**The 2015/16 budget allocation to Water and Sanitation was MK19.2 billion, down from MK36.3 billion in 2014/15,** representing a 47% decline in nominal terms. Considering an average inflation rate of 22% in 2014/15 fiscal year, the drop amounts to 69% in real terms. This therefore means that the government allocated less resources to WASH in 2015/16 than in 2013/14.

Malawi spends about 2% of the national budget, or 0.5% of GDP, on the WASH sector. This is far below the 1.5% of GDP it signed up to in the eThekwini Declaration (2008).

*With only 41% households using an improved sanitation facility and 20% of the schools with protected water sources, there is a need to ensure no reduction in the budget allocation to WASH.*

There is a need to strengthen the PFM system to improve outcomes in the WASH sector.

There is no clear indication of sanitation expenditure in the national budget, which reduces accountability and inhibits monitoring for national policies on sanitation. Less than half the population of Malawi enjoys access to improved sanitation facilities. Yet the key tool used by Government to demonstrate their response to that problem – the national budget – does not clearly identify how the government will address the challenge.

*As a first step, a separate budget line should be created for sanitation and hygiene.*

The WASH sector remains highly centralised, with national expenditure through districts accounting for less than 1% (MK120 million) of the total government expenditure in the sector.

*There should be more decentralization of WASH expenditure, with a specific focus on enhancing capacity at district level (both personnel and equipment); the central level should focus on policy and oversight.*

District allocations are not aligned to needs in water.

Kasungu and Thyolo have low percentages of households using improved water sources (74% and 66% respectively), yet are among the districts allocated the least per capita expenditure (MK2.73 Kasungu and MK5.39 Thyolo). This is in contrast with Mwanza, which has an above average percentage of households using improved drinking water sources (94.3%), yet is allocated the highest expenditure per capita of MK33.02.

*The district allocation formula should be revised for the budget to be an effective tool to respond to varying needs.*

A significant proportion of the WASH budget is made up of foreign aid. The capital budget represents 98% of the total budget for WASH, and more than 80% of the capital budget for WASH is funded by external sources.
CONTEXT

Total Population Malawi is at 13 million, (20% urban, 80% rural).

Proportion of Malawi Population Poor is 52%

Proportion of Malawi Population in ultra-poverty is 20%

Proportion of households using improved water sources is 86%, (99% Urban, 84% Rural)

Proportion of household using an improved sanitation facility is 41%, (49% Urban, 39% rural)

Proportion of schools with protected water supply is 20%

Source: MDG Endline Survey 2014

1. How is the WASH sector defined?

WASH services are centrally controlled through the Ministry of Agriculture, Irrigation & Water Development. The central ministry has only devolved to district level the operation and maintenance of water facilities. Gravity-fed schemes are maintained by teams from the centre, and the ministry has a drilling-rig that is occasionally deployed. The centre allocates 99% of all funds to itself and the regional offices. The remaining 1% that goes to the districts is allocated by the Local Government Finance Committee.

The WASH sector is characterised by a very high level of vacant posts – 73%¹, one of the highest in the social sectors, (health at 75%, education 40% and social welfare at 34%). The Government of Malawi froze recruitment in April 2015 due to constrained fiscal position across government. This lack of staff has contributed to the failure on the part of the sector to fulfil its functions effectively. The capacity of district water offices to absorb higher funding needs to be built up.

Sanitation is a much neglected sub-sector. If a separate budget line for sanitation and hygiene were created, it would help to promote transparency and accountability of funding for WASH services. Meanwhile, some components of sanitation and hygiene naturally fall within the scope of the Ministry of Health, yet that Ministry receives no funding for such issues.

¹ WASH Sector Performance Report 2012. Recruitment has been frozen since 2015 (so figures have not changed substantially).
2. What trends emerge from the WASH sector budget?

Malawi spends about 2% of the national budget, or 0.5% of GDP, on the WASH sector. Budget allocations to the sector have been uneven over the past 4 years, as Figure 1 shows. Foreign investment boosted the budget to MK36.3 billion in 2014/15. The 2015/16 budget fell back to MK19.2 billion, representing a 47% decline in nominal terms, and when considering an average inflation rate of 22% in 2014/15 fiscal year, the drop amounts to 69%.

