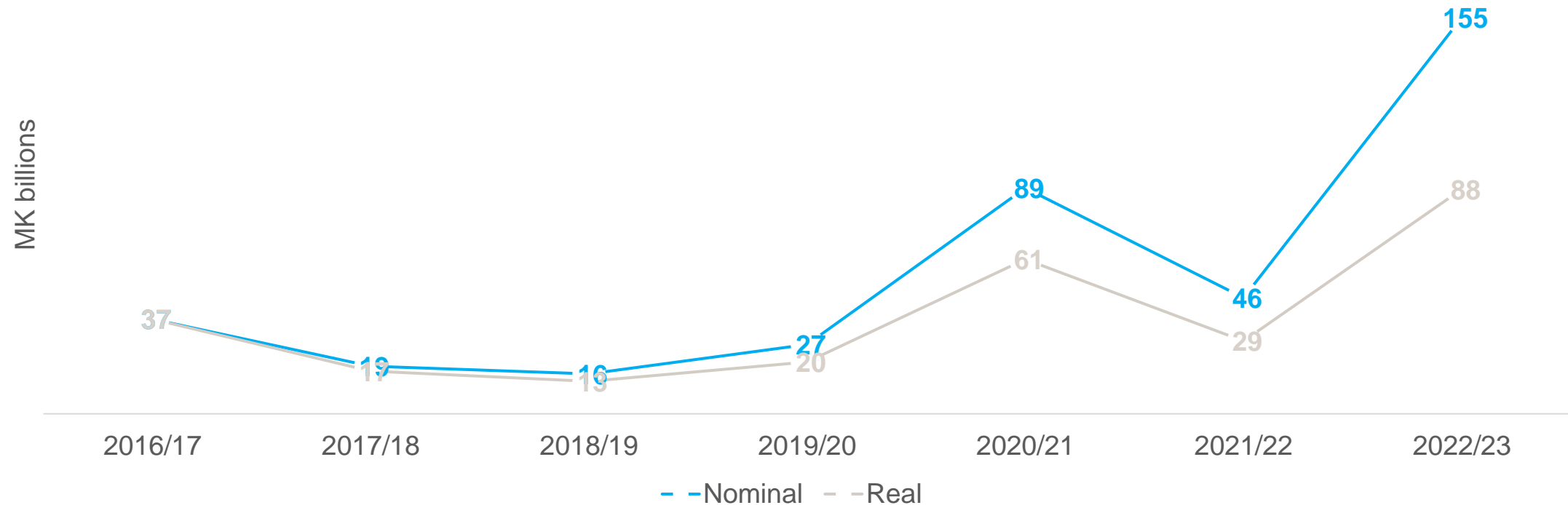
yet only **26%**  
have access to basic sanitation

**7%**

Of U5 deaths are caused by waterborne diseases (such as diarrhoea, constituting it as the second highest killer of children in Malawi.

