MALAWI REPORT AS PART OF THE COMPREHENSIVE HIGH-LEVEL MIDTERM REVIEW OF THE VIENNA PROGRAMME OF ACTION FOR THE DECADE 2014-2024

1. INTRODUCTION

Malawi is one of the 32 landlocked developing countries (LLDCs) in the world which has lack access to the sea hence face challenges in trade, transport & infrastructure. Malawi projected population as of 2017 was at 17.2 million and was projected to grow to 19.4 million by the year 2022. This population growth continues to add pressure on access to services in the country. However, during the month of September, 2018 a national population Census was being undertaken ten years (2008) after the previous census was carried out. Currently, its human development and Gross Domestic Product (GDP) is low. Being a member of the United Nations (UN), the Government of Malawi signed for the Vienna Programme of Action (VPOA) on the LLDCs where its implementation will run for a decade from 2014–2024.

The overarching goal of the VPOA is to address the special development needs and challenges of landlocked developing countries arising from landlockedness, remoteness and geographical constraints in a more coherent manner and thus to contribute to an enhanced rate of sustainable and inclusive growth, which can contribute to the eradication of poverty by moving towards the goal of ending extreme poverty.

Therefore a comprehensive high-level midterm review (MTR) no later than December 2019, to review progress made by the landlocked developing countries, transit countries and development partners in implementing the VPOA. The high-level MTR is to provide a forum to share best practices and lessons learned, identify obstacles and constraints encountered and actions and initiatives needed to overcome them, as well as new challenges and emerging issues, in order to further accelerate the implementation of the VPOA.

As a nation, when the VPOA was being signed in 2014, Malawi then was implementing its second national strategy the Malawi Growth Development Strategy II (MGDS II) which run from 2011 to 2016. However, during the development of the Malawi Growth Development Strategy III (MGDS III) which runs from 2017-2018 it was aligned to Malawi's international, continental and regional obligations including the VPOA. Therefore it ensured that sectoral development strategies include programmes, initiatives, and activities are planned for effective implementation of the VPOA and encouraged the establishment of national coordination mechanisms, monitoring and review by involving all relevant stakeholders. In Malawi, the coordinating institution on VPOA issues is the Economic Planning Division in the Department of Economic Planning Development (DoEPD) which is under the Ministry of Finance, Economic Planning Development (MoFEPD).

1.1 Key Challenges Affecting Malawi as an LLDC

Malawi being one of the LLDCs depends mostly on its neighbouring countries as part of access to some of the required services. These countries include Mozambique, Tanzania, Kenya, and Republic of South Africa. This has led to the country facing various challenges such as:

- It is located far from major world markets making trade difficult;
- Heavy reliance on neighbouring countries for the transit of goods;
- Poor infrastructure, fragile political situations and costly administrative practices;
- Roads and railways are frequently in bad condition; and
- Frequent strikes, civil wars, and natural disasters.

1.2 Vienna Programme of Action (VPoA)

The main aim of the VPOA 'to identify ways to help LLDCs move forward with their sustainable development plans based on six priority areas'. These priority areas are:

Priority 1: Fundamental transit policy issues
Priority 2: Infrastructure development and maintenance
- Transport infrastructure; and
- Energy and information and communications technology infrastructure.

Priority 3: International trade and trade facilitation
- International trade; and
- Trade facilitation.

Priority 4: Regional integration and cooperation
Priority 5: Structural economic transformation
Priority 6: Means of implementation.

Therefore, as a country, various mechanism have been put in place as a way of solving these challenges through national and sectoral strategies, various policies and initiatives which should domesticate global and regional obligations which Malawi has signed. To ensure that these priority areas are achieved, these have been embedded in the national strategy the MGDS III.

2. PROGRESS FOR MALAWI WITH VPOA AND INLINE WITH OTHER GLOBAL OBLIGATION

Since the adoption of the VPOA, the following is the progress attained to date (September, 2018).

2.1 Overall General Progress at National Level

The MGDS III has identified five key priority areas that would contribute to economic structural transformation drive in Malawi. Malawi being one of the LLDC countries, the MGDS III emphasizes the need to invest simultaneously in areas that can spur growth through the linkages they have with the other sectors of the economy. The strategy has, therefore, identified five key priority areas (KPA), namely: (i) Agriculture, Water Development and Climate Change Management; (ii) Education and Skills Development; (iii) Transport and ICT infrastructure; (iv) Energy, Industry and Tourism Development and (v) Health and Population. Through these KPAs, the strategy has maintained a balance between economic and productive areas as well as social and environmental considerations. Implementation of the identified key priority areas will translate into integrated impacts which will positively affect other sectors through positively reinforcing multiple loops which is essential for effective economic structural transformation.

The MGDS III has identified flagship projects that will be implemented together with the key priority areas. These flagship projects are key projects that will have to be implemented to unlock the potential of the economy by addressing the key challenges hindering growth of the other sectors of the economy thereby contributing to the structural transformation agenda in the country hence realize the goals of the key priority areas. These flagship projects are fewer in number to ensure that resources are concentrated into these projects to address the binding constraints in the key priority areas.

For the successful implementation of MGDS III, cross cutting areas have been mainstreamed into the priority areas to ensure that no one is left behind as the country implements this medium-term national development strategy in the next five years (2017-2022). The cross cutting areas envisaged include gender balance; youth development; empowerment of persons with disability; management of HIV and AIDs; environment management; disaster risk reduction; peace and security and governance.

To ensure that national and sectoral initiatives and agenda are in line with the global initiatives, the Government of Malawi through DoEPD ensured that the 2030 Agenda for Sustainable Development Goals (SDGs) are domesticated as follows:.

- MGDS III key priority areas and other cross cutting issues linked to the SDGs;
- Implementation roadmap of domesticating the SDGs was developed;
- Various dissemination forums have been undertaken both at national, regional and district levels in the country;
- Summaries for both the MGDS III and the SDGs have been translated into three local languages (Chichewa, Tumbuka and Yao);
- As part of ensuring that the country implement and monitors the implementation of the set medium and long term strategies, GoM has set up the National Planning Commission (NPC). The Act for establishing the National Planning Commission (NPC) was approved in 2017 and accented to by His Excellency the State President in the same year. The mandate for the NPC is to provide:
    - Strategic national development pathway through inclusive envisioning;
    - Coordinate the implementation of the national medium term development strategies starting with the current MGDS III; and

- Review of the Vision 2020 and develop the successor vision. (ToRs for this has been developed).

Conditions of service of the NPC Commissioners and the Secretariat have been developed. The Commissioners are in place and the NPC Director General has been recruited. Other members of staff for the NPC Secretariat are being recruited. Programmes and activities for the NPC have been included in the National Budget since the 2017/2018 financial year. Currently DoEPD is acting as the interim Secretariat.

- An SDG baseline framework and report has been finalized by DoEPD through the Monitoring and Evaluation (M&E) Division. The SDG baseline report has been formulated with the aim of providing the benchmark on the SDGs indicators for purposes of reporting the progress the country is making towards attainment of the SDGs. As the SDGs has a total of 17 SDGs, 169 targets and 230 SDGs indicators, however, the Malawi baseline report has data for only 130 SDG indicators out of the total of 230 indicators the country was expected to report on. This is because of lack of information and that SDG 14 aims at managing and protecting life in the ocean, seas and marine resources and this is not applicable to Malawi as it is a land locked country.

  In some cases, for some of the SDGs indicators, the country has come up with proxy indicators to be used for tracking progress towards sustainable progress. Meanwhile, efforts are underway in collaboration with all the stakeholders to explore other sources of data in order to be reporting on the other missing indicators.

- As one way of monitoring of progress being attained by sectors, DoEPD through the Economic Planning and Monitoring and Evaluation Divisions call for Sector Working Groups (SWGs) meeting. Currently, there are 16 SWGs[1] which were instituted in 2008. The objective of SWGs was to foster sector-wide planning and management and promote focus on strategic issues within each sector. The practice entails that the public sector has to take charge in bringing together the private sector, civil society, development partners (DPs) and other relevant stakeholders in the delivery of both public and private goods and services that will bring about socio-economic transformation and sustainable development of the country. The mechanism will also facilitates the channelling of resources (both domestic and

[1] Agriculture, Integrated Rural Development and Decentralization, Environment, Lands and Natural Resources, Tourism, Wildlife and Culture, Water, Sanitation and Irrigation, Trade, Industry and Private Sector Development, Vulnerability, Disaster and Risk Management, Health, Education and Research & Development, Gender, Youth Development and Sports, Transport Infrastructure and Public Works, Information, Communication and Technology (ICT), Energy and Mining, Economic Governance, Democratic Governance, and Public Administration.

external) towards a common planning and management framework centred on GoM national priorities and vision. Therefore, the SWGs provide an opportunity to jointly implement international commitments. However some of these SWGs have not been active, hence DoEPD plans for revamping of some of these. Each SWG has Technical Working Groups (TWGs) who actually coordinate the implementation of activities in the sector.

- The National Audit Office (NAO) is in the process of conducting a Performance Audit on the implementation of a survey on the 'Preparedness for the Implementation of SDGs as a nation'. DoEPD is one of the stakeholders to participate in this survey considering that it is the coordinating institution of the national strategy and the domestication of the SDGs and other obligations which include the VPOA.
- A review of the MGDS III in being planned and this will include assessing what has also been achieved under the SDGs.

