



SOCIAL PROTECTION BUDGET BRIEF



INVESTING IN SOCIAL PROTECTION AND RESILIENCE IN THE FACE OF GLOBAL SHOCKS

Poverty remains high in Malawi, with over half (50.7%) of the population living below the poverty line while 20.5% are extremely poor. Amid recurring climatic and economic shocks, the demand for social protection services has become stronger.

Recommendation: Based on an increasing body of evidence pointing at the positive impact that social assistance has had in Malawi, the region and beyond¹, government is encouraged to continue investing in and supporting the expansion and comprehensiveness of social protection programmes in both rural and urban areas, ensuring they effectively target and adequately address needs and vulnerabilities across the lifecycle, in line with the Malawi National Social Support Programme (MNSSP II) and Vision 2063. In addition, Government and Development Partners are encouraged to further the integration between social protection, the humanitarian and the disaster risk management sectors in response to shocks and stresses, through the roll out of a fully shock-sensitive social protection system.

Social assistance programmes are mostly dependent on fragmented external financing, with donors funding over 90% of the flagship Social Cash Transfer Programme (SCTP), raising sustainability concerns over the medium-to-long term.

Recommendation: Government should ensure development and implementation of a comprehensive and coherent social protection long-term financing strategy, that also covers flexible mechanisms for crisis response and recovery efforts.

Social assistance financing, reporting and delivery mechanisms remain highly fragmented. This is placing a heavy administrative burden on the Government and causing programme inefficiencies.

Recommendation: Government and Development Partners should ensure harmonization of financing mechanisms for social assistance, through the setting up of a joint financing mechanism with an in-built scalable shock-sensitive social protection component. This will increase the efficiency and effectiveness of the SCTP and contribute towards a more sustainable sector financing structure.

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¹ Please refer to the Transfer Project at <https://transfer.cpc.unc.edu/> and the independent Impact Evaluation of the Malawi Social Cash Transfer Programme (University of North Carolina, 2016) at https://transfer.cpc.unc.edu/wp-content/uploads/2021/04/Malawi-SCTP-Endline-Report_Final.pdf (full report) and <https://www.unicef-irc.org/publications/pdf/IRB2018-01.pdf> (brief)

2 BRIEF OVERVIEW OF THE SOCIAL PROTECTION SECTOR

Malawi has made notable progress in building a solid social support system, anchored in the National Social Support Policy (2012), currently under review, and operationalized through the Second Malawi National Social Support Programme (MNSSP II) (2018-2023). Social protection in Malawi consists of four major programmes, namely the social cash transfer programme, public works programmes, school meals programmes and village savings and loan associations. The SCTP is the flagship social protection programme and is implemented nationwide by the Government. In recent years, the SCTP has been scaled up to respond to shocks including floods, lean season and more recently COVID-19. The Government is operationalizing a social registry called the Unified Beneficiary Registry (UBR) and social support programme Management Information Systems (MIS) and is piloting electronic payments, with the goal of scaling them up nationwide. As part of improving the effectiveness and efficiency of the social support system, the Government and its partners are currently in the process of defining an operational vision for shock-sensitive social support as well as developing a national framework for nutrition-sensitive social support.

The need for social protection programmes in Malawi is stronger given the widespread poverty and continued vulnerability to multi-variate shocks. An estimated 51% of Malawi's 18 million people are living below the poverty line while about 20.5% of the population are ultra-poor³, meaning that - based on 2019 data - one out of five Malawians was unable to meet their daily food requirements. Malawi also continues to be highly vulnerable to multi-variate shocks, including chronic food insecurity and recurrent crises that are being worsened by climate change, the COVID-19 pandemic, and the ongoing global crisis in the context of the Russian-Ukraine conflict. An average of 1.8 million people were estimated to be in need of emergency food assistance each year for the past decade. Women and children continue to face disproportionate impacts from the ongoing crises.

COVID-19 pandemic triggered the use of social protection programmes throughout the world as a key tool for providing support to vulnerable populations and unprotected workers in the informal economy. Both the pandemic and the Russian-Ukraine crisis have had unprecedented spillover effects affecting global supply chains and global commodity prices including staple foods, fuel and fertilizers. This rise in prices is starting to have consequences on food security in the developing world, including Malawi, and has also been a catalytic factor in recent economic crisis around the world.



