* Contact - Christine Ortiz, Health Policy Plus, Palladium, 202 352 6647, christine.ortiz@thepalladiumgroup.com
* Presenter: Dr. Gerald Manthalu (Ministry of Health Malawi)
* Co-authors: Anne Conroy (Ministry of Finance Malawi-funded through USAID/HP+), Henry Mphwanthe (Health Policy Plus),Christine Ortiz, Palladium Group
* **Sub-Theme 2**: The effectiveness of aid in the building of health systems

**Increasing fiscal space for health in Malawi: More resource mobilization or increased absorption capacity of existing resources?**

**Background:**

In Malawi, Multilateral and Bilateral partners contribute about 75 percent of total health care funding. Most of this funding is in form of grants. There is, however, growing concern over low absorption rates in major grants which has constrained the delivery of key health interventions. This happens in a context of limited fiscal space for health and active health sector resource mobilization efforts by Government. Understanding the potential for increased resource mobilization and efficient utilization of existing resources will help Government to focus its efforts.

**Objective:**

The primary objective was to advocate for improving absorption rates of grants in the health sector in Malawi versus increased resource mobilization for health.

**Methodology:**

Existing reports and data were analyzed to assess the effects of funding sources, grant characteristics, type of grant recipients and fiduciary governance mechanisms on absorption. The potential domestic resources that can be mobilized from innovative financing options were also analyzed and compared with efficiency gains from improved absorptions rates. The grants of focus were Global Fund, African Development Bank and Health Services Joint Fund (HSJF). Key informant interviews focusing on implementation processes were also conducted.

**Findings:**

Initial results showed that if all viable earmarked taxes were introduced, a maximum of US$11.6 million could be raised per annum. This is equivalent to US$0.63 health expenditure per capita. The potential additional revenue is a small fraction of the financing gap for health. The absorption rate under the 2016-2017 Global Fund Grant for Malawi was 81 percent implying that 19% (worth about USD 54 million, USD3 per capita health expenditure) was not absorbed while the absorption of the Health Services Joint Fund for the 2017/18 financial year was 30% meaning 70% (USD 15 million, USD 0.83 per capita health expenditure) was not absorbed.

**Conclusions:**

The potential for raising significant additional revenue for health is limited in Malawi. Improving the absorption of existing resources, for example Global Fund grants and the Health Services Joint Fund, may provide the best option for increasing fiscal space for health in Malawi.