2.2 Sectoral Progress

Since the adoption of the VPOA, the following are details on the progress and achievements attained by sectors in line with the VPOA Priority Areas:

2.2.1 Transport and Public Works Sector

The sector covers issues on construction works, transports and civil aviation programmes and activities inline with the VPOA as indicated below:

		Status
Priority Area 1. Fundamental transit policy issues: Analyze the actions that Malawi is undertaking to help address transit policy issues by identifying the major accomplishments made and challenges currently encountered.		
1.1	The national actions that the Government has undertaken to accede to and ratify relevant international, regional and sub-regional conventions and other legal instruments related to transit transport and trade facilitation	As a country the Government has undertaken a number of actions that are aligned to achieving regional transit and trade facilitation. With regard to transport related activities, we have done the following • Implementation of one stop border post concept in all strategic borders; (for example SATTFP) and other initiatives under Nacala Multinational Corridor Programme • Harmonization of transport laws as per the regional agreements; • Promotion of private sector participation in the transport services to increase competition in the country and across; • Promotion of intermodal shift in the transport system; • Improvement of road infrastructure along the major transit corridors
1.2	Progress made to enhance coordination and cooperation of national agencies responsible for border and customs controls and procedures between them and with the respective agencies in transit countries	• The country has well established border committee with representation from all players at the border. There is also another oversight committee comprising of members from two countries on of countries at every body and these are specifically to improve coordination and cooperation of both national and international agencies at the borders. • Establishment of Sector Working Groups (SWG) of all the stakeholders in the Transport and ICT Sector enhances coordination. • The regional groupings such as SADC, COMESA membership enhance international coordination. .
1.3	Actions taken by Government to promote the simplification, transparency and harmonization of legal and administrative	Government has streamlined the processes through reduction of the number of requirements and also implementation of ASCUDA system. In order to facilitate

	regulations and requirements related to transit systems by all modes of transit transport, including border crossings, consular services, customs procedures and removal of internal checkpoints	custom matters, scanners have also been introduced at all borders for cargo clearance. Government has also reduced the number of agencies at the border to 5
1.4	The progress that has been made in developing effective logistics systems by aligning incentives for efficient transport and transit operations, promoting competition and phasing out anti-competitive practices such as cartels and queuing systems wherever possible;	One of the policy statements in the transport sector is to promote private sector participation in transport service provision. Government has been engaging the private sector to invest in the transport services. We have a number of PPP projects that have implemented since 2014 in all modes of transport. The market liberalization also helped to increase competition in transport sector
1.5	Progress to collaborate on exchanging trade and transport data with transit countries with a view to conducting cross-border transactions faster and more efficiently;	a) Implementation of the ASCUDA in custom operations enhanced clearance of cargo at border crossings and also exchange of data. With regard to transport. We are also progressing well with implementation of Tripartite Transport Information Platform System (TRIPS) which is aimed at promoting data exchange for all transport related issues. b) Through the One-Stop-Boarder – Post software will be developed for conducting transactions faster and more efficiently. The Ministry of Transport and Public Works (MoTPW) is coordinating construction of OSBP facilities under the Southern Africa Trade and Transport facilitation Programme (SATTFP) funded by the World Bank. And the AfDB respectively.
1.6	Progress in formulating national transit policies and establish appropriate national mechanisms with the participation of all relevant stakeholder	• As a country, we hold annual Joint Transport Sector Review with representation from all relevant stakeholders. The committee reviews the transport sector performance and also provides an oversight to all national transit policies.
1.7	Shortcomings including critical infrastructure bottlenecks that hinder the smooth movement of traffic in transit. The section will also highlight the gaps and suggest recommendations for closing the gaps.	• The Government established a Corridor management initiative in the MoTPW through investments such as the MCCL was developed. • Through the Southern Africa Transport and Trade Facilitation Programme (SATTFP) Government would establish OSBP to address bottlenecks

Priority Area 2: Infrastructure development and maintenance : This section of the report shall highlights on the progress made in the development of transit transport infrastructure		
		Status
2.1	Progress made in developing and maintaining the main modes of transport (including rail, road, air, waterways and pipelines) since the adoption of the Vienna Programme in including completion of missing links in the road and railway transit transport networks, improvements in the quality of roads such as paved roads and development of resilient infrastructure and how it has helped improve connectivity and reduce transport costs for the country.	(a) In regard to the Road Sub-sector, the Government restructured the Roads Department by forming the Roads Authority responsible for road maintenance and rehabilitation. In order to secure adequate funding for road maintenance, the Government established the Road Fund which is funded through fuel levy. The initiative has been very successful in availing financial resources for maintaining the road network in the country. In order to ensure resilience as a result of climate change, the Government is reviewing the designs for the roads (b) Following the signing of a concession agreement between Government and a Brazilian owned Vale Logistics Limited, the company completed the construction of a 136.5 km railway section to accommodate the transportation of coal from Moatize in Mozambique, passing through Malawi to the port of Nacala in Mozambique. Operations commenced in 2015 and the line has the capacity to accommodate 18 million tonnes of coal and capable of accommodating 20.5 tonne axle loads. Other than coal trains the line has the capacity to accommodate two general cargo and one passenger return trains on daily basis. (c) Following the concessioning of Malawi Lake Ports and Shipping services, the sunken floating jetty was replaced at Nkhata Bay by a concrete pier and one passenger vessel was procured. The jetty will improve the port's efficiency while the new passenger ship is an improvement to passenger carrying capacity. (d) Under the NTMP the Government intends to upgrade the Lilongwe and Chileka airports to adequately handle traffic, Emergency works and maintenance Chileka and Mzuzu airport are under way.

2.2	The development and implementation of comprehensive national policies for infrastructure development and maintenance, encompassing all modes of transportation	a) The Ministry developed the National Transport Policy (NTP) for the period 2014. to 2018 which is now under review for the period and the National Transport Master Plan (NTMP). The overall objective of the NTMP is to shift cargo from road hauling to rail with the objective of reducing transport costs to increase competitiveness of Malawi's exports. The Master Plan also intends to enhance multimodal transport services in the country. b) In 2017, the country launched a 20-year National Transport Master Plan for the expansion of rail, road, marine and aviation sub-sectors. The main aim of the Master Plan is to reduce the cost of transportation which will be achieved by shifting the transportation of cargo from road to rail and marine.
2.3	Major sources of funds for infrastructure development and maintenance particularly highlighting the public resources that have been used towards infrastructure development and maintenance. Good practices and innovative approaches for infrastructure financing shall be underscored.	a) In the rail sub-sector, a Railway Fund was established in which resources received from concession fees are mainly allocated to railway infrastructure development, b) In regard to road sub-sector, a Road Fund was established including institutional arrangements to finance maintenance of the existing network and a Road Authority to delegated to implement the maintenance of the Central Roads network while the Local Authorities (LA) to maintain roads within their area of jurisdiction. The Government intends to increase the revenue base for the road by introducing other sources of revenue to fuel levy, namely the road toll fees. c) In the Water Transport Subsector, no innovative approach yet but the sector would benefit from funds raised by the Road Fund considering that the funds are realized from the fuel levy that does not exclude boats and ships fuel. Infrastructure funding is currently through Government Funding.

2.4	Government initiative to promote public-private-partnerships for infrastructure development or how it has encouraged the role of the private sector in infrastructure development including the policies and regulatory frameworks.	a) In the rail sub-sector, Government has partnered with the private sector in railway infrastructure rehabilitation and construction aimed at improving and expanding the sub-sector. b) In the water transport subsector, Government has promoted the participation of private operators by putting in place parameters that promote free entry and free exit. c) After launching the NTMP, the Ministry of Transport and Public Works (MoTPW) participated in the Investors Forum where projects in the Master Plan were unpacked for showcasing to the interested investors from the private sector.
2,5	Shortcomings including critical infrastructure bottlenecks that hinder the smooth movement of traffic in transit.	a) In regard to road network, the major challenge is the inadequate revenues while the cost for road rehabilitation and maintenance has significantly increased. As a result the road network is not maintained timely b) The re-opening of the railway section between Limbe in Malawi and Mutarara in Mozambique to link with Beira Port by railway still remains a challenge. The recent floods of January 2015 affected the progress of Detailed Design and reconstruction of the railway section despite the joint efforts by the two Governments of Malawi and Mozambique. c) In Water transport subsector, the short comings are climate change that has reduced the lake level affecting the lake ports. Ships are not able to berth at Chipoka Port due to shallowness currently experienced. The same applies to Chilumba Port. The problem can be overcome by making improvements to the jetties by investing in the acquisition of heavy duty dredging equipment (cutter suction dredgers and grabbers), extension of jetties and piers, construction of resilient structures, acquisition of purpose built ships designed to beach, equipped with cargo handling facilities

2.2.2 Health and Population Sector

		Status
Priority Area 1.0: Fundamental transit policy issues : Analyze the actions that Malawi is undertaking to help address transit policy issues by identifying the major accomplishments made and challenges currently encountered.		
		The new **National Population Policy** was launched in April, 2018. Its main aim is to improve standards of living and the quality of life of the people of Malawi. This goal aligns with the health and population priority area of the **Malawi Growth and Development Strategy III**. The previous Policy focused on supporting the achievement of sustainable socio-economic development as envisioned in the national and international development frameworks. The current Policy still pursues that focus.
	Assessment of key economic, social and environmental development trends.	**Health** Under the period of the Health Sector Strategic Plan 1 (2011-2016) Malawi made substantial health gains. HSSP I targets for Under-5 mortality and infant mortality were surpassed, 63/1000 live births against a target of 78/1000 live births for the former and 42/1000 live births against a target of 45/1000 for the latter. There was also a steady decline in the maternal mortality ratio (MMR), which was estimated at 439/100,000 live births in 2016, down from 675/100,000 in 2010. Neonatal Mortality Rate was estimated at 27/1000 live births in 2016, down from 31/1000 live births in 2010. Despite the progress, Malawi's MMR and neonatal mortality rate (NMR) are among the highest in Sub-Saharan Africa. The HIV prevalence among women and men age 15-49 age decreased between 2010 and 2015-16 from 10.6% to 8.8%.

		In July 2017 the HSSPII (Health Sector Strategic Plan 2) (2017 - 2022) was launched and prioritizes health interventions and system strengthening strategies that provide a greater health impact for the available resources. The health sector faces many challenges. The most relevant with respect to the Vienna Programme for Action is the challenge regarding uninterrupted electricity and clean water to health facilities. Multi-dimensional measures of poverty incorporate indicators of health and maintaining quality essential health care provision free at the point of use acts as a safety net for the poor and prevent further vulnerability and poverty. **Population** Population growth continues to present a challenge to growth. The rapid nature of population growth puts strain on public services in Malawi especially on health facilities. Given the largely rural population who work in the informal sector the capacity of Malawi to absorb and make gains from this population growth is limited and depends on economic bottlenecks in the rest of the economy. Addressing rapid population growth through effective family planning is therefore a priority for the Government. Much work has been done to promote family planning and a population strategy is currently under development. **Health Risks** Malawi is susceptible to health shocks epidemics, as seen by regional outbreaks of Cholera and Ebola in the past years. Detecting and preventing outbreaks is incredibly important for population health. Good health is a foundation which is necessary for economic growth. There are significant economic risks from epidemics which disrupt businesses divert resources away from important developments.

2.2.3 Energy and ICT Sector

Malawi is still one of least electrified countries in Africa with electricity access rate of 12% at national level, 46% in urban areas and 3% in rural areas. To improve this situation, the Ministry of Natural Resources, Energy and Mining through its Department of Energy Affairs is engaged in a number of activities related to the energy sector. The activities include implementation of the Malawi Rural Electrification Programme (MAREP); the Malawi-Mozambique and Malawi-Zambia interconnections; improvement and expansion of the electricity generation, supply and distribution systems; promoting independent power producers (IPPs) to invest in the energy sector and many more.