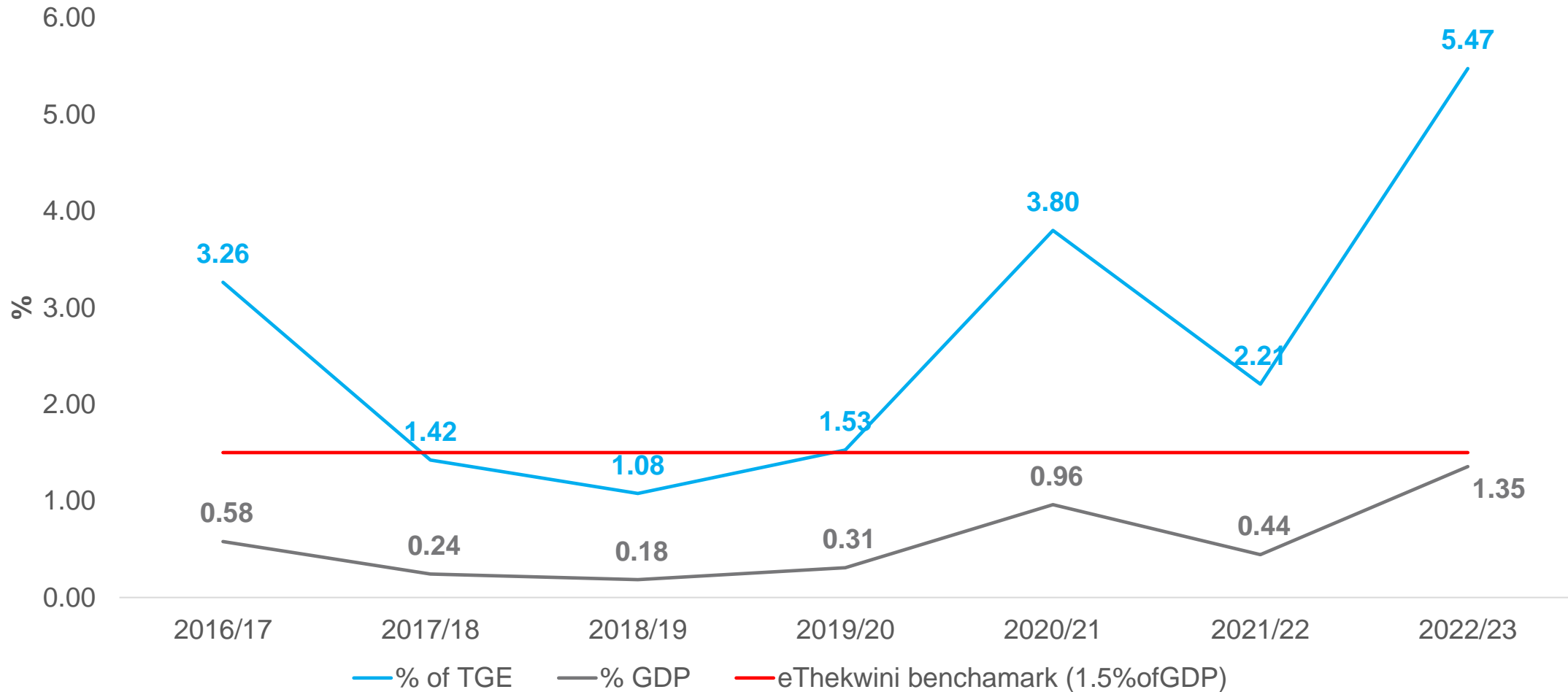
About **45%**  
of the traditional water systems in Malawi are reported to be non-functional.

# Evolution of WASH budgets (nominal and real terms)



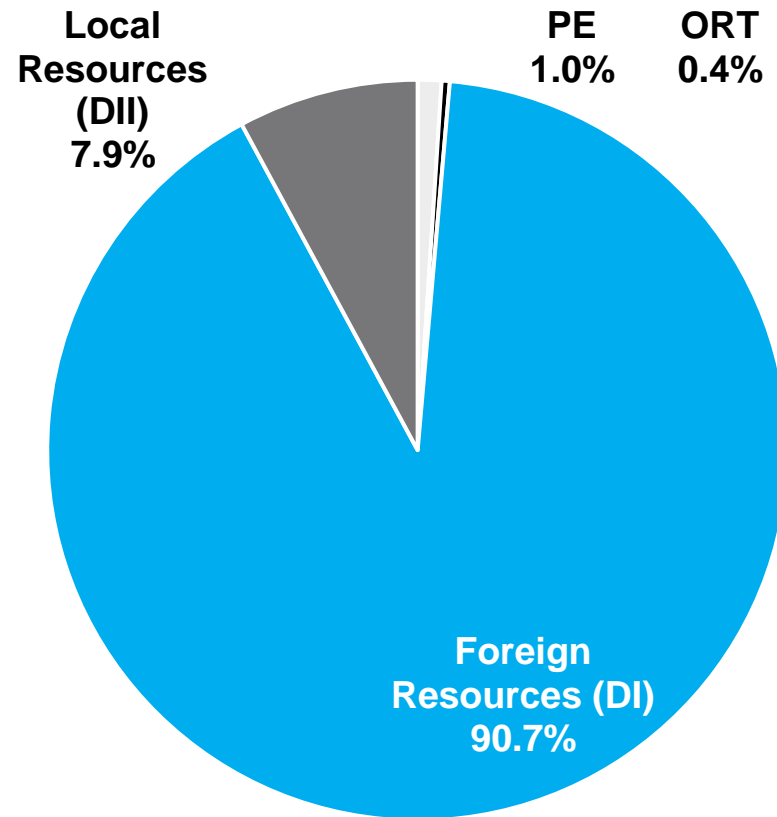
- **The WASH budget has increased to reach its highest level** since 2016/17, the increase is however **largely attributed to new and additional injections for existing WB funding**, for (i) the **Malawi Watershed Services Improvement Project** (+MK39.7 bn) (ii) **Malawi Resilience and Disaster Risk Management Project** (+MK46.5 bn) (includes construction of 150 boreholes, which is underway in 14 districts) and (iii) **Lilongwe Water and Sanitation Project** (+MK17 billion)

