REPUBLIC OF MALAWI

ECONOMIC AND FISCAL POLICY STATEMENT 2021

Issued by the Honourable Minister of Finance

in terms of Section 14 of the Public Finance Management Act No 7 of 2003

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ACRONYMS

EFC	Extended Credit Facility
FY	Financial Year
GDP	Gross Domestic Product
IPP	Independent Power Producers
MDA	Ministries, Departments and Agencies
MGDS	Malawi Growth and Development Strategy
MW 2063	Malawi 2063
NES	National Export Strategy
NPC	National Planning Commission
ODPP	Office of Director of Public Procurement
PBB	Program Based Budget
PSIP	Public Sector Investment Program
PVHES	Plant vehicle Hire and Engineering Services
RBM	Reserve Bank of Malawi
SDGs	Sustainable Development Goals
SOEs	State owned Enterprises

I. INTRODUCTION

1. **The Economic and Fiscal Policy Statement (EFPS) is issued in fulfillment of the requirement of Section 14 of the Public Finance Management Act (2003).** This document seeks to inform and share with various stakeholders the economic and fiscal policies that will anchor the economy over the short to medium term. It broadly specifies strategic priorities by which Government will be guided with in preparing budget estimates.

II. ECONOMIC POLICY ENVIRONMENT

a) Malawi's Vision 2063

2. **His Excellency, the State President Dr. Lazarus McCarthy Chakwera, on the 19th of January 2021 launched the long-term National Development Plan "Malawi 2063" which succeeds Vision 2020.** The Malawi 2063 or the MW2063 aspires to foster a youth-centric national transformation and development through inclusive wealth creation and self-reliance. It aims at propelling the country to be an industrialized middle-income country by 2063.

3. **The MW2063 is anchored on three key pillars, attainment of which is catalyzed by seven enablers.** The pillars are Agriculture Productivity and Commercialization; Industrialization; and Urbanization. The enablers are Mindset Change; Effective Governance System; Public Sector Performance; Private Sector Dynamism; Human Capital Development; Economic Infrastructure; and Environmental Sustainability. There are close linkages among the three pillars and flagship projects for each of the pillars shall be designed and implemented in the context of an ecosystem.

4. **The MW2063 will be operationalized by a 5-Year Accelerator (quick-win) Plan and a series of 10-Year Implementation Plans which will be delivered in a phased manner.** The National Planning Commission (NPC) will coordinate the development of a 10-year implementation plan and a 5-year Accelerator plan. The 10-year implementation plan will be critical in defining strategies that will take the country to the low middle-income status by 2030. The plan is also expected to inform and support interventions around realizing the goals of the 2030 global agenda during the decade of action. The interventions in succeeding 10 and 5-year plans shall build on each other to ensure continuity of development programs beyond political regimes. This will ensure continuity of development policies and programs in each pillar and enabler in the country's drive to realize the Vision.

5. **The MW2063 calls for the alignment to it of all key documents that guide the developmental agenda.** The implementation of the new vision will assume an unconventional approach and advocate for the alignment of all sector policies; strategic plans; decentralized level plans; political manifestos; parastatals' strategic plans; and development partners' country assistance strategies to it. This will ensure that programs and projects implemented by MDAs and Local Councils will be aligned to the pillars of the new vision.

b) Malawi Growth and Development Strategy III

6. **The Government has since 2017 implemented the Malawi Growth and Development Strategy (MGDS) III (2017-2022), as a medium-term Development Plan to operationalize the last mile of Vision 2020.** The 2021/22 FY Development budget will still be guided by the MGDS III. However, with the new vision in place, the NPC will review and replace MGDS III with a 5-year Accelerator Plan. The Accelerator Plan will be pulled-out from the 10-year implementation plan that will be developed to guide all development programming in the next ten years.

c) The Sustainable Development Goals (SDGs)

7. **To evaluate progress of implementation of SDGs, Government through NPC conducted a Voluntary National Review (VNR) of the SDGs during the 2020/21 FY.** The review revealed that Malawi is off-track on 81 indicators and 66 targets, threatening the achievement of the aspirations of the SDGs. The indicators under concern are No poverty, zero hunger, Affordable and Clean Energy, Decent Work and Economic Growth; Industry, Innovation, and Infrastructure, and Make Cities and Human Settlements Inclusive, Safe reliant, and Sustainable. The stern pursuit of the new vision targets is expected to put the country on track to achieve the SDGs' economic and social targets, albeit with a lag. The MW2063's 10-year Implementation plan and 5-year accelerator plan will domesticate the SDGs and other international development frameworks with specific objectives at the region, continental and global level. This alignment of medium-term development plans to the long-term vision anchored by prudent macroeconomic management will create a conducive environment for the attainment of the SDGs.

d) The Public Sector Investment Programme (PSIP)

8. **The Public Sector Investment Program (PSIP) is a key short-term to medium-term development planning tool utilized to achieve national goals as enshrined in the National**

Development Strategy. As a 5-year rolling plan, the PSIP will continue to provide a framework for the planning of development projects and programs in Malawi. The PSIP projects and programs ensure that the gains through economic growth translate into an improvement of people's living standards. PSIP will, therefore, assist in facilitating the realization of Economic, social, technological, and political development.