1 INTRODUCTION

This brief analyzes the extent to which the fiscal year (FY) 2022/23 National Budget responds to social protection needs in Malawi. It does so by discussing the evolution of financing and spending trends in the social protection sector in Malawi, before offering insights on how to improve the efficiency and effectiveness of social protection spending.

The information contained in this brief is particularly relevant for Government, donors and other stakeholders who might be able to mobilize support change towards increasing the comprehensiveness, efficiency, sustainability and flexibility of Malawi's national social protection sector, in a context of global shocks.

The analysis covers two out of the four social protection programmes, funded through the National Budget (on-budget) – the Social Cash Transfer Programme (SCTP) and the Public Works Program (PWP). The brief does not cover the other two main social protection programmes – the Schools Meals Program (SMP) as well as the Village Savings and Loan Associations (VSLAs) – because they are funded completely off-budget and accurate data is limited. The analysis underpinning this budget brief was based on data from government budget documents, with the budget lines included in the analysis detailed in Table 1. Additional information on the specifics of the social protection sector in Malawi can be found in UNICEF's 2020/21 Social Protection Budget Brief available on UNICEF's website².

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² <https://www.unicef.org/esa/media/9016/file/UNICEF-Malawi-2020-2021-Social-Protection-Budget-Brief.pdf>

³ National Statistics Office, Malawi Poverty Report, 2021

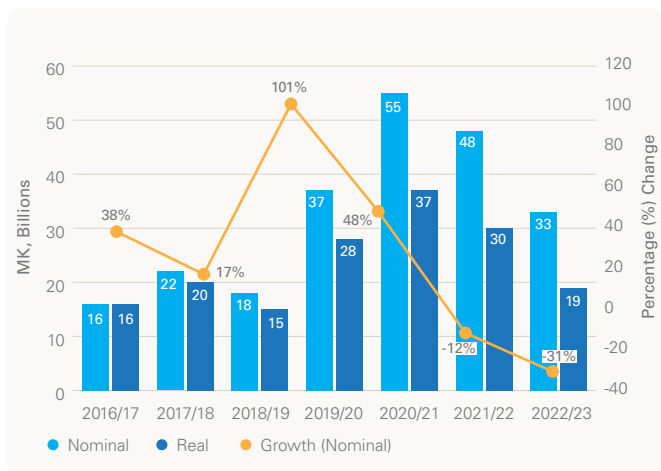
3 SIZE OF SOCIAL PROTECTION SPENDING

Budget allocations to on-budget social protection programmes have declined to below 2019/20 levels. A total of MK33.2 billion has been allocated to the SCTP in 2022/23, which is lower than investments made in 2019/20. The overall trends in social protection spending are heavily influenced by on-budget donor funding patterns. For instance, there is no allocation for the public works programme in 2022/23 as additional World Bank financing was not yet agreed by the time the budget was approved.

Allocations have therefore hit their lowest value as a share of the total budget since 2016/17 and are comparably the same as the 2016/17 levels in relation to gross domestic product (GDP) (Figure 2). The 2022/23 allocations to on-budget social protection programmes are worth 1.2% of the total budget, the lowest level since 2016/17.

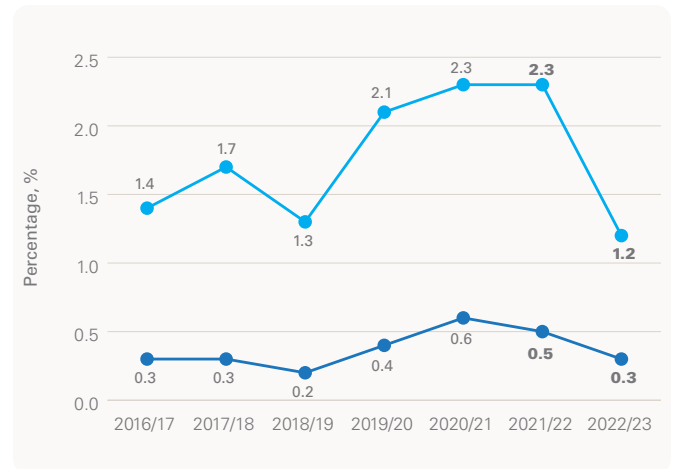
Social protection spending in Malawi is strongly dependent on donor contributions to key programmes, such as the SCTP. Since 2016/17, an average of more than 90% of the on-budget social protection resources have been provided by donors (Figure 3). Furthermore, significant resources funding social protection programmes are also implemented outside of the national budget. This brings the overall sector dependency to donor funding well above 90% and leaves the national social protection system highly vulnerable to potential donor funding withdrawals or discontinuation, particularly in a context of large-scale global shocks and sudden/unexpected economic downturns.