# Evolution of WASH budgets (as % of TGE and GDP)



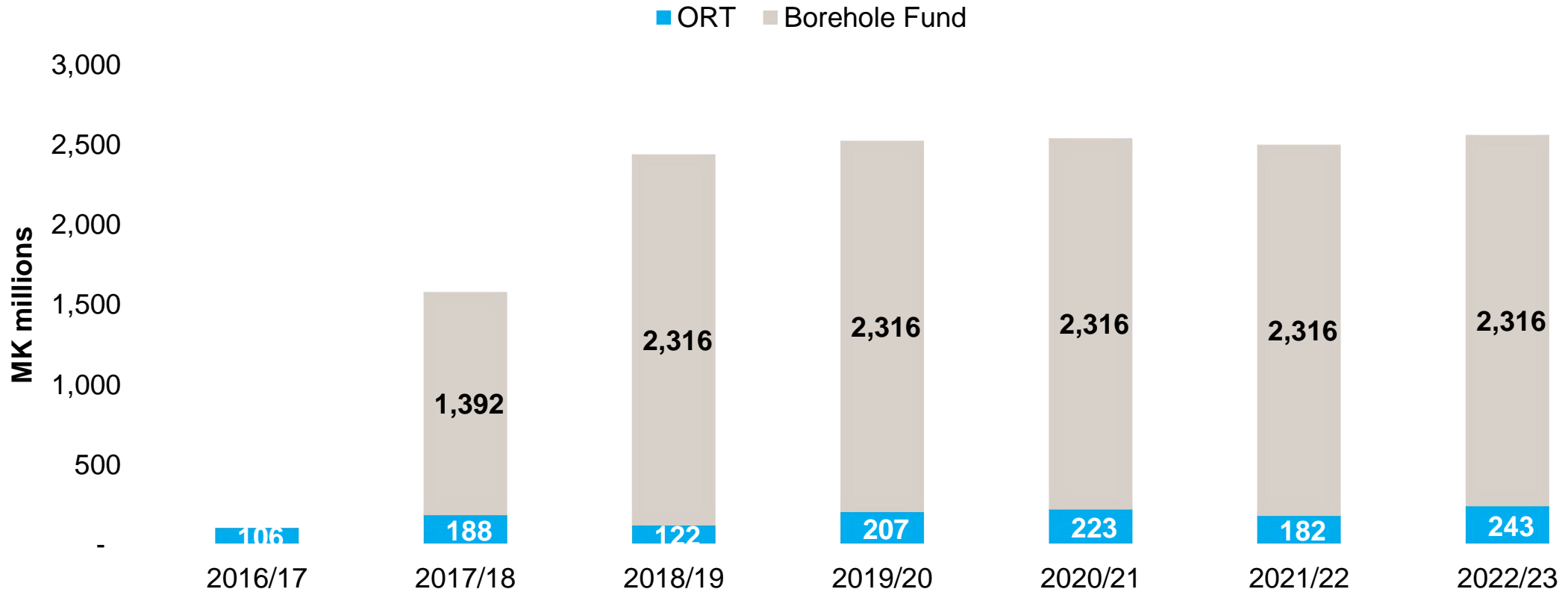
- Following the massive World Bank investments, the WASH budget has also reached its highest level in relation to the Total Government Expenditure and GDP.