<table>
<tr><td></td><td></td><td>Status</td></tr>
<tr><td colspan="3">Priority Area 1: Fundamental transit policy issues:</td></tr>
<tr><td></td><td>Progress made in developing and implementing national energy policies to promote modern, reliable and renewable energy, with a view to significantly enhancing capacities in production, trade and distribution, with the aim of ensuring access to energy for all and the transformation of the economy.</td><td>1. National Energy Policy, Integrated Resource Plan & IPP Framework

The Ministry has reviewed the National Energy Policy of 2003 to take into consideration new developments in the energy sector both nationally and internationally. The 2018 National Energy Policy has just been approved by Cabinet

To guide investment in the power industry, the Ministry of has developed an Integrated Resource Plan (IRP). The document lists down priority projects and the dates by which they will be developed. The Ministry has also developed an IPP Framework to guide private sector investment in the power industry as IPPs –be it solicited or unsolicited IPPs. The document spells out procedure to be followed in procurement of IPPs in the country.

Also to promote private sector participation, Government has amended the Electricity Act of 2004 and unbundled ESCOM into EGENCO and remnant ESCOM.</td></tr>
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	Assessment the progress made in the development of energy - that is required to ensure improved efficiency of transit transport systems	**1. Liquid Fuels and Gas** In order to ensure security and seamless supply of petroleum products in the country, Government has constructed 3 strategic fuel reserves with a total holding capacity of 60 million litres. The reserves are in Blantyre (25million litres), Lilongwe (25million litres) and Mzuzu (10million litres). Combined with other storage facilities, the country now has over 75million-litre fuel holding capacity – meaning if, for some reason, the country is unable to import fuel, the fuel available in the storage facilities should be able sustain the country for at least 75days.
	Collaboration in promoting cross-border energy trade and energy transit through transmission lines to third countries	**1. Malawi-Mozambique & Malawi-Zambia Interconnectors.** The feasibility studies for the Malawi-Mozambique interconnector have been completed. The two countries have jointly secured financing for the project from the World Bank, KfW and the Norwegian Trust Fund. Procurement of the EPC (engineering, procurement and construction) Contractor is the next step. The scope of the Project is to interconnect the Mozambique and Malawi Power Systems at 400kilovolts(kV) through a transmission Line to be constructed from Matambo Substation in Tete Province in Mozambique to Phombeya Substation in Balaka District in Malawi. Interconnecting the Malawi and Mozambique power systems entails Malawi's connection to the Southern Africa Power Pool (SAPP) since Mozambique is already connected to SAPP. Malawi intends to initially import 50MW of power from Mozambique. It is expected that the project will be completed by 2021. As for the Malawi-Zambia Interconnector, the Feasibility Studies are still underway. If accomplished these two interconnectors will not only enable Malawi to trade in power but also give the country enough time to develop domestic power supply at a steady pace.

		In working towards solving the power problems in the short term, the country is importing at distribution level 3MW from Mozambique through Mandimba to Mangochi with a potential to increase the importation to 10MW. Malawi has also just signed a power supply agreement with Zambia for importation of 20MW through Chipata and Mchinji. The country has also commenced discussion with Tanzania on importation of gas from that country to Malawi via Karonga to support a 100MW Gas Fired Power Plant by either EGENCO or an independent power producer (IPP).
		Status
Priority Area 2: Infrastructure development and maintenance		
	Assessment of the progress made to expand and upgrade, as appropriate, infrastructure for supply, transmission and distribution of modern and renewable energy services in rural and urban areas	**Marep 8 and Extended Marep 8** The Ministry of Natural Resources, Energy and Mining is continuing with implementation of its flagship Malawi Rural Electrification Programme (MAREP). The Programme is implemented in phases, and the Ministry has just concluded electrification of 336 rural centres across the country under MAREP 8 thereby increasing access to electricity to rural masses. The Ministry is currently preparing for implementation of Extended MAREP 8 which will see electrification of at least 200 extra rural centres. - these are centres that were submitted to the Ministry when MAREP 8 was already in progress. Construction of power lines under Extended MAREP 8 is expected to start in the coming few weeks. However, the Ministry has noted that most of the rural households are taking long to connect their houses owing to a number of reasons which include inability to meet the connection fee. In this regard, the Ministry in collaboration with ESCOM is working on implementing Ndawala Project under which households will be connected with financial and technical support from the Ministry under MAREP and ESCOM at a cost which will be recovered through electricity bills.

		300 MW Kam'mwamba Coal Fired Power Plant Project The Project is expected to contribute to the reliability and quality of power supply in the country. Currently, all but one key Agreements have been negotiated and signed. The remaining Agreement is the Coal Supply Agreement which is expected to be concluded soon as negotiations are at advanced stage. The Project is expected to commence next year and be completed by 2021.
		Energy Sector Support Project (ESSP): Mpatamanga & Fufu Hydropower Plants The Ministry is implementing ESSP with financial support from the World Bank. The Project aims at increasing the reliability and quality of electricity supply in the major load centres in the country. In addition, the Project will improve demand side management (DSM) and energy efficiency measures in the existing Electricity Supply Corporation of Malawi (ESCOM) grid while building capacity and providing technical assistance to the sector. Some of the achievements under this Project include conduction of feasibility studies for Mpatamanga and Fufu. Following successful conduction of the studies, Government has signed a Corporation Agreement with International Finance Corporation (IFC) - an investment arm of the World Bank, for development of this 308 MW Mpatamanda Hydropower plant using the PPP financing model. If all goes according to the plan, the plant is expected to be online by 2022. As for Fufu Project, Government is working hard to also secure financing for the development of the project. Also under ESSP, feasibility studies for the North to South backbone transmission line are being conducted. This study is investigating the possibility of constructing a 220kV power line from Nkhoma Substation in Lilongwe through Kasungu up to Bwengu Substation in Rumphi.

		Short –term solutions to power problems: Development of 70MW from solar & Installation of peaking diesel generators The Government, through ESCOM awarded contracts to 3 independent power producers (IPPs) to develop 70MW of electricity from solar resource. The companies at advanced stages in working towards realisation of this project. It is expected that the 70MW will be online between mid and end 2019. ESCOM has entered into a PPA with Aggreko for generation and supply of 78MW of electricity using diesel gensets. The gensets, which are being used for peaking, have been installed in Blantyre (35MW), Lilongwe (20MW) and Kasungu (23MW). The gensets are assisting in reducing frequency and duration load shedding programs in the country.
		MALAWI COUNTRY STUDY TO INCREASE INVESTMENT TO ACHIEVE SDG7-UN-OHRLLS As part of the OHRLLS activities on sustainable energy, its office will prepare an energy sector investment study in Malawi as one of the African LDCs. Its purpose /objective is to crowd in investments, to accelerate sustainable energy transition by combining different investment opportunities in one package, as well as enhancing and enabling environment. The investment study will be designed to provide an approach for operationalizing national sustainable energy plans and strategies towards achieving SDG 7 as well as country's goals and targets set in the National Energy policy 2018 and the Sustainable Action Agenda, by identifying a set of implementable programmes and projects, including their investment requirements, that can then be presented to potential private and public investors.

		Since a lot of work is already on-going in Malawi's energy sector, and thus, the study will build on previous and on-going projects and bring together the stakeholders already active in Malawi's energy sector. Currently the OHRLLS is finalising the recruitment of the international and local consultant who will commence the study between October and November 2018.The study is expected to be finalised at the end of the first quarter of 2019.The report will be presented at a global meeting on financing for sustainable and modern energy in LDCs, to be organised in China, during the 2nd quarter of 2019.
		Private Sector Participation in the power industry The Government through Ministry of Natural Resources, Energy and Mining is encouraging private sector participation in the power industry to complement the Ministry's and EGENCO's efforts in increasing power generation capacity in the country. The private sector can invest as independent power producers (IPPs) or through public-private partnership (PPP) financing model. To date, the Ministry has signed over 40 MoUs with potential investors. The investors are at various stages of project projects. The Ministry is working with the private sector, donors such as UNDP and communities across the country in use of renewable energy-based mini grids. Pilot mini- grids will be constructed in Mchinji and Nkhata Bay. An existing mini-grid in Mulanje, Bondo Micro-hydro has been upgraded by the Ministry with financing from UNDP, and so far more that 600 households have been connected to electricity using this system.
		Millennium Challenge Account –Malawi

		Malawi got a grant of $350.7 from Millennium Challenge Corporation for revitalization of the power industry in the country. Government, through Millennium Challenge Account-Malawi (MCA-M) is implementing a number of projects using the grant. The country is in the final stages of constructing the biggest transmission line in the country i.e. the 400KV line from Phombeya substation in Balaka to NKhoma Substation in Lilongwe. The line will be completed by September, 2018. A 132KV line is also under construction from Chintheche in Nkhata Bay through Luwinga in Mzuzu to Bwengu Substation in Rumphi. Also under MCA-M, the 24MW Nkula Hydropower station has been rehabilitated extending its lifespan and increasing its generation capacity to 36MW.

B. Information and Communications Technology Sector

The mandate for the sector is to ensure that the country has adequate and updated information and communication technology. So far the following are the achievements:

		Status
Priority Area 1: Fundamental transit policy issues:		
	Progress made in developing and implementing national energy policies to promote modern, reliable and renewable energy, with a view to significantly enhancing capacities in production, trade and distribution, with the aim of ensuring access to energy for all and the transformation of the economy.	A National Broadband Policy has been drafted and sstakeholder consultations are in progress. Once completed it is to be submitted to the Office of the President and Cabinet (OPC) for approval. This process is supposed to be completed by end of the current financial year.
		Status
Priority 2: Infrastructure development and maintenance		
	Assessment of the progress made to expand and upgrade, as appropriate, infrastructure for supply, transmission and distribution of modern and renewable energy services in rural and urban areas	Plans are in place to construct 193 Telecentres under the Infrastructure Services Project (ISP). This indicates one for each constituency. During the last financial year (2017/18) 27 Telecentres were constructed against the target of 30. To date 97 telecentre have been constructed and remaining 96 are planned to be constructed.

		A National Fibre Backbone is being put in place and 1,386 Km of Fibre have been deployed. 36 sites have been installed with transmission (OSN) and power equipment. So far, coverage is 16,970 Sq km representing 18% of the country's area and reaching a population of 2,755,919 representing 15% of the total country population. Phase II of this programme is planned to commence very soon. National Fibre Backbone Phase II. This includes last mile connectivity of 136 sites to be installed with mobile towers.
		