Figure 1: Evolution of On-Budget Social Protection Spending



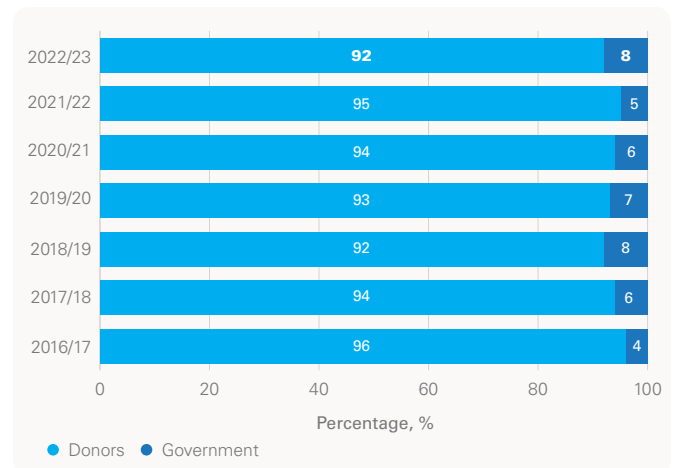
Source: Government Budget Documents, 2017/18-2022/23

Figure 2: On Budget Social Protection Spending as a Share of TGE and GDP



Source: Government Budget Documents, 2017/18-2022/23

Figure 3: Funding of on-budget Social Protection Programmes by Source



Source: Government Budget Documents, 2017/18-2022/23

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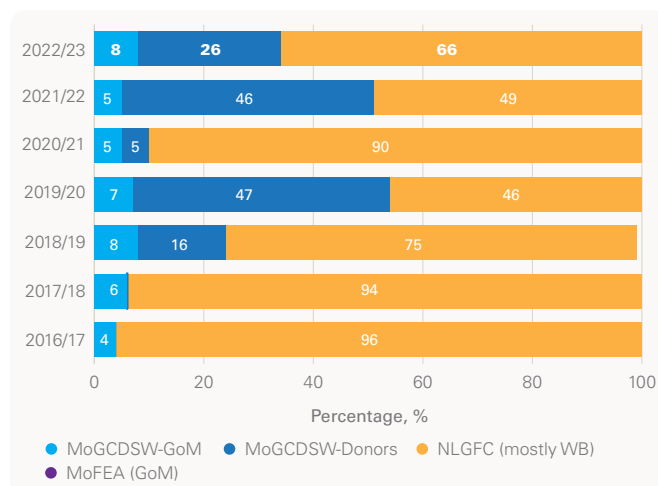
4 COMPOSITION OF SOCIAL PROTECTION BUDGETS

The irregular trend in the composition of social protection budgets by implementing agency is largely influenced by donor funding patterns (Figure 4). Around 66% of the on-budget social protection allocations in 2022/23 are being channeled through the National Local Government Finance Committee (NLGFC), mostly from the World Bank, while 26% are channeled through the MoGCDSW. Donor funding through the MoGCDSW has been inconsistently channeled on/off budget over the years.

The entire 2022/23 social protection budget has been allocated to the SCTP (Table 1). No provision has been made for the public works programme in the 2022/23 national budget, as additional World Bank financing was not yet agreed by the time the budget was approved. The budget for the donor-funded SCTP intervention through the MoGCDSW halved from MK17.7 billion in 2021/22 to MK8.5 billion in 2022/23. There is no on-budget allocation for the lean season response under Social Protection, which was previously provided through the MoGCDSW. There have been repeated challenges in ringfencing resources for the Lean Season under the Department of Disaster Management Affairs (DODMA)'s budget allocation as well. Despite ongoing interventions on scalable safety nets, the budget line for Scale Up SCTP has been discontinued, with negative implications in terms of emergency preparedness and resilience against future shocks.