# Composition of 2022/23 WASH Budget – Vote 210



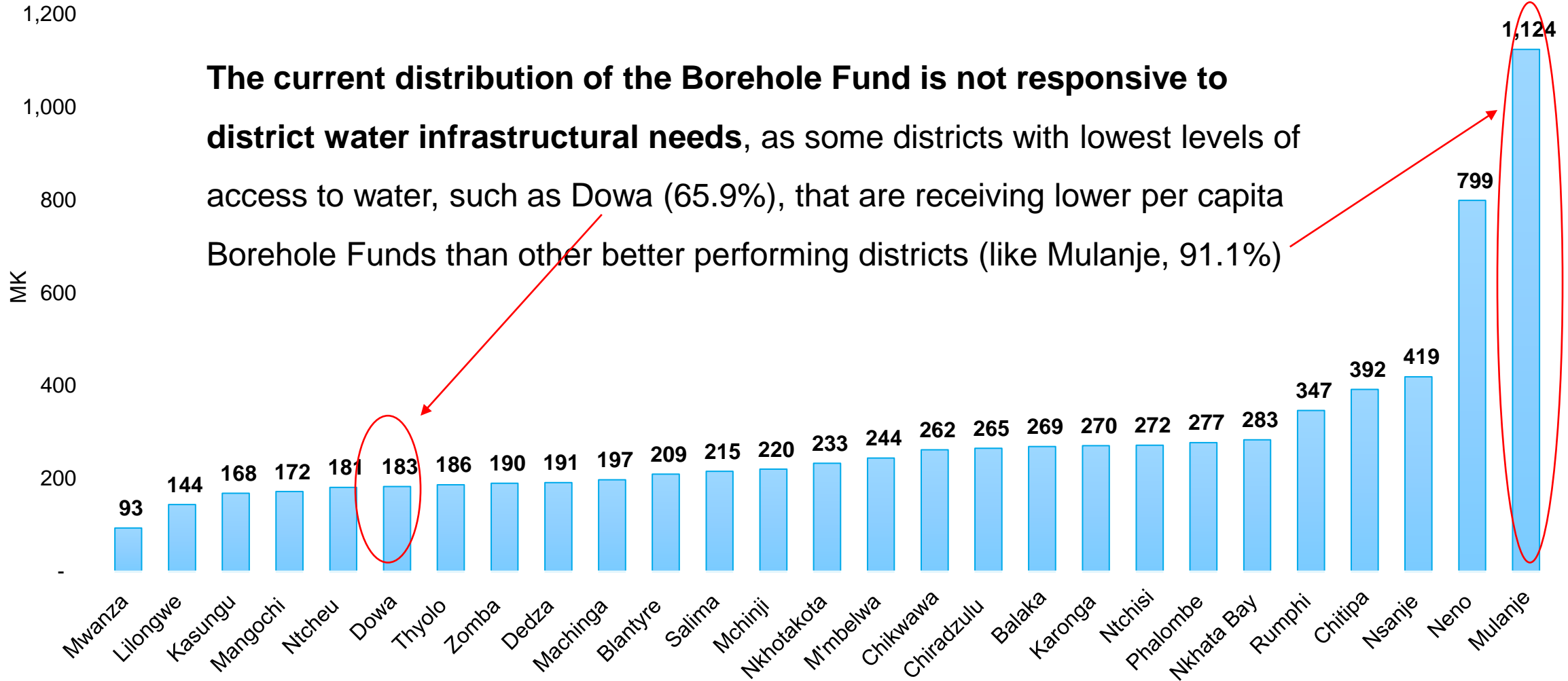
- **Majority of resources are for water development projects**, largely financed by donors (WB), who are contributing 92% to total development budget under Ministry of WAS (Vote 210)
- ORT only 0.4% of the Ministry's budget
- Even with the creation of the new Ministry, **Government is yet to establish a separate budget line for sanitation and hygiene in line with its Commitment 3 of the Ngor Declaration on Sanitation and Hygiene (2015).**

# Trends in district water budget



- **With a constant allocation to the Borehole Fund (MK2.36 billion), the real value of the district water budget has been declining since 2019/20.**
- ORT allocations remain low, at less than a tenth of the district water budget, in the face of high non-functionality rates of water facilities (especially boreholes)

# The Borehole Fund, in nominal per capita terms



# Recommendations

**01.** The new Ministry of WAS has an immediate task of ensuring a more sustainable financing mix for the WASH sector, that **should aim at reducing the overreliance on donor funding.** The **climate resilient WASH financing strategy, which is currently being developed, offers a great opportunity** in this regard.

**02.** With the creation of the new Ministry, Government is called upon 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.



# Recommendations

**03.** The call for the Government to **rebalance WASH investments on infrastructure creation towards operations and maintenance** as well as ORT remain, with the aim of ensuring continued functionality of water and sanitation facilities.

**04.** 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.



**Thank you.  
Any  
questions?**