**Figure 1: Allocations to Water and Sanitation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Local Councils</th>
<th>Water Development and Irrigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>33.48</td>
<td>4,830.53</td>
</tr>
<tr>
<td>2013/14</td>
<td>50.22</td>
<td>15,677.67</td>
</tr>
<tr>
<td>2014/15</td>
<td>96.00</td>
<td>36,253.97</td>
</tr>
<tr>
<td>2015/16</td>
<td>120.15</td>
<td>19,100.57</td>
</tr>
</tbody>
</table>

Source: MoF, various detailed budgets

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2 In budgets produced by the Ministry of Agriculture, Irrigation & Water Development, the expenditure on the WASH sector fell under ‘Water Development & Irrigation’ in 2012/13 and 2013/14, and under ‘Water Development & Supply’ in 2014/15 and 2015/16.
The variation across 2013 to 2015 was due to aid moving from on budget to off budget, from key development partners such as FICA, AfDB and JICA. The 2014/15 allocation contributed to the WASH sector budget allocation increasing at a faster rate than the national budget in nominal terms between 2012/13 and 2014/15, as Figure 2 shows.

**Figure 2: WASH % change in budget resources**

![Figure 2](image)

The substantial external funds in the 2013/14 WASH revised budget played a key role in the 276% increase on the approved budget compared with an increase of 61% made in the revised national budget. The increased allocation for the WASH sector in the 2014/15 revised budget was again higher than that in the revised national budget. However, the WASH approved budget declined by 48% in 2015/16, whereas there was an overall increase of 16% in the national budget. The fluctuation in the WASH budget over recent years means that a discernible trend over the period is not yet clear. The key implication for Malawi is that the average allocation over the medium term should be at least maintained, in real terms, and not decreased.

### Fast Facts

- **The WASH sector is characterised by a very high level of vacant posts – 73%.**
- **Sanitation is a much neglected sub-sector.**
- **Malawi spends about 2% of the national budget, or 0.5% of GDP, on the WASH sector.**
3. How are WASH sector resources spent?

The balance between capital and recurrent expenditure is one of the key considerations in budget formulation. This means that a delicate balance between capital, operational and labour inputs has to be achieved to ensure that the MDAs\(^3\) do deliver on their mandates. Underspending in development in the WASH sector can impair operational activities and outputs and may lead to facilities becoming technologically inappropriate. On the other hand, while capital expenditure on the construction of new water facilities is key, it is also important that recurrent expenditure is adequate to keep the existing water points functional.

Development expenditure constitutes the bulk of the WASH budget at 98% in 2015/16, an increase from 87% in 2012/13, as Figure 3 below shows. In total, WASH development expenditure increased from MK4.2 billion in 2012/13 to MK35.8 billion in 2014/15, before dropping to MK18.8 billion a year later. The rise in 2014/15 was largely driven by foreign funded development expenditure (Dev 1); it should be noted that some development partners offer soft loans rather than grants, and some prefer their funding to be on-budget, while others tend to spend off-budget. Locally funded development expenditure has barely changed in nominal terms over the years (Figure 3) and is very small.

\(^3\) Ministries, Departments and Agencies

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**Figure 3: WASH development expenditure (MK millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign funded (Dev 1)</th>
<th>Locally funded (Dev 2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>2,832.35</td>
<td>1,396.87</td>
<td>4,229.22</td>
</tr>
<tr>
<td>2013/14</td>
<td>13,657.27</td>
<td>1,126.54</td>
<td>14,783.81</td>
</tr>
<tr>
<td>2014/15</td>
<td>34,051.50</td>
<td>1,714.17</td>
<td>35,765.67</td>
</tr>
<tr>
<td>2015/16</td>
<td>17,358.60</td>
<td>1,400.50</td>
<td>18,759.10</td>
</tr>
</tbody>
</table>
4. To what extent has WASH expenditure devolved to the districts?