		The other project is the Digital Malawi Project. The project is looking at:
		• **Digital Ecosystem**
		  • ICT Regulation, Strategy, and Policy Development
		    • National BB Strategy,
		• **Digital Connectivity**
		  • Connectivity for Public Institutions
		  • Connectivity for Higher Education
		  • Innovative Rural Broadband Access Solutions
		    • Universal Service Fund
		• **Digital Platforms and Services**
		  • Strengthening Institutional Capacity to Deliver Digital Services
		    • Digital Government Strategy
		  • Demonstration Digital Applications and Services
		    • E-Procurement System and other Citizen Facing Apps
		
		On the part of Transit, Transport, Customs and Border Facilities, this involves various stakeholder or players

2.2.4 Department Of Disaster Management Affairs

The following are the key achievements attained under the Department of Disaster Management Affairs:

		Status
Priority Area 1: Fundamental transit policy issues:		
	Progress made in developing and implementing sectoral policies.	1. In 2015 the country developed and launched the National Disaster Risk Management Policy. The main aim of the policy is to guide coordination and implementation of disaster risk management activities within the country in line with national medium term strategies and international commitments. 2. The National Resilience Strategy was finalized. The strategy aims at building synergies in disaster risk management by avoiding working in silos among stakeholders and/or interventions. The strategy will reduce occurrence of disasters and lessen the impacts of disasters and ultimately improve livelihoods of Malawians. 3. Revised a DRM Communication Strategy and in process of translating a national training manual on DRM into local languages: The Communication is vital in DRM. The department has reviewed the communication strategy to suit the current situation. The department has gone further to translate the strategy into two local languages to enable the strategy be use at local levels. 4. Finalized the review of Disaster Preparedness and Relief Act: The Act was enacted in 1991 with more focus on response to disasters. The Act is being reviewed to incorporate mitigation, prevention and resilience interventions.

		5. Review of the Policy: The policy is been reviewed to assess mid-term implementation of the policy and to align it to Sendai framework of; Malawi Growth and Development strategy III; and the reviewed DRM bill.
		Status
Priority 2: Infrastructure development and maintenance		
	Assessment of the progress made to the sector	1. Supported cities in development of disaster risk management plans and implementation of interventions: Occurrence of disasters in cities has increased due to urbanization and pool planning. City disaster risk management plans will reduce occurrences of disasters in cities. 2. Worked with primary teacher training colleges to Mainstream DRM into teacher training curriculum: The department has mainstreamed disaster risk management in schools by developing primary and secondary school source books and incorporation of DRM in teachers training curriculum. 3. In the process of collecting DRM baseline information through a national baseline survey: The department is in the process of conduction a baseline survey. The survey will inform policy makers on how to develop DRM interventions. This will also reduce duplication of efforts by different stakeholders.

		4. Safe Schools and Houses Construction Guidelines: The country has developed the guidelines to advance the principle of Building Back Better. This will make sure buildings withstand harsh weather conditions. 5. Sendai Framework Monitor: Application Status: The country has designated national focal points (coordinators) for Sendai Framework Monitoring. Has assigned roles in the Sendai Monitor system to the targets and indicators (contributors, validators, observers) academia, NGOs, Civil Society Organisations and Development Partners. The country will start reporting for some targets in September 2018. Has participated in the Sendai Framework Monitor training organized by UNISDR.

2.2.5 Water and Sanitation Sector

Having achieved MGDS II and the MDGs targets under the sub sector in the country, (i.e. to halve, by 2015, the proportion of the population without sustainable access to safe water and sanitation), the sub sectors' main focus has been on achieving SDG 6 which aims at ensuring sustainable access to water and sanitation for all by 2030 and other obligations by government such as the VPOA.

		Status
Priority Area 1: Fundamental transit policy issues:		
	Progress made in developing and implementing sectoral policies.	Review of the Water and Sanitation Policy
		Status
Priority 2: Infrastructure development and maintenance		
	Assessment of the progress made to the sector	Availability of Access to Safe Water Household accessibility to safe water sources, which currently stands at 86%, shows an increasing trend over the years since 1990.

		This achievement is attributed to the investment that the sector has been making towards rural water supply through various programmes and interventions through the National Water Development Programme (NWDP) with resource assistance from several partners and projects by Water Sanitation and Hygiene (WASH) by UNICEF, JICA, AfDB, DFID, EU, Water Aid, Universal Purpose (formally known as Concern Universal), World Vision and Water for People among others. Historically, details of percentage of households with access to safe drinking water. **Period**: **1990** 35; **1995** 46; **2000** 57; **2005** 68; **2008** 77; **2010** 77; **2011** 82; **2014** 84; **2017** 86 (Accessibility) The major source of safe drinking water supply in rural areas is boreholes. The second mostly used source is piped water (taps) which is supplied by Rural Gravity-fed Piped Water Supply schemes, then Protected Shallow wells and lastly protected springs. In terms of waste water management Malawi is not doing much in that earlier in the sense that over 97% waste water is released into the environment without treatment so as compared to other LDCs we are within the range of 95%. **Sanitation** The percentage of population using improved sanitation facilities in rural areas excluding sharing is at 43% as of 2017. Hence there is a lot of work to be done and a lot of resources required if the country is to meet the SDG 6 by 2030. However, with various projects and interventions are being put in place in line with open defecation free (ODF) where 26% of the Traditional Authorities (TAs) out of 263 have declared free as of October, 2017.

Period	1990	1995	2000	2005	2008	2010	2011	2014	2017
Accessibility	35	46	57	68	77	77	82	84	86

2.2.6 Agriculture Sector

Coherence and linkages with the Post-2015 Development Agenda and other global processes under the Agriculture Sector.

The implementation of programmes in the agriculture sector is guided by the National Agriculture Policy (2016-2020) which seeks to achieve sustainable agricultural transformation that will result in significant growth of the sector, expanding incomes for farm households, improved food and nutrition security for all Malawians, and increased agricultural exports. The following are the key achievements attained under the Agriculture Sector to date:

		Status
Priority Area 1: Fundamental transit policy issues:		
	Progress made in developing and implementing sectoral policies.	1. The Launch of the National Agriculture Policy (NAP) in 2016. The Policy is aligned to the Sustainable Development Goals(SDGs) of the United Nations; the World Food Summit declaration of 1996; the African Union Maputo declaration (2003) and Malabo declaration (2014) on Agriculture and Food Security in Africa; and the COMESA and SADC treaties on agriculture policy harmonization and sustaining socio-economic growth. 2. The National Agriculture Investment Plan (NAIP) was developed and started being operation in September, 2016. However, it was launched in June, 2018. NAIP is a medium term investment framework for the agricultural sector covering a period of 5 years 2017/2018 to 2022/2023. It is the main implementation vehicle for NAP as it provides a framework to coordinate and prioritize investments by various players in the sector (MDAs, Development partners, Non State actors (NSA) etc. The NAIP is a follow up of ASWAp I which run from 2011 to 2016. 3. The sector has reviewed the old Seed Policy and Act as part of achieving the Southern African Development Cooperation Seed

		Harmonization Protocol. The New Seed Policy was launched in May, 2018.
		4. The ASWAp II was developed and will run for three years from 2017 to 2020. The programmes objective is to improve the productivity and diversification of selected agriculture commodities in targeted project areas in a sustainable manner.
		Status
Priority 5: Structural economic transformation		
	Assessment of the progress made to the sector	• The sector has made a number of strides on Value Addition through a number of projects under the National Agriculture Investment Plan. Through the Small holder irrigation and Value Addition project a total of seven value addition centres have been established. Currently the Ministry is building the capacity of farmers • In a drive to promote export diversification, the sector has made significant stride to diversify away from tobacco which is under constant threat to ongoing anti-smoking lobby. The following have so far been accomplished: 1) Review of the Seed policy and Act as part of ratifying the SADCC seed harmonization protocol to allow for increased development and adoption of technologies in the seed sub sector. This will among other things increase growth of manufacturing in oil seed products as part of the NES. 2) Increasing access to improved legume seed through seed multiplication programmes and the FISP • To boost productivity the sector is doing the following 1) Embarking on a drive to roll out use of soil specific fertilizers. Currently soil maps are being developed through the Department of Land Resources Conservation

		2) Promoting use of Manure as part of soil nutrient management 3) Increasing uptake of improved inputs amongst small holder farmers through the FISP. A total of 899,721 were able to access inputs during the 2017-2018 growing season which included 89,380 mt of fertilizers; 4,352 of maize seed and 5,430 mt of legume seed. 4) Promoting farm mechanization through the tractor hire scheme. A total of 4, 600 ha were under the tractor hire scheme during the 2017-2018 growing season. However, the demand is growing and therefore there is expected to be steady uptake of mechanized farming technologies • The sector is also promoting use of modern, cost-effective and locally adapted technologies through a number of initiatives and they include the following: (i) Promoting use of indigenous knowledge in pests and disease control. For instance in a bid to contain the spread of fall armyworm in the country farmers are being encouraged to use herbs and other locally made formulas.
		Status
Priority 6: Means of implementation		
	Domestic resource mobilization	To complement donor funding and financial resources from the national budget, sector through the Ministry of Agriculture Irrigation is currently raising revenue through a number of service fees. During the 2017-2018 financial year the sector raised Mk 234,356,528 against a target of Mk 220,000,000.00. This was raised through a number of services including issuing of phyto sanitary certificates, licences to buy crop produce and import permits.
	Foreign direct investment	Based on available information, on investment commitments under the just ended New Alliance programme, proportion of reported investment

		to date is 35 percent (US$ 81.5 million in total) Out of 30 Letters of Intent commitments. In a bid to attract foreign investment and ensure its positive impact on productive capacity building and of the sector economic diversification, the sector is undertaking the following: 1) Rolling out of Common Approach to Agribusiness Partnerships Frame work(CAP-F) 2) Working with the Ministry of Land Housing and Urban Development (MoLHUD) to identify idles estates land for possible development of Special Economic Zones (SEZ).
	Monitoring of implementation and review:	There was no formal monitoring and review of the implementation of the Almaty Programme by the sector. This has been occasioned by weak M&E systems and lack of awareness of the programme by stakeholders in the sector. Forward looking measures will be undertaken to conduct mass sensitisations in the sector and to strengthen the M&E systems through the National Agriculture Management Information System (NAMIS) project.

2.2.6 Labour Sector

Above 40% of the Malawi population is between 10 to 35 years old. (Youth profile in Malawi). 52% of the youth population is below the age of 18 years with only 9% having formal education beyond secondary school level. 90% have no vocational or professional skills training. There is Skills mismatch in the labour market. High youth unemployment levels which stands at 23%. The following are the key achievements attained under the Labour Sector:

		Status
Priority Area 1: Fundamental transit policy issues:		
	Progress made in developing and implementing sectoral policies.	A Draft Skills And Competency Needs Strategy has been developed and currently an Implementation plan and an M&E framework is being developed. The Successor DWCP is being developed. It is going to look at the promotion of value addition.

