Key messages and recommendations

1. The total water, sanitation and hygiene (WASH) sector budget is disproportionately skewed in favour of development expenditures at the expense of other recurrent transactions (ORT), especially for water services.

   **Recommendation:** The Government should ensure balance between development and ORT budgets, by increasing the share of allocations to operations and maintenance, monitoring, capacity building, and social and behavioural change communication. At the same time, the Government is requested to at least double its ORT transfers to District Councils to MK392 million in fiscal year (FY) 2019/20 (from the current MK196 million), considering past expenditure gaps and current financial needs.

2. Although the WASH sector budget increased by 25% in nominal and 12% in real terms compared to the previous year (still well below 2016/17 levels though), at 0.4% of Gross Domestic Product (GDP), it is significantly below the Government’s commitment to the eThekwini Declaration (2008) to allocate 1.5% of its GDP to WASH.

   **Recommendation:** In FY2019/20, the Government should progressively review its budget allocation to the WASH sector in order to meet the eThekwini Declaration so as to avoid heavy social and economic costs (4,500 children under five are estimated to die every year due to diarrhoea and other waterborne diseases).

3. The Government is commended for introducing a budget line on Environment and Sanitation (Program 22.01) under the Ministry of Health (MoH), but current allocations fall 95% short of the estimated financial requirements outlined in the Second Health Sector Strategic Plan (HSSP II).

   **Recommendation:** In FY2019/20 the Government should increase the allocation to Program 22.01 by at least 30% in order to progressively achieve cost estimates in the HSSP II and aim to achieve 100% of the financial requirements by end of the HSSP II in FY2021/22.

4. Apart from isolated evaluations and budget analyses, there is very little information on the efficiency, effectiveness, equity or sustainability of WASH expenditures. An independent regulatory agency is also required to assist in engendering quality and efficiency in the delivery of WASH services.

   **Recommendation:** The Government is encouraged to consider recommendations from the ongoing WASH Public Expenditure Review, once it is finalized, to inform future budget allocations and expenditures.

5. Despite contributing to WASH sector resources, households and other users do not have access to revenue and expenditure data by Water Boards and Local Authorities.

   **Recommendation:** Relevant MDAs, including Water Boards and Local Authorities, should come up with robust mechanisms for regularly publishing revenues collected, loans and their conditions and expenditures to facilitate analysis of the performance of WASH sector investments and increase public confidence in water resources management.
PART 1  INTRODUCTION

This budget brief assesses the extent to which the FY2018/19 National Budget contributes to improved water, sanitation and hygiene (WASH) for all people in Malawi. The brief analyses trends, composition and equity of WASH related budget allocations through child rights lens, and proffers recommendations on the same. Due to the introduction of program-based budgeting (PBB) in FY2016/17, which triggered change in budget classification, it was difficult to undertake time-series analysis for more than four years. This brief focused on FY2016/17 to FY2018/19, with 2016/17 as the base fiscal year.

WASH budgets are found in several Ministries, Departments and Agencies (MDAs). The water component of the WASH sector is comprised of water supply, water resources development and management under the Ministry of Agriculture, Irrigation and Water Development (MoAIWD) – Vote 190, Local Development Fund (LDF) – Vote 272 and allocations to District Councils. Budgets to Regional Water Boards (Northern, Southern and Central) are counted for under the MoAIWD. Sanitation budgets are mainly under the MoAIWD and Ministry of Health and Population (MoHP) – Vote 310, although other MDAs such as Ministry of Education, Science and Technology (MoEST) – Vote 250 also play a role. The MoEST has the responsibility to deliver school-based WASH services.

PART 2  WATER AND SANITATION IN MALAWI: NATIONAL OVERVIEW

The WASH sector is one of the priority sectors in the Third Malawi Growth and Development Strategy (MGDS III). The delivery of WASH services is guided by the Water Policy (2005), National Sanitation Policy (2008), Water Resources Act (2013) and the Waterworks Act (1995). Currently, the Government is developing the third National Water Development Programme and the New National Open Defecation Free (ODF) and Hygiene Strategy. At district level, sanitation and hygiene matters are handled by District Environmental Health Offices (DEHOs).