Decentralisation of government services to the districts has long been a national goal, however the transfer of funding that is integral to this process is not yet in place. The Malawi Local Government Act (1998) and National Decentralization Policy (1998) provide for disbursement of at least 5% of national revenues for development of districts. Specifically, the National Decentralization Policy (1998) assigns the roles of WASH service provision to districts.

It is important to recognise how small the current district finances are. Despite the rising population and inflation, the overall allocation to districts for development expenditure in WASH has remained the same in nominal terms over the past 4 years.

The district allocation amounts to about MK4.13 million per district per year. Supervision and repair of facilities by motorbike on such limited resources is near impossible. Moreover, the district capacity to absorb more funds is also weak, for the District Water Officer has almost no administrative staff of his or her own. Greater capacity at district level would also enable the central Ministry to play its policy and oversight roles more efficiently and effectively.

5. How equitable is the 2015/2016 budget between the districts?

There is a need to revisit the district allocation formula to respond to circumstances in each individual district, and achieve greater equity across the country. The Local Government Finance Committee allocates funds to the districts using a formula that has parameters that go beyond the WASH situation, and therefore does not accurately reflect the specific needs in WASH. This is one reason for recommending that the formula be revisited.

Fast Facts

- Development expenditure constitutes the bulk of the WASH budget at 98% in 2015/16.
- Locally funded development expenditure has barely changed over the years.
- Decentralisation of government services to the districts has long been a national goal, however the transfer of funding that is integral to this process is not yet in place.
- It is important to recognise how small the current district finances are.
- There is a need to revisit the district allocation formula to respond to circumstances in each individual district, and achieve greater equity across the country.
- Analysis of per capita expenditure in each district highlights the current inequities.
Figure 3: District level per capita WASH expenditure and % of households using improved water sources

Analysis of per capita expenditure in each district highlights the current inequities. Actual allocations determined by the Ministry of Finance partly reflect the inappropriate formula which is biased towards the provision of irrigation services and not WASH. The centre maintains that ORT for water supply and sanitation is included in the district council (decentralized) budgets. As noted earlier, the decentralized budgets are not adequate to deliver high quality results for the WASH sector. Figure 4 shows the per capita water expenditure in districts versus the percentage of households using improved water sources. Kasungu and Thyolo have low percentages of households using improved water sources, at 74% and 66% respectively. However, Kasungu and Thyolo are among the districts receiving the lowest per capita expenditure through direct allocations to districts (MK2.73 Kasungu and MK5.39 Thyolo). This is in contrast with Mwanza, which has an above-average percentage of households using improved water sources (94.3%), yet it receives the highest expenditure per capita, at MK33.02. There is, however, significant variation. For instance, Zomba enjoys relatively high access to water yet receives low per capita allocation. A more detailed analysis of each district, including how it benefits from the funding controlled by the centre, should be undertaken in parallel with a review of the district allocation formula.
CONCLUSION

Access to improved sanitation facilities remains low at 41% in Malawi, and an increased allocation of resources would help address this need. There is an urgent need to adopt a needs-based approach to allocating finances to the WASH sector. With about 40% of improved water points in need of servicing and repair in rural areas, NGOs and communities bear the brunt of responsibility for addressing these needs. With poverty rates at alarmingly high levels, some communities simply cannot afford to maintain their water supply facilities without government assistance.

The national budget must reflect the need to avert the dangers of increased disease due to inadequate provision in the WASH sector. Creating separate budget lines for Water, Sanitation and Hygiene services, and recruitment of personnel, are key priorities for government. With 73% vacancy rate, the WASH sector cannot ably respond to access to safe water and basic sanitation services.

66% of households use improved water sources, and the per capita allocation for water is only MK5.39

73% of posts in the WASH sector are vacant

Less than 1% (MK120 million) of all government expenditure in WASH goes to the districts

Glossary of Budget Terms Used

Approved budget: budget passed by parliament at the beginning of fiscal year, usually by June
Revised budget: budget revised usually at mid-year and approved by parliament, usually in February
Allocation: budget used to guide expenditure. May be different from outturn
Outturn: actual expenditure in a given period