		Status
Priority 2: Infrastructure development and maintenance		
	Assessment of the progress made to the sector Interventions addressing priority 3 & 5(International trade & structural economic transformation)	1. Jobs for the Youth Project The project seeks to economically empower the youth for improved employability in decent work and sustainable entrepreneurship. It will create 17,000 jobs for the youth. Specifically the project will address: i. Lack of entrepreneurship mind-set as well as the weaknesses in technical and business skills ii. Lack of access to markets and information iii. Lack of access to finance iv. Enterprises (SMEs); and v. Low level of employment of youth by the existing private sector 2. Establishment Of Community Technical Colleges These colleges were established to assist in addressing skills deficit. Therefore: • 13 Community Technical Colleges and each one of it will enroll 120 students. About 6 trades of skills will be offered. 3. EU- Skills and Technical Education Programme (STEP) Under this programme, 22 workshops will be constructed, 18 workshops will be rehabilitated. In addition, some equipment will be bought and at least at each skills center 2 to 3 additional trades will be offered which will enroll 40 students. 4. Rehabilitation/Expansion of National Technical Colleges

		The programme is being supported by the EU. Under this programme, 90% of rehabilitation works have been completed at Salima, Lilongwe, Soche and Nasawa. This will lead to double intake. 5. Mordenisation of Trade Testing Centres The programme is to address skills mismatch. The following are the activities being undertaken: _Blantyre and Lilongwe Trade Test Centres rehabilitated • A brand new plumbing workshop constructed at Mzuzu Trade Test Centre. • 2 administration blocks (Blantyre and Lilongwe). • equipped all centres with capital equipment e.g. heavy duty generators, welding machines and compressors • Need to procure Morden engines/ workshop equipment • Harmonised the trade testing certificate In addition, there will be recognition of prior learning as follows: • Certify formal and non-formal Skills • Pilot project (ILO) 6. The Graduate Youth Internship Programme Under this programme, about 5000 youth graduates are to be attached to various Ministries', departments and Agencies (MDAs). Initially about 2133 will be recruited for a year and then the last 2867.
Priority 5: Structural Economic Transformation		
		Social Protection Programme This programme concentrated on employment injury and its key interventions is the establishment of the workers compensation fund. Details of achievements under the programme include:

		• 1089 injured workers vs planned 1850 • Above 1.4 billion • Assessment on operationalization of the workers compensation fund was done • Need for seed money to operationalize the WCF • Speed up the process and increase the coverage • Increase the number of workplace inspections The labour sector is also involved on issues in line with the international trade and trade facilitation to promote service industry, enhance productivity and reduce cost of doing business. Achievements include: i. Skills Development to Enhance Productivity and Competitiveness; and ii. The National Labour and Employment Policy to Ensure That Enabling Environment is Created for Businesses to Create More Jobs through: Significantly increasing the Value Addition and Manufacturing, activities include: • Implementation of the Incubation/Innovation Centers • Knowledge Sharing on Value Addition Promote Policies to Help SMEs to Participate Better In International Trade • NELP, MDWCP, TEVET POLICY & NATIONAL YOUTH POLICY • Stresses on Access to Finance and Support to SMEs

2.2.7 Gender Sector

Coherence and linkages with the Post-2015 Development Agenda and other global processes

In an attempt to incorporate the 2030 Agenda, the SDG five (5) and its SDG targets have been localized by incorporating issues related to children, gender and disability. Key messages have been developed and awaits dissemination to stakeholders at different levels country wide to assist in improving social welfare of vulnerable groups. Achievements attained under the sector are reported at different forums and the major one being the Gender, Youth and Sports Sector Working Group. The following are the key achievements attained under the Gender Sector to date:

<table>
<tr><td></td><td></td><td>Status</td></tr>
<tr><td colspan="3">Priority Area 1: Fundamental transit policy issues:</td></tr>
<tr><td></td><td>Progress made in developing and implementing sectoral policies.</td><td>Key interventions that have been implemented with regard to gender equality and empowerment of women in Malawi include:

1. The sector Joint Sector Strategic Plan is being reviewed and will be aligned to MGDS III and Agenda 2030;
2. The Gender Responsive Education Act (2014);
3. The Marriage, Divorce and Family Relations Act (2015);
4. The Trafficking in Persons Act (2015);
5. The National Gender Policy (2015);
6. Harmonized the Marriage law and the Constitution of Malawi to raise the marriage age to 18 years of age from 16 years;
7. Chiefs’ Council developed By-laws that target to end child marriages;
8. Launched 50-50 gender campaign; and
9. Development and implementation of the National Action Plan on Gender Based Violence among other initiatives.</td></tr>
<tr><td></td><td></td><td>Status</td></tr>
<tr><td colspan="3">Priority 5: Structural economic transformation</td></tr>
<tr><td></td><td>Assessment of the progress made to the sector</td><td>Implementation of the Social Cash Transfer Programme has been on going since 2006 as a pilot in Mchinji district. Currently, the programme has been rolled out to 18 districts reaching out 176,436 household beneficiaries with a total individual membership of 783,405. Of these beneficiary households, 74% were female headed.</td></tr>
</table>

		Status
Priority 6: Means of implementation		
	Resource mobilization	Implementation of the Social Cash Transfer Programme has been financed through GIZ and EU who funded 74% of the beneficiary households, 12% from the World Bank, 10% funded by GoM and 5% from the Irish Aid funded district.
	Way Forward	Main focus currently is on building capacity of vulnerable groups to be able to participate in economic development. Among others, this includes the establishment of the Women Economic Empowerment Fund to ensure that women have access and can afford necessary equipment and capital for entrepreneurship endeavours.

2.2.8 Trade and Industry Sector

The Trade and Industry Sector has being implementing various programmes and activities inline with the VPOA as follows:

Item No.	Details of Areas of Assessment	Status
Priority Area 1: Fundamental transit policy issues:		
	Progress on actions that accede and ratify relevant international, regional and sub regional conventions and other legal instruments related to trade facilitation.	○ Development of the Industrialization Policy in 2016 which will run for five years (2016-2020). ○ Review of the Trade Policy in 2017. ○ Developed the MSMEs Policy in 2017 which aims at guiding the development of profitable, competitive and sustainable MSMEs ○ Review of the Control of Goods Act (COGA) to ensure legitimate control on imports and exports. ○ Under the WTO Agreement on Trade Facilitation, the Government of Malawi submitted the National of Schedule of Commitments on 10th May, 2016. Malawi's schedule of commitments covers all categories A, B and C. The Agreement was finally ratified on 12th July, 2017.

		○ Developed the Warehouse Receipt Act/Bill which protects buyers of warehouse receipts and make investment in agriculture less risky. ○ The Competition and Fair Trading Practices are put in place to ensure efficient markets and that consumers are served better. ○ The MITC in collaboration with the Ministry of Industry & Trade & Tourism are facilitating the development of a legal framework for the establishment of SEZ. ○ Through these zones, the Government will support SMEs, local firms and foreign companies to increase production and intensify value addition and competitively participate in global value chains.
	Progress made to enhance coordination and cooperation of national agencies responsible for border and customs controls and procedures between them and with the respective agencies in transit countries.	○ Border agencies were streamlined. The number of agencies present at the border was reduced from fourteen to five thematic institutions, following a Cabinet Decision in 2013. The remaining institutions present at the border will most likely be the Malawi Revenue Authority; Ministry of Agriculture, Irrigation and Water Development; Malawi Police Service; Ministry of Home Affairs and Internal Security (Immigration); and the Malawi Bureau of Standards (MBS). This transition presents an opportunity to review and improve border management and processes resulting in reduction of the time and cost associated with dealing with multiple agencies when trading across Malawi's borders. ○ Furthermore, in order to improve border coordination Joint Border Committees in major borders were established. All institutions with presence at the border are expected to coordinate in their daily working modalities by consolidating their efforts to avoid multiple processes
		Status
Priority 3: International trade and trade facilitation:		
	Assess the progress made in increasing value addition of the exports of the country,	The Ministry in 2016 developed Industrialization Policy to enhance value addition processes.

		The MITC is implementing the Enhanced Integrated Framework (EIF) and AfDB Malawi Nacala Value Addition Projects to promote value addition and access to regional and global markets. Under the AfDB p roject, 15 champion SMEs have been trained and supported in value a ddition and access to markets. Through the Enhance Integrated Framework and AfDB's Malawi Nac ala Value Addition projects, local firms will be supported to participa te in global value chains through coaching and market linkages.
	Development of a national trade strategy based on comparative advantages and regional and global opportunities and to integrate trade policies into national development strategies;	Trade and Industry sector has been mainstreamed in the MGDS III. The Ministry of Industry, Trade and Tourism also developed sectoral policies (National Export Strategy) aimed at enhancing production and widen the export basket. The MITC championed the inclusion of the special economic zones pr ogrammes into the Malawi Growth and Development Strategy to ensu re that it is prioritised at national level as an investment and trade pro motion tool Under EIF, MITC championed the establishment of the Malawi Consu late in Mozambique to take advantage of the bilateral trade agreement. The Consulate is responsible for facilitating ease of trade between Ma lawi and Mozambique , e.g. identification of NTB and spearhead elim ination of the same.
	Promotion of a better business environment so as to assist national firms to integrate into regional and global value chains and to promote policies to help national firms, especially small and medium-sized enterprises, to participate more fully in international trade;	Malawi is a member to the regional blocs of COMESA and SADC. The Government is also participating in the ongoing negotiations of the Tripartite Free Trade Area and African Continental Free Trade Area. Malawi signed the African Continental Free Trade Agreement on 21st March, 2018 in Rwanda.
	Trade facilitation: What has been put in place in terms of reducing transport and trade costs and what has not	The following interventions can be highlighted in the trade facilitation sector:

	worked and identify any challenges and opportunities facing the country. In particular progress in implementation of trade facilitation initiatives such as single-stop inspections, single windows for documentation, electronic payment and transparency and modernization of border posts and customs services.	○ Development of the National Trade Facilitation Action Plan (NTF-AP) in 2015 (revised 2018). NTF-AP is meant to guide implementation of trade facilitation activities identified in the trade facilitation sectoral studies and prioritized in the NTF-AP. ○ With regard to automation, good progress was made with the migration to ASYCUDA World by the MRA from the previous version ASYCUDA ++; ○ The COMESA secretariat in cooperation with the Ministry of Industry, Trade and Tourism and the Malawi Revenue Authority conducted a time release study (TRS) (2017) at three of Malawi's borders (Mchinji, Dedza and Mwanza). Recommendations from the TRS are well considered in this revised NTF-AP ○ Establishment of the National Single Window. Plans are at an advanced stage to establish an electronic single window, which is expected to address inefficiencies currently prevailing with paper-based processes ○ Trade Portal: The Malawi Trade Portal was launched in July 2016. The private sector responded with positive feedback. However, support is required to maintain the portal and to ensure that it is updated and responsive to user needs ○ Establishment of one stop border posts with neighbouring countries. In terms of logistics (freight and transit infrastructure, facilities, services, and processes), plans are under way to establish six one-stop border posts with Malawi's neighbours, Mozambique, Tanzania, and Zambia. There are also plans to implement tracking systems on the Nacala, Dar es Salaam, and Beira corridors ○ Construction of Standards, Quality Assurance and Metrology (SQAM) facilities. Malawi is constructing a state of the art laboratory in Blantyre. However, there are still significant gaps and support will be needed with conformity assessments, among other tasks ○ Establishment of one stop shop. Malawi Investment and Trade Centre established in 2014 a One Stop Shop (OSS) where all

		investment related and trade issues involving multiple agencies are dealt with at one place ○ Resuscitated the Corridor Development Committee. Malawi together with Mozambique and Zambia work together on transport corridor management. The Joint Committee was reactivated in 2017 where issues of corridor management involving the three countries are discussed ○ Customs modernization including integrated motor vehicle clearance, remote DTI, e-payment, scanners, COMESA virtual trade facilitation system (e-seals) ○ Development of policy and regulatory framework to govern one stop border posts and national single window. Work is in progress to identify the resources
	Progress that is has made in the accession process to the WTO Trade Facilitation Agreement and efforts it has made to implement the WTO TFA and any support that it has received and any outstanding gaps.The report should indicate progress made in establishing or strengthening a national committee on trade facilitation with the involvement of all relevant stakeholders, including the private sector	○ The National Trade Facilitation Committee (NTFC) established on 8th July 2015 comprises senior officials and has the mandate to oversee implementation of trade facilitation interventions in the country as outlined in the NTF-AP. The NTFC reports to the Cabinet Committee on Doing Business and is chaired by the Malawi Revenue Authority while the Ministry of Industry Trade and Tourism serves a secretariat. It is a 20-member body comprising public, private, and civil society key trade facilitation-related institutions. ○ The NTFC is an open forum whose purpose is to promote trade facilitation, encourage inter-agency coordination, and provide directions on major trade facilitation issues ○ Submission of Schedule of Commitments on 10th May, 2016. Malawi's schedule of commitments covers all categories A, B and C ○ Ratification of the TFA on 12th July, 2017.
	Assess the progress made in effective implementation of integrated border management systems with neighbouring	Malawi concluded bilateral agreements with neighbouring countries such as Tanzania and Zambia to facilitate establishment of one stop

	countries to allow for the joint processing of legal and regulatory requirements.	border posts between the countries and established frameworks up to ministerial level for discussing trade facilitation issues. Currently negotiations are underway to conclude another one with Mozambique
		Status
Priority 4: Regional integration and cooperation:		
	Assessment of the progress made in promoting regional integration.	Malawi is a member to the regional blocs of COMESA and SADC and their sectoral protocols. The Government is also participating in the ongoing negotiations of the Tripartite Free Trade Area and African Continental Free Trade Area. Malawi signed the African Continental Free Trade Agreement on 21st March, 2018 in Rwanda. At multilateral level Malawi is a member of the WTO.

2.2.9 Tourism Sector

The Tourism Sector has attained enormous potential for growth in Malawi by putting in place various initiatives as part of ensuring that Malawi becomes one of the leading tourism and investment destinations in the region and the world at large.

		Status
Priority Area 1: Fundamental transit policy issues:		
	Progress made in developing and implementing sectoral policies.	Tourism Marketing Initiatives: The initiative is to attract foreign tourists by intensifying tourism marketing and promotion of Malawi as a tourist destination by creating awareness in both domestic and international markets. Tourism Marketing Strategy: It was developed to run for five years (2016 – 2021) for marketing Malawi locally, regionally and internationally. The strategy aims at increasing international tourism arrivals from the current 804,000 to 1,200,000. This will increase utilisation of tourism products and services by, among others, increasing the average hotel room occupancy rate from 54.9 percent to 70.0 percent, which would increase the sectoral employment contribution to total employment from 6.2

		percent to 8.0 percent and visitor exports from 2.5 percent to 5.0 percent by 2021. The National Tourism Policy was developed and finalized in 2018. The Policy is expected to create an enabling environment for the development of the tourism sector, thereby enhancing tourist experiences and satisfaction.
		Status
Priority 5: Structural economic transformation		
	Assessment of the progress made to the sector	The country has hosted the first Takulandirani Malawi International Tourism Expo (MITE) in 2017 where 80 local and international businesses exhibited and 17 international buyers participated. This led to the country receiving recognition from several international print and electronic media such as Vogue, Forbes, Rough Guides and Sawubona as the top 3 travel destinations to visit in 2018. The 2nd edition of Takulandirani Malawi International Tourism Expo, was also held in 2018. With support from the African Development Bank (AfDB) a four-year project has been developed to 'Promoting Investment and Competitiveness in the Tourism Sector (PICTS). The project aims at promoting investment and competitiveness in the tourism sector. The project's broad development objective is to create an enabling environment for investment in the tourism sector through enhanced capacity in planning and business management and improved governance in management of natural resources. The Project will focus on five areas namely: (a) development of a Tourism Investment Master Plan for ensuring that the sector is well planned and monitored; (b) capacity building for tourism statistics, so that data on tourism is readily available and the economic contribution of the sector is clearly known or quantified; (c) development of touristic products, with a focus on ecotourism; (d) strengthening capacity in management of touristic

		products, enterprises, and related businesses, with a view to increase the economic performance of the sector; and (e)strengthening collaboration between the Government, the private sector and communities in conservation and product development, with an aim to create employment opportunities and generate revenue. It is envisaged that once implemented, the project will assist to transform the tourism sector As part of Quality Assurance in order to ensure quality service delivery, the Government annually implements the Star Grading system, in addition to the annual inspection and licensing of accommodation units. The system uses internationally recommended standards, as such, it is expected that it will help Malawi to be competitive in the region. In 2017, a total of 30 units were assessed and graded for star rating. Promotion of universal accessibility of tourism facilities. Under this initiative, tourism operators are encouraged to ensure that their facilities are accessible by everyone, including people with disabilities and children, in line with the tourism regulations, star grading criteria and the Disability Act. This is expected to improve patronage of tourist attraction sites and facilities and promote inclusive enjoyment of such for all.

2.2.10 Finance and Economic Planning Development Sector

This section will cover issues inline with Economic Affairs, Revenue Policy and debt issues for Malawi to date**.**

A. Economic Variables

The following are economic details in line with the Vienna Economic Variable targets for Malawi. As indicated in Table 1.0.

Table 1.0: Economic Variable Targets for Malawi.				
Variable Economic Target	**2015**	**2016**	**2017**	**2018**
Inflation	<10	<5	<3	<3
GDP growth	<7	<7	<7	<7
Fiscal balance	<5	<3	<3	<3
Public debt	<60	<60	<60	<60
Current Account	<9	<9	<3	<3
Savings	<25	<30	<35	<35
Investment	<30	<30	<30	<30

Details of the macroeconomic trend for Malawi from 2015 to 2018 are shown in Table 2.0 below:

Table 2. The Macro Economic Trends from 2015 to 2018 for Malawi				
Economic Variable	**2015**	**2016**	**2017**	**2018**
Inflation	22.5	20.0	10.7	7.1
GDP growth(real)	2.9	2.3	4.0	3.5
Fiscal balance	-6.5	-4.6	-7.75	-9
Public debt	54.4	54.4	55.7	54.3
Current Account (%)	-9.5	-13.6	-10.0	-8.9
Agriculture growth (%)	-0.1	-0.1	6.1	0.6
Industrial growth (%)	3.8	1.3	2.0	3.8
Savings		-2.8	3.7	4.4
Investment		10.8	13.7	13.4

Below is the description of the performance of the country's economy:

i. Agriculture and Industrial sector

The growth rate for agriculture sector was highest in 2017. On the other hand, the growth estimate for the sector in 2018 decreased to 0.6 following the dry spell and the Fall Army Worms which hit most parts of the country in 2017/18 agricultural season and negatively affected crop production.

Manufacturing is one of the economic activities that were heavily affected by the intermittent power supply that hit the country during the last quarter of 2017. In addition, the sector was also characterised by low and costly credit in 2017 as compared with the previous years. Furthermore, the frequent power outages heavily impacted on the profitability of the companies. The firms resorted to using diesel generators to supplement the national grid power supply and this proved very costly. Despite the frequent power cuts, there was an improvement in the agro-processing companies due to the rebound of the agricultural sector. Consequently, the growth rate of the manufacturing sector increased from 2.0 percent in 2017 to an estimate of 3.8 percent in 2018. In addition, growth is also attributed to an increase in demand as companies are producing campaign materials such as printing party clothes and banners.

ii. Inflation

Inflationary pressures during 2016 decelerated, as headline inflation averaged 20.0 percent from an average rate of 22.5 percent in 2015. Nevertheless, the level of inflation was higher than the set target of the Vienna action of programme. The high level of inflation was on account of reduced food output due to weather related shocks during the year. Maize production in 2015/16 growing season was lower than the national food requirement. This national food deficit in the country exerted pressure on the maize prices in 2016. After registering a high inflation in 2016 the headline inflation started declining in 2017 and eventually decelated to 10.7 percent. This was on account of improved macroeconomic policies, weather conditions, increased production of food commodities and external conditions.

iii. Public Debt

The public debt stock remained at 54.4% from year 2015 to year 2016 and increased to 55.7% in 2017 until it decreased to 54.3% in 2018. This implies that the stock of total public debt in Malawi is still at a sustainable level since its well below the internationally acceptable target of less than 60 percent.

iv. Current Account as a percentage of GDP

The current account balance had the highest deficit of -13.6percent of GDP in 2016, this was due to large increases in imports of food relief items following drought and floods experienced in 2016. However, the current account deficit decreased to -10.0 in 2017 due to improved weather conditions, increased agricultural output and a resultant increase in volumes and value of tobacco exports**.** Nevertheless, the trend of the current account balance has to improve further to conform to the to Vienna program of action.

v. Savings and Investment

The magnitude of domestic savings and investment levels in Malawi have been below the Vienna program targets throughout the years .Nevertheless, public investment rose in 2017 because the Government's plans shifted sufficient resources towards capital formation. The situation is expected to improve going forward.

vi. GDP Growth

In 2016 the GDP growth was at 2.3 percent and this was much lower compared to the position in 2015 following weather related shocks and unstable macroeconomic conditions. On the other hand in 2017, economic growth rate increased to 4.0 percent due on account of favourable macroeconomic conditions as reflected in a stable exchange rate and the decrease in inflation rate. However, the GDP growth rate in 2018 declined to 3.5 percent largely on account of a fall in the agriculture sector which was among other factors negatively affected by infestation of crops by fall army worms during 2017/18 growing season. In addition, persistent power outages also negatively affected the manufacturing sector.

vii. Fiscal Balance

The fiscal balance has been in deficit throughout all the years which doesn't conform to the Vienna program of action. The deficit is highest in 2018 being at -9 while it is lowest in 2016 being at -4.6.This is so because of poor revenue collection methods in 2015 and increased levels of foreign borrowing in 2018.