The Government has made strong progress towards ensuring that citizens have access to improved water sources. The proportion of households with access to improved water sources in Malawi increased by 9.4% from 79.7% in 2010 to 87.2% in 2015/16. Nonetheless, disparities still exist among districts with the proportion of households with no access to improved water sources ranging from 29.6% in Neno to 3.1% in Ntcheu. By region, access to improved water sources is relatively comparable at 86.2% in the Central, 86.8% in the North and 87.2% in the South. Despite this, in recent years, eight districts have registered regression in access to improved water sources as shown in Figure 1.

1 It was not possible to revise these figures for them to speak to SDG 6.1 definition and service norms because there is no data for Malawi from the Joint Monitoring Programme for Water Supply, Sanitation and Hygiene (JMP).
About half of Malawians (51.8%) have access to improved sanitation facilities compared to 8.2% in 2010. This improvement is partly due to the introduction of Community Led Total Sanitation (CLTS) in 2008. Nationally, the rate of open defecation declined from 15.7% in 2000 to 6.5% in 2015. However, disparities remain at district and regional levels as shown in Figure 2. The Southern Region, for example, has the highest percentage of households practising open defecation (5.7%), compared to the Central (4.3%) and Northern Region (3.6%). By district, open defecation rates vary from as low as 1.1% in Rumphi to as high as 15.5% in Nsanje.

The social costs of poor sanitation and hygiene in Malawi are significant. It is estimated that Malawi annually loses 4,500 children under the age of five due to diarrhoea and other waterborne diseases. Lack of girl-friendly sanitation facilities in schools is one of the reasons for absenteeism among menstruating girls. Data from the Joint Monitoring Programme for Water Supply, Sanitation and Hygiene (JMP) show that 24% and 62% of primary schools in Malawi lack sanitation and hygiene services, respectively. The figures stands at 32% and 68% for secondary schools. Fortunately, the costs of providing adequate school WASH facilities are largely achievable. Approximately MK7,300 (US$10) per pupil is required to ensure the provision of quality WASH facilities in all schools and to implement hygiene education.

**Key Takeaways**

- District-level disparities in basic WASH indicators should be investigated to understand the underlying causes.
- Despite strong progress in expanding access to water, much work remains in addressing sanitation and hygiene challenges.

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2 DHS, 2015/16.
4 [https://washdata.org/monitoringschools/dashboard](https://washdata.org/monitoringschools/dashboard)
Figure 2  Proportion of Households with Improved Sanitation by District

- Chiradzulu: 83.4%
- Karonga: 47.5%
- Rumphi: 59.7%
- Mzimba: 49.7%
- Nkhotakota: 37.1%
- Ntchisi: 45.4%
- Dowa: 65.9%
- Dedza: 69.8%
- Ntcheu: 64.4%
- Zomba: 68.6%
- Thumula: 47.3%
- Nsanje: 41.6%
- Nsanje: 47.3%
- Nsanje: 66.9%
- Source: Malawi DHS, 2015
PART 3 WASH SPENDING TRENDS

A total of MK23.1 billion was allocated to the WASH sector in FY2018/19, which represents a 24.7% annual increase in nominal and 12.3% in real terms compared to 2017/18, but remains well below 2016/17 levels. The total allocation to WASH sector translates to MK1,228 in per capita terms. The nominal increase in WASH budget is about 14% points higher than the increase in the overall Government budget. Most of the growth is due to massive spending increases on two programmes: (i) Water Resources and Development (Program 04.03), which swelled by nearly 500% (from MK769.5 million to MK4.6 billion); and (ii) Sustainable Rural Water and Sanitation Project (Project 135), which jumped by nearly 300% (from MK1.25 billion to MK4.92 billion). Despite these planned investments, access to safe water in urban areas (which are usually cholera hot spots) remains a major challenge. The majority of densely populated locations do not have piped water, and where piped water exists, there is serious rationing, which often fails to account for changing demographics in urban areas. Figure 4 shows trends in WASH spending in nominal and real terms, using 2016/17 as base year.