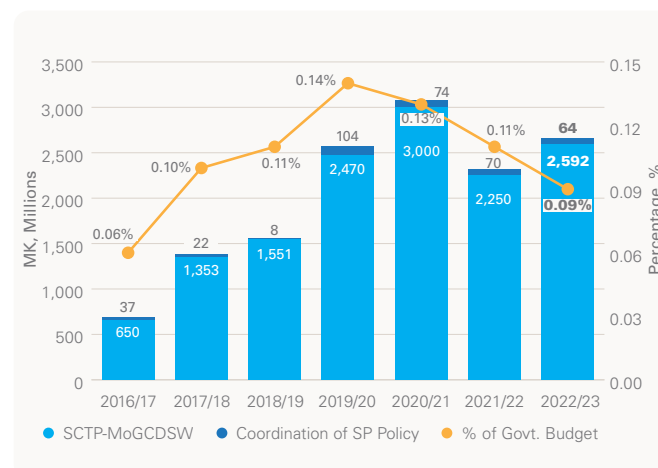
The Government's contribution to the SCTP is lower than its 2020/21 level in real terms and has gone below the 2017/18 levels when expressed as a share of the total Government budget (Figure 5). Government allocated MK2.5 billion to the SCTP in 2022/23, which is lower than the MK3 billion allocated in 2020/21 under the MoGCDSW. The budget for the coordination of social protection policy under the Ministry of Finance and Economic Affairs (MoFEA) was also reduced from MK70 million in 2021/22 to MK64 million in 2022/23.

Figure 4: Trends in the Composition of on-budget Social Protection Budgets by Implementing Agency



Source: Government Budget Documents, 2017/18-2022/23

Figure 5: Trends in Government Contribution to the SCTP



Source: MoGCDSW & MoFEA PBBs for 2017/18 to 2022/23

Table 1: Composition of On-budget Social Protection Spending (MK millions)

Budget Line	2016 /17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
SCTP-GoM	650	1,353	1,551	2,470	3,000	2,250	2,592
SCTP-Donors, MoGCDSW			2,965	14,919	-	17,731	8,534
SCT (Lean Season)						1,422	-
Scale-Up SCTP				2,473	2,543	2,845	-
SCTP-NLGFC	1,728	7,335	12,845	15,197	29,100	20,783	22,095
Coordination of SP services -GoM	37	22	8	104	74	70	64
Total SCTP	2,415	8,711	17,369	35,164	34,717	45,101	33,285
PWP	13,650	13,401	1,034	1,737	1,535	2,991	-
MASAF 4 - Grant					6,247	-	-
MASAF 4 - Loan					12,298	-	-
Total Social Protection Budget	16,065	22,112	18,404	36,901	54,797	48,092	33,285

Source: PBBs for 2017/18 to 2022/23

5 SOCIAL PROTECTION FINANCING

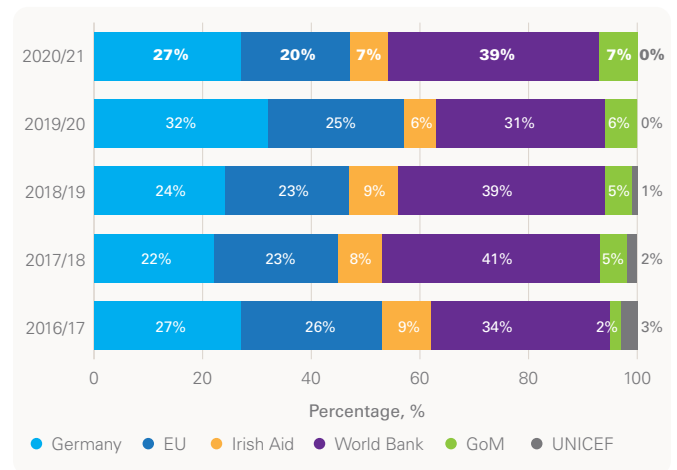
The funding of key social protection programmes in Malawi remains strongly dependent on fragmented external financing.

On average, Government⁴ 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 6. Government’s contribution to the SCTP still covers only one district, with the other 27 districts being funded by donors – (i) the World Bank (11 districts); (ii) the German Government – through KfW (7 districts); (iii) the European Union (EU) – through KfW (7 districts) as well as (iv) the Irish Aid (2 districts). UNICEF and other partners provide technical support for the regular operations as well as for the vertical and horizontal expansions of the SCTP.

There is room for the Government to increase the efficiency and effectiveness of the SCTP and work towards a more sustainable sector financing structure. To this effect, there are already ongoing discussions for the Government to set up a joint financing mechanism for the SCTP, with an in-built scalable shock-sensitive social protection component. The development and implementation of a comprehensive and coherent social protection long-term financing strategy should be a priority for the Government.

⁴ There are contributions to running the programme (staff, offices) from Government that are not accounted for here.

Figure 6: Trends in the Funding of the SCTP Budget by Source



Source: Government Budget Documents and Donor Financial Reports

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