B. Revenue Policy Issues in Malawi

The Government of the Republic of Malawi is committed to the implementation of the SDGs by 2030. The theme is mainly on focusing on shared responsibilities for promoting global peace, inclusive growth and sustainable development.

In line with the 2015, Addis Ababa Action Agenda (AAAA) and the Addis Tax Initiative (ATI) of which Malawi is a founding member, the Government of Malawi re-affirms its commitment to enhance domestic resources mobilization as key means of implementing SDGs. To this end, GoM is committed to implement broad based tax reforms and improving the efficiency, fairness, transparency and effectives of the tax system to ensure that more revenues are collected and spent effectively to support peaceful, equitable and sustainable societies.

The GoM has already begun the process of reviewing tax legislation and reforming the tax system and the plans are underway to develop a Medium Term Revenue Mobilization Strategy. Further, the Government is member of the Extractive Industry Transparency Initiative (EITI) and is committed to transparency and accountability to ensure proper management of and use of revenues from the sector.
Key tax administration Reforms include:

- Implementation of an Integrated Tax Administration System (ITAS) dubbed ***" Msonkho on Line''***.
- Implementation of Electronic Fiscal Devices (EFDs) for Value Added Tax (VAT).
- Implementation of containerized Cargo Scanners for improving customs administration.
- Upgrading Asycuda +++ to Asycuda World.
- Introduction of e-payment of taxes systems.

C. DEBT AND AID STATUS

Below are details on the status of Malawi's public debt and its associated costs as of end June 2018 and how the debt is managed, the risks associated with the current debt portfolio, and the potential implications in light of the IMF's program.

i. Total Public Debt Stock

1. As of end June 2018, Malawi's Total Public Debt amounted to MK2.9 trillion (refer Table 3). External and Domestic Debt accounted for 50.1 percent and 49.9 percent of the total debt, respectively. In terms of Gross Domestic Product (GDP), Total debt as a percentage of GDP in nominal terms was at 56.8 percent (of which, external debt as a percentage to GDP was at 28.4 percent and domestic debt was at 28.3 percent).

Table 3: Evolution of Public Debt (in Billions)

	2005	**2006 (HIPC)**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Total Public Debt (MK)	427	131	913	1,336	1,710	2,082	2,752	2,999
External (USD)	2.97	0.45	1.42	1.8	1.8	1.8	2.02	2.1
External (MK equivalent)	353	62	523	877	1,135	1,300	1,476	1,502
Domestic (MK)	73	69	390	487	526	806	1,286	1,497
Debt (% of GDP)	130.5	30.4	78.8	52.7	55.0	53.5	59.4	56.8

Source: Ministry of Finance, Economic Planning & Development

ii. External Public Debt

2. As of June 2018, the total disbursed outstanding external debt stock totalled USD2.1 billion (MK1.5 trillion). Multilateral creditors continued to account for the largest proportion of Malawi's external debt – approximately 79.3 percent (US$1.642 billion) of total external debt. On the other hand, bilateral donors accounted for 20.7 percent of all external debt (US$427.4 million). As of end June 2018, Central Government owed no debt to commercial creditors as indicated in Table 4.0.

Table 4: End June 2018 -External Debt Stock by Creditor Type (US$ in millions)

Multilateral	1,642.1	79.3%
Bilateral	427.4	20.7%
Total	**2,069.5**	**100.0%**

Source: Ministry of Finance, Economic Planning & Development

3. As depicted in Table 5 below, the top five external creditors to Malawi are the World Bank (presented as the International Development Association- IDA); the African Development Fund; Export Import Bank of China (Mainland); the International Monetary Fund; and Export Import Bank of India, respectively. At approximately 43.2 percent of total external public debt, the World Bank (through IDA) remains the largest creditor to the Government of Malawi. This notwithstanding, bilateral donors notably China and India have significantly increased their loans to the country in recent years. It is envisaged that this trend will continue in the near term.

Table 5: End June 2018 - Total External Debt by Holder (US$)

Creditor	**Debt Outstanding (US$) in million**	**%**
International Development Association	893.5	43.2
African Development Fund	304.0	14.7
People's Republic of China	227.1	11.0
International Monetary Fund	222.8	10.8
Export Import Bank of India	140.9	6.8
International Fund for Agric. Development	78.4	3.8
OPEC Fund for International Development	58.5	2.8
Kuwait Fund for Arab Economic Development	44.6	2.2
Arab Bank for Economic Development in Africa	44.4	2.1
Nordic Development Fund	22.6	1.1
European Investment Bank	17.9	0.9
Saudi Fund for Development	6.7	0.3
Abu Dhabi Fund for Development	5.5	0.3
Government of Belgium	1.6	0.1
Taiwan	1.0	0.0
Total External Debt	**2,069.5**	**100**

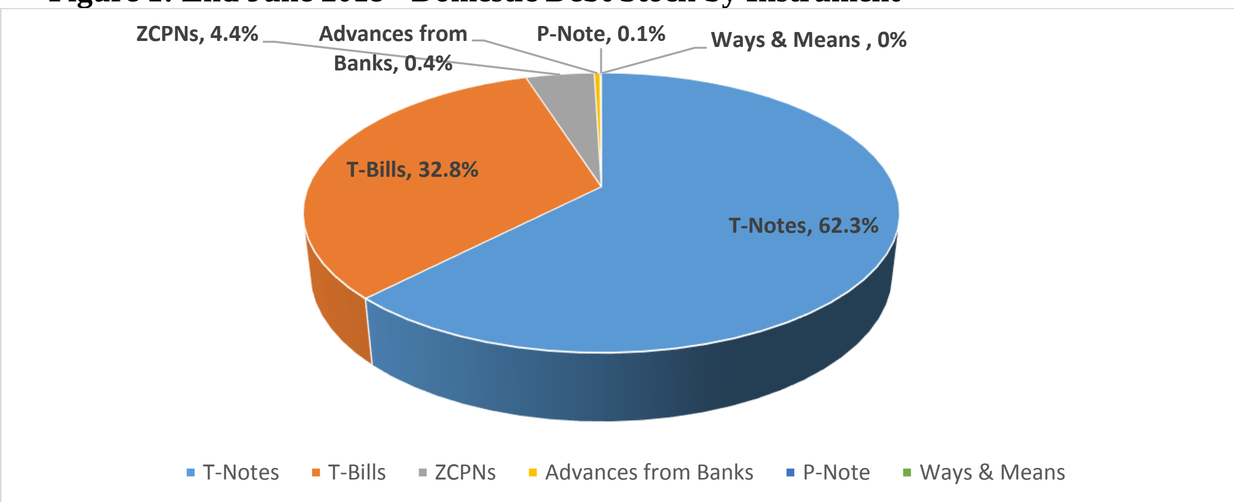
Source: Ministry of Finance, Economic Planning & Development

iii. Domestic Public Debt

4. The Government of Malawi (GoM) borrows domestically for various reasons. Firstly, and most typically, GoM borrows from domestic sources to finance the budget deficit which arises when the Government is not able to meet its expenditure commitments using domestically raised revenue and externally sourced grants and borrowing. Secondly, domestic debt is sometimes contracted by the Reserve Bank of Malawi when implementing monetary policy through Open Market Operations (OMO). Thirdly, debt instruments are important in financial market development and such may be contracted as a means to further develop Malawi's domestic debt market.

5. As at end June 2018, the principal on Malawi's domestic debt stock amounted to MK1.5 trillion (including Zero Coupon Promissory Notes). This stock amount comprised 62.27% in Treasury Notes; 32.82% in Treasury Bills; 4.4% in Zero Coupon Promissory Notes; 0.38% in Advances from Commercial Banks and 0.08% in Promissory Notes. Figure1 below summarizes this decomposition by instrument.

Figure 1: End June 2018 - Domestic Debt Stock by Instrument



Source: Ministry of Finance, Economic Planning & Development

6. During the year ending 30th June 2018, domestic debt securities (including Zero Coupon Promissory Notes) amounted to MK1.497 trillion in face value. Of this amount: 38.15% were held by RBM; 24.04% by commercial banks; 12.17% by the foreign sector; 11.7% by insurance companies; 5.83% by pension funds; and 5.6% by the private sector. It should be noted that RBM's holding of Government debt significantly reduced from 60% recorded as at end June 2017 to 38.15% as at end June 2018.