Current investments in the water sector fall far short of financing needs. A Water Sector Investment Plan (2015) estimated that Malawi needs to invest a minimum of MK102 billion (US$140 million) annually in water supply and sanitation, on average, between 2015 and 2030, in order to provide basic WASH services to all populations. Of this amount, MK26.8 billion (US$36.8 million) is required to ensure that all schools have quality WASH services, which translates to approximately MK7,300 (US$10.2) per pupil per year. However, at MK23.1 billion, the current WASH budget allocation is less than a quarter of the estimated annual WASH sector financial requirements. The FY2018/19 WASH sector budget allocation is even lower than the estimated amount required to administer school WASH components (MK26.8 billion).

At 0.4% of GDP, the WASH sector budget is below the 1.5% recommended level under the eThekwini Declaration (2008), to which Malawi is party to. As shown in Figure 5, the WASH share of GDP went down from about 1% in FY2016/17 to 0.4% in FY2018/19. As a share of the total budget, the current WASH budget stands at 1.6%, down from 3.3% in FY2016/17 and a slight increase from 1.4% in FY2017/18. WASH is one of the least funded social sectors, considering that in FY2018/19 education received 23.7%, health 9.8% and social welfare 4.8%.

This figure was calculated using National Statistical Office (NSO) population projection tables, which estimated the total population (as of 2018) in Malawi at 18.84 million. It is important to note that the difference in per capita figures is not statistically significant if the current population of 17.56 million (de-jure), as released by the NSO in January 2019 is used.

This project is 98% funded by the African Development Bank (ADB), with the GoM (DII) only contributing MK100 million out of the total MK4.92 billion.

At 0.4% of GDP, the WASH sector budget is below the 1.5% recommended level under the eThekwini Declaration (2008), to which Malawi is party to. As shown in Figure 5, the WASH share of GDP went down from about 1% in FY2016/17 to 0.4% in FY2018/19. As a share of the total budget, the current WASH budget stands at 1.6%, down from 3.3% in FY2016/17 and a slight increase from 1.4% in FY2017/18. WASH is one of the least funded social sectors, considering that in FY2018/19 education received 23.7%, health 9.8% and social welfare 4.8%.

This recommended rate of investment will secure safe water supplies for the cities, provide access to improved water supply to 98% of the population by 2025, increase access to improved sanitation to close to 90% of the population by 2030—more than twenty times the population that has access to improved sanitation currently, and fix the backlog of schools that currently lack adequate sanitation and hygiene facilities.
Malawi allocates a relatively lower share of its budget to WASH than its regional comparators. The latest available data indicates that average WASH spending between FY2016/17 and 2018/19 for Malawi is 2.1% compared to 3.9% in Mozambique and about 3% for Tanzania.9

Key Takeaways

- The planning and funding of WASH services needs to better reflect the increasing concentration of populations in urban and peri-urban areas.
- The current WASH sector budget commitment is significantly lower than sector financial requirements.

WASH is one of the least funded social sectors, with only 1.6% of the total budget in FY2018/19 while education received 23.7%, health 9.8% and social welfare 4.8%.
PART 4 COMPOSITION OF WASH SPENDING

The overall WASH sector budget does not prioritize spending on operations and maintenance, monitoring, capacity building, or social and behavioural change communication, which undermines investments in infrastructure and access to basic WASH services. In FY2018/19, the development budget will consume 70% (MK11.6 billion) of the Water Resources Development, Management and Supply (Program 04) budget. This means only 30% of the program’s resources is left to cover recurrent transactions which are greatly needed to support the delivery of WASH services.

The insufficiency of budgets for operations and maintenance has significantly affected the functionality of water supply points in both rural and urban areas. For instance, a recent WASH Sector Performance Report (2016) revealed that around 30% of water points are not functional at a given point in time, with the performance of certain areas much worse (e.g. 53% in Dedza and Mulanje). Figure 8 shows that, as of 2016, about a quarter of water points were not functional in eleven districts, five of which are in the Southern Region. There are also recurring reports of non-functional taps in health centers and schools as well as pipes bursting and not being timely repaired coupled with persistent waste management problems. These challenges point to some underlying problems in the execution of WASH budgets. Apart from WASH sector performance reports, isolated evaluations and budget analyses, there is very little comprehensive information about the efficiency, effectiveness, equity and sustainability of WASH expenditures.

The allocation to Water Resources Development, Management and Supply (Vote 04) of MK16.6 billion takes up 11% of the MoAIWD’s budget in FY2018/19. About two-thirds of the MoAIWD budget is earmarked for Agricultural Productivity and Risk Management (34%) and Sustainable Rural Development (33%). Compared to the previous year, allocations to Program 04 went down by 3% in nominal terms and by 13% in real terms. Figure 9 shows allocations to water and sanitation in relation to other programs in the MoAIWD, demonstrating that these areas are the lowest priorities.

The Government is commended for introducing a specific budget line on Environment and Sanitation (Program 22) in line with the Second Health Sector Strategic Plan (HSSP II). Under the eThekwini Declaration (2008), the Government committed itself to creating a specific budget line for sanitation and to spend 0.5% of GDP on sanitation. The program aims at reducing environmental and social risk factors that have direct impacts on health and sanitation outcomes. However, current allocations (MK0.54 billion) are 95% below the cost estimates presented in the HSSP II and would amount to only 1% of the Ministry of Health (MoH)’s total budget. In addition, information gaps on hygiene spending have not been resolved, as this is not mentioned in the PBB, even under the MoH. At the same time, sanitation remains lumped together with water supply under MoAIWD and environmental health under MoH.
Figure 8 Water Point Functionality by District

Source: 2016 WASH Sector Performance Report

© UNICEF/Thokozani Chikondi
The composition of the Environment and Sanitation budget is skewed towards personal emoluments and travel costs. As shown in Figure 10, approximately half (51.7%) of the Program’s budget is for personal emoluments (PE) (38.5%) and internal travel (13.2%), while food and rations consume less than a quarter of the budget.

Under the eThekwini Declaration (2008), the Government committed itself to creating a specific budget line for sanitation and to spend 0.5% of GDP on sanitation.
Malawi faces significant disparities in WASH outcomes by district which could be suggestive of inequities in resource allocation. Mchinji and Zomba, for example, with access to improved sanitation at 30.2% and 47.3%, respectively, received per capita transfers of MK8.7 and MK3.2, respectively as shown in Figure 11. This is compared with Chitipa, Ntchisi and Likoma with better sanitation outcomes (83%, 70% and 67%, respectively) which received relatively higher per capita ORT transfers of MK40.6, MK17.0 and MK236.2, respectively. This trend was also observed in the previous financial year. Likoma is however an outlier, which received about MK236.2 in per capita allocations. District field reports from partners have also shown that construction of water points by NGOs and District Councils is not entirely even across all Traditional Authorities (TAs).

The per capita figures were calculated using district population projections for 2018 from NSO. There is no statistical difference if current district population figures (de-jure), released by NSO in January 2019 are used.

**Key Takeaways**

- **The development and delivery of basic WASH services is severely undermined by limited investments in monitoring, operations and maintenance, and awareness raising on the importance of WASH-related practices.**
- **In addition to better resources allocation, the GOM should work to establish an independent WASH sector regulatory framework to ensure efficiency and effectiveness of service delivery.**
- **Recurring reports of non-functional water points and waste management challenges require investigation by both central and local Governments.**
- **The introduction of a specific budget line on Environment and Sanitation is a step in the right direction to achieve the eThekwini Declaration (2008), but the PBB should be adjusted to generate information on sanitation spending.**

**PART 5  EQUITY OF WASH SPENDING**

Per-capita ORT transfers to District Councils, which are relatively uniform, except two outliers, are not fully responsive to disparities in WASH outcomes.