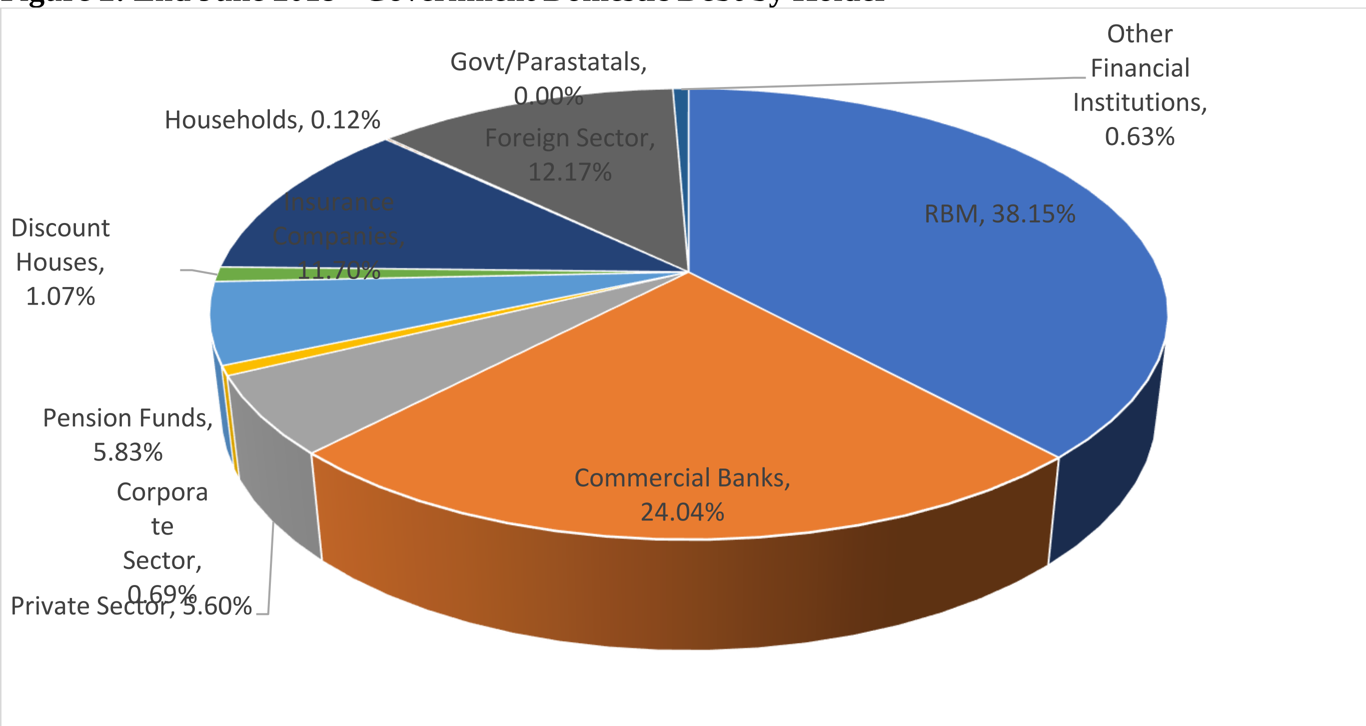
7. Deliberate efforts were put in place to achieve this reduction since large proportions of Government debt held by central banks, create a highly monetised debt stock that has both direct and indirect impact on interest rates, inflation and other economic fundamentals. In addition, reduction of RBM's holding of GoM securities is one of the triggers for the IMF's Extended Credit Facility (ECF) Programme.

8. It should also be noted that, during the period under review, the foreign sector's holding of GoM securities increased from around 5% recorded as at end June 2017 to 12.17 % as at end

June 2018. Likewise, commercial banks also increased their holdings from 19% to 24.04% over the same reporting period. This increase was on account of RBM offloading its holdings of Government debt to the market.

9. As can be seen in Figure 2 below, discount houses, the corporate sector, households, other financial institutions, and Government/ parastatals hold less than 3% of Government domestic debt combined.

Figure 2: End June 2018 - Government Domestic Debt by Holder



Source: Ministry of Finance, Economic Planning & Development and Reserve Bank of Malawi

iv. External and Public Debt Sustainability

10. In the medium to long term, Malawi's external debt is sustainable and is classified as a moderate risk of debt distress. According to the DSA results presented in the table 4 below, Malawi's debt indicators do not breach the international thresholds. However, Malawi's debt is vulnerable to shocks related to exports emanating from weather shocks and changes in commodity prices.

11. For 2018, the external debt indicators in present value terms are as follows: Debt to GDP is 20.4 percent against an indicative threshold of 30 percent, Debt to Exports is 74.2 percent against an indicative threshold of 100 percent and Debt to Revenues is 102.7 percent against an indicative threshold of 200 percent, Debt Service to Exports 7.50 percent compared to 15 percent and Debt Service to Revenue is at 10 percent as compared to 18 percent threshold. See Table 6.0 below.

Table 6: Debt Sustainability Results

External Debt Indicators						
	Threshold	**2018**	**2019**	**2020**	**2021**	**2022**
	Percent					
PV of Debt to GDP	**30**	20.4	20.3	20.1	19.8	19.5
PV of Debt to Exports	**100**	74.2	72.2	71.3	70.0	69.0
PV of Debt to Revenue	**200**	102.7	104.5	103.7	101.6	99.4
Debt Service to Exports	**15**	7.5	5.4	5.3	5.2	4.0
Debt Service to Revenue	**18**	10.4	7.8	7.6	7.5	6.6
Public Debt Indicator						
PV of Debt to GDP	**38**	42.7	42.5	40.5	38.3	36.1

12. For public debt sustainability which assesses both external and domestic debt, Malawi's public debt to GDP was at 42.7 percent compared to the recommended benchmark of 38 percent. This means that adding domestic debt to external debt, Malawi's risk of debt distress is heightened.

13. Unlike in the external DSA, only the ratio of the present value of public debt to GDP has a benchmark. Previously there was no internationally agreed threshold for this indicator however, the World Bank and the IMF introduced benchmarks for present value of public debt to GDP based on a country's capacity to carry debt as guided by the World Bank's Country Policy and Institutional Assessment (CPIA) rating.

14. As shown in Table 7, weak performers (that is, those countries with a CPIA score of equal to or less than 3.25) may not be able to sustain public debt if the present value is more than 38 percent of GDP while medium and strong performers can sustain higher levels of PV of public debt of up to 56 and 74 percent, respectively, beyond which public debt becomes unsustainable.

Table 7: Indicative Benchmarks for Public Debt

Policy Performance category (CPIA)	PV of total public debt in percent of GDP
Weak Performers (CPIA < = 3.25)	38
Medium Performers (3.25 > CPIA < 3.75)	56
Strong Performers (CPIA = > 3.75)	74

Source: International Monetary Fund

15. Given that Malawi is classified as weak performer in terms of policies and institutions, the applicable benchmark is 38 percent. However, debt sustainability is gauged by looking at the trend depicted by present value of public debt to GDP. When the projected debt burden indicators depict an increasing trend, it signals fiscal unsustainability but Malawi's debt sustainability results show that declining trend over the projection period. Specifically, present value of public debt to GDP is projected to go down in the medium term and expected to reach 38.3 percent in 2021 and remain below the benchmark over the long term.

v. Plans to Reduce Debt Levels

16. Government is committed to exercise prudent debt management by executing debt management strategies that will ensure that the required amount of funding is raised at a minimum risk and costs. Government seeks to ensure that both the level and rate of growth in the public debt is fundamentally sustainable, and can be serviced while meeting cost and risk objectives

17. Going forward, Government realises that the current structure of domestic debt in terms of maturity is fuelling the growth of domestic debt. In recognition of this, Government is restructuring its domestic debt so that maturity is lengthened. Government through Reserve Bank of Malawi has so far issued Two and Three Year-Notes in 2018/19 FY with the objective of lengthening the maturities. Currently, the Average Time to Maturity of the domestic debt stands at less than three years. Almost 13 percent of domestic debt is expected to mature in a year. It is envisaged that debt restructuring will assist in reducing the cost of debt and lengthen the maturity profile.

18. Another prominent contributor of the rising domestic debt was promissory notes which were raised to settle suppliers' arrears. Thus, accumulation of arrears massively contributed to the skyrocketing of domestic debt level as such Government has put in place mechanisms to strengthen contracts management. MDAs are implored to commit Government only when cash flows permit them to spend thereby averting accumulation of arrears.

19. In addition, Government recognises fiscal risk associated with guaranteed debt. To that end, Government is putting in place sound policies for managing contingent liabilities. One of the policy proposals is that all SOEs with guaranteed debt will have to open an account with the RBM where funds will be deposited on regular basis for debt servicing. Currently, Government is closely monitoring guaranteed debt so as to minimize the likelihood of call outs/ materialisation.

20. Government is aware that to effectively reduce its debt, efficiency in revenue mobilisation as well as in its expenditures is of paramount importance. This can potentially create fiscal space or surpluses that can be directed to retiring the existing debt. It is therefore Government's intention to enhance its revenue mobilisation efforts, especially under the broader category of non-tax revenue. This will include close monitoring and accountability by revenue generating MDAs to make sure that all that is collected is accounted for. It is only a sustained registering of a positive fiscal balance that can enable government to retire its debt sustainably.

vi. **CONCLUSION**

21. Malawi's external debt is sustainable whilst total public debt exhibits rising vulnerability emanating from the structure of the domestic debt portfolio. Specifically, Malawi's public debt portfolio is exposed to a number of refinancing, interest rate and exchange rate risks.

22. As of end-June 2018, the country's debt was at MK2.9 trillion representing 56.7 percent of GDP in nominal terms. This is within the recommended level of 60 percent as per the Southern African Development Community (SADC) Macroeconomic Convergence Criteria.

23. However, in terms of present value of debt to GDP, Malawi's debt was at 41 percent which is slightly above Malawi's target of 38 percent as guided by the internationally recommended benchmark.

In light of this, Government is among other things committed to: (i) reduce the debt levels in particular domestic debt through strengthening of public financial management;(ii) lengthening the maturity profile of domestic debt portfolio in order to reduce refinancing and interest rate risks; (iii) improving contracts management; (iv) monitoring contingent liabilities; and (v) enhancing revenue collections.

3. MONITORING OF IMPLEMENTATION AND REVIEW:

Monitoring of implementation of programmes and activities are usually undertaken by the sector itself as the sectors have Planning Units who coordinate the M&E activities. These Planning units then report progress through their set Technical Working Groups (TWGs) which are under the Sector Working Group (SWGs) who report to DoEPD which coordinates M&E activities for all MDAs.

In addition, government has put in place annual agreements with MDAs through Performance Contracts which are coordinated by OPC. Those MDAs who perform well are awarded annually.

On the part of finances, monitoring of the utilization is done by MoFEPD and the National Audit Office as part of accessing how government resources released through the Accountant General in collaboration with the Budget Division have been utilized by MDAs. MDAs are supposed prepare monthly financial reports which are submitted to Accountant General and these are eligible to be audited any time.

4. MAJOR CHALLENGES

There a number of challenges being faced by sectors in the county which affect the implementation of some of the planned programmes:

1. Inadequate resources;
2. Limited knowledge on the VPoA among key players across all levels in the country;
3. Lack of baseline information to report and assist to track progress on various interventions;
4. Poor data access for reporting purposes;
5. Poor infrastructure and communication services;
6. Lack of skills among workers;
7. Inadequate research in some areas which have an impact on the social and economic aspects; and

8. In adequate personal in most MDAs.

5. LESSONS LEARNED AND WAY FORWARD

During the period of implementing the various commitments and obligations such as the VPOA, the country has learnt the following lessons:

- Involvement of multiple stakeholders is key to effective implementation of such commitments and obligations;
- Inclusion of VPOA interventions in sectors budgets at all levels;
- Proper feedback mechanism on signed commitments and obligations to MDAs/ Sectors by the country; and
- Political commitment and championship of such commitments and obligations is key to adoption and success of such programmes as the VPOA.

6. WAY FORWARD

- Need for more national awareness, particularly on the VPoA;
- Initiate process of integrating such commitments and obligations sectoral and national policies, strategies and other frameworks; and
- Establishment of national taskforce to lead in the process by involving different stakeholders in VPOA issues.