There is need for disaggregated budget allocations data within cities, towns and districts to enable comprehensive equity analysis.
Most (90%) of the water sector resources are centrally allocated with only 10% going to Regional Water Boards and District Councils. This trend is explained by the fact that Malawi is not yet fully fiscally decentralised. Several donors also prefer to provide support through the Central Government. For example, the Mzimba Integrated Urban Water Supply and Sanitation Project (MK6.5 billion), the Sustainable Rural Water Supply and Sanitation Project (MK4.92 billion) – both funded by the African Development Bank (ADB) – and the Lilongwe Water and Sanitation Project (MK900 million) funded by the World Bank, are centrally managed.

Regional Water Boards were allocated a total of MK642.3 million in FY2018/19, which is 22% higher than the previous year. A total of MK196.8 million will be transferred to District Councils for ORT for the water sector up from MK187.5 million allocated in the previous year (Figure 13). Whilst this allocation is 5% higher in nominal terms, it is 5.4% lower once inflation is accounted for. Considering these past expenditure trends and financial needs on the ground, the Government is requested to at least double its ORT transfers to District Councils to MK392 million in fiscal year 2019/20.

The share of WASH sector resources allocated to District Councils has gone down from 1.0% in FY2017/18 to 0.08% in FY 2018/19. It is however important to note that all District Councils have a budget line on Water Supply and Sanitation (Program 04.04). There is however no publicly available information on how WASH resources are distributed within each district.

In 2018/19, a total of MK196.8 million will be transferred to District Councils for ORT for the water sector up from MK187.5 million allocated in the previous year.
Per capita ORT transfers in FY2018/19 estimated at MK11 are significantly lower than barest minimum sector requirement of MK1,600\(^\text{12}\) per person per year. In FY2018/19, Zomba and Kasungu received as low as MK3.2 and MK4.7, respectively. Considering pressing financial needs on the ground, the Government should at least double the ORT budget to District Councils in FY2019/20 and progressively increase in line with the barest minimum sector requirements in the following fiscal years.

\(^{12}\) This figure is based on UNICEF’s calculation of what is required for basic WASH interventions, including maintenance of WASH facilities.

**Key Takeaways**

- The current WASH sector ORT transfers to District Councils are significantly lower than financial requirements.
- There is limited data on equity of allocations within cities, towns and districts.

In FY2018/19, Zomba and Kasungu received as low as MK3.2 and MK4.7, respectively per capita ORT transfers.
PART 7 FINANCING OF WASH SERVICES IN MALAWI

The WASH sector largely relies on donor funding, especially for development projects. In FY2018/19, 93% of WASH sector resources are expected to come from donors. The African Development Bank is expected to contribute over MK10 billion to the WASH sector in FY2018/19. This includes MK4.82 billion towards Sustainable Rural Water Supply and Sanitation (Project 019) and MK6.41 billion for Mzimba Integrated Urban Water Supply (Project 057). The World Bank has also committed to fund the Lilongwe Water and Sanitation Project (Project 043) to the tune of MK900 million. Some of the external resources will be in the form of concessional loans, but there is very limited publicly available information on the lending conditions. This has raised questions on transparency and accountability in WASH spending. Figure 14 shows WASH sector capital projects by funding source budgeted for in FY2018/19.

The share of Government funded (Development II) WASH sector projects has declined by almost half from 16% in FY2017/18 to 7% in the current fiscal year (Figure 15). At the same time, the share of donor funded WASH capital projects has increased from 84% in FY2017/18 to 93% in the current fiscal year. Unlike other social sectors where donor resources are declining, the WASH sector has experienced an increase in donor funding at least in the current fiscal year from 3.7% of total donor resources in 2017/18 to 5.2% in 2018/19. In absolute terms, resources from donors are expected to increase by 58% from MK7.7 billion to MK12.1 billion in the current fiscal year whilst the Government’s contribution has decreased from MK1.5 billion in FY2017/18 to MK900 million in the current year.

Despite increasing in the current fiscal year, donor resources to the WASH sector are relatively lower than flows to other social sectors. For instance, in FY2018/19, the health sector received MK19 billion from donors, which amounts to 8% of total on-budget donor funding to the country (MK233 billion). The health sector stands as the largest beneficiary of donor funding followed by education and social protection (Figure 16).

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13 Budget data from the Detailed Budget Estimates (Budget Document No. 4, pp 344)

14 This amount only reflects donor resources reported in the national budget and does not include off-budget donor resources.
Figure 14: WASH Capital Projects by Funding Source (in billions of current MK)

Source: PBB and Detailed Estimates for FY2018/19

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Donor Resources (DI)</th>
<th>Local Resources (DII)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasibility Studies for Alternative Water Sources</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>Songwe River Basin Development Programme</td>
<td>6.42</td>
<td>0.25</td>
</tr>
<tr>
<td>Ground Water Extraction for Rural Piped Water Supply</td>
<td>4.83</td>
<td>0.10</td>
</tr>
<tr>
<td>Chitipa rural Water Supply</td>
<td>0.9</td>
<td>0.20</td>
</tr>
<tr>
<td>Lilongwe Water Sanitation Project</td>
<td>0.9</td>
<td>0.15</td>
</tr>
<tr>
<td>Mzimba Integrated Urban Supply &amp; Sanitation</td>
<td>0.9</td>
<td>0.20</td>
</tr>
<tr>
<td>Total</td>
<td>14.82</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Figure 15: WASH Sector Development Budget by Source

Source: PBB for FY2018/19

<table>
<thead>
<tr>
<th>Year</th>
<th>Donor (DI)</th>
<th>GoM (DII)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>2018/19</td>
<td>7%</td>
<td>93%</td>
</tr>
</tbody>
</table>

Figure 16: Trends in Donor Support to WASH Relative to Other Social Sectors (using data from AMP)

Source: Malawi Aid Management Platform (AMP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Health flows</th>
<th>Education flows</th>
<th>Vulnerability</th>
<th>Water, Sanitation &amp; Irrigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>73%</td>
<td>17%</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>2013/14</td>
<td>64%</td>
<td>24%</td>
<td>10%</td>
<td>2%</td>
</tr>
<tr>
<td>2014/15</td>
<td>66%</td>
<td>17%</td>
<td>15%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Percentage
Households are also contributing to water sector resources through monthly user fees, with possible regressive implications. However, information on how much is collected monthly by Water Boards and District Councils is not publicly available. There are also concerns about how revenues are being used. For example, the Northern Region Water Board (NRWB) reportedly lost about MK25 million through a syndicate that allegedly issued counterfeit bill payment receipts to about 400 customers in Karonga.\(^\text{15}\) It is important to also note that customers’ willingness to pay for water bills has been compromised by receiving adjusted accounts.

\(^\text{15}\) https://mwnation.com/water-board-loses-k25m-customers-protest-bills/

### Key Takeaways

- **Government’s contribution to WASH sector development projects has significantly gone down.** The sector remains highly donor dependent.
- **The public has limited information about user-fees, concessional loans and other water sector funding; publication of such information will go a long way in fostering public confidence and improve willingness to pay.**

### ANNEX 1

**DEFINITION OF KEY TERMS**

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development (Part I)</td>
<td>Share of the budget for long term public investments contributed by donors.</td>
</tr>
<tr>
<td>Development (Part II)</td>
<td>Share of the budget for long term public investments from domestic resources.</td>
</tr>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>Total value of goods and services produced by a country in a given year.</td>
</tr>
<tr>
<td>Nominal change</td>
<td>Changes in budget allocations which do not factor in inflation.</td>
</tr>
<tr>
<td>Other Recurrent Transactions (ORT)</td>
<td>Budget for day to day items such as office supplies, fuel, utilities, routine maintenance and other operations.</td>
</tr>
<tr>
<td>Personnel Emoluments (PE)</td>
<td>Salaries, wages, allowances and other staff entitlements.</td>
</tr>
<tr>
<td>Real change</td>
<td>Changes in budget after adjusting for inflation.</td>
</tr>
</tbody>
</table>

### ACKNOWLEDGEMENTS

This budget brief was produced by Tapiwa Kelvin Mutambirwa and Bob Libert Muchabaiwa under the overall guidance of Beatrice Targa. Useful comments were received from Matthew Cummins from the ESARO Office and Michele Paba, Patrick Okuni and Chimwemwe Nyimba from the WASH Section.

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