9. **In 2021/22 FY, Government will continue to appraise PSIP projects using the Development Assistance Committee (DAC) 5 criterionon.** The criterion ensures that PSIP is formulated in such a way that its composition equalizes the public and private social rates of return on all public investment projects, given the size of the development budget and other off-budget provisions.

10. **In 2021/22 FY, Government will continue to implement projects in the PSIP to complement and not crowd out the private sector.** Focus under the Development Budget for both Part I and Part II during 2021/22 FY will mainly be on completing on-going projects and introduce a few more key new projects which are aligned to the National Development Plan. Government will continue to prioritise a few projects to ensure timely completion and commensurate with available resources.

e) Extended and Rapid Credit Facilities

11. **The Government cancelled the 2018-2021 IMF's Extended Credit Facility (ECF) Program mainly to pave way for a new program that will be aligned to the new country priorities and to ensure a durable macroeconomic framework.** It is expected that a successor program will be in place in the first half of 2021. The new program will among other factors focus on entrenching macroeconomic stability, but more importantly also focus on fostering a more inclusive wealth creation and resilient growth. In the interim, Government will continue to implement the Rapid Credit Facility (RCF II) which was negotiated to abate Covid-19 Pandemic adverse effects on the country's economic performance. The financing that was provided under the RCFII assisted Government in financing urgent balance of payment and fiscal needs.

f) Public Debt and Aid Management Reforms and Developments

12. **Government borrows to finance temporary revenue shortfalls and for long-term development financing.** Government also contracts debt to refinance outstanding liabilities and for onward lending to other government agencies. In 2021/22 FY, Government will continue to

adhere to the principles of prudent fiscal management as stipulated in the Public Finance Management Act (2003) and in line with best practices of sovereign debt management. Therefore, Government will ensure that financing needs and debt service obligations for both external and domestic debt are met at the lowest cost and risk possible.

i) Public Debt Management

13. **During the 2021/2022 FY, Government will maintain vigilance over new borrowing commitments and the terms at which such new borrowing is contracted in order to limit their budgetary implication.** Government takes cognizance of the interest burden which is mainly attributed to high domestic debt stock and recognizes the need to reduce domestic debt stock. In the medium term, Government will focus on easing the interest burden to allow for more fiscal space for Government to spend on other social and productive sectors without recourse to additional borrowing. Interest payments are expected to come down on account of fiscal discipline, lower domestic debt stock on account of fiscal consolidation, and implementation of the Medium Term Debt Management Strategy. It is envisaged that from 2021/22 FY onwards, the Debt Retirement Fund will be fully operational such that its proceeds will entirely be used to retire public debt until debt levels subside to within sustainable levels.

14. **Furthermore, Government recognizes the impact of the Covid-19 pandemic on the economy and the associated pressure on borrowing.** It is for this reason that in 2020/21 FY, Government requested temporary debt service suspension from bilateral creditors. This is in line with the Extended Debt Service Suspension Initiative (DSSI). The key feature of the Extended DSSI is that the repayment period of the principal and interest payments falling due between 1st January 2021 to 30th June 2021 will be made in five years with one-year grace period. This entails that in 2021/22 FY, the suspended debt service will be within the grace period.

15. **On foreign borrowing, Government will aim at safeguarding and strengthening external debt sustainability by borrowing from concessional sources.** Semi-concessional loans will only be contracted to finance projects with a higher rate of return and only upon granting of a waiver by the IMF. Government will resume Debt Management Committee meetings which will be sanctioning all Government borrowing transactions.

ii) Aid Management

16. **For effective management of development assistance, Government will continue being guided by the principles of development cooperation embedded in the Development Cooperation Strategy (DCS)**. The DCS is a country-led and country-owned strategy document aimed at improving quality and effectiveness of development cooperation in the country and to ensure that partners' support is coordinated, harmonized, focused on results, and aligned to national priorities, institutions, and systems. The DCS localizes principles of the Global Partnership for Effective Development Cooperation such as country ownership of development agenda, inclusive development partnerships, focus on results, mutual and domestic accountability, transparent and responsible cooperation, private sector and development, and domestic resource mobilization. The DCS presents a shared commitment to invigorate action for more effective development cooperation to achieve development results.

III. RECENT DEVELOPMENTS

a) World Economic Outlook

17. **After an estimated 3.5 percent contraction in 2020, the global economy is projected to grow by 5.5 percent in 2021 and by 4.2 percent in 2022.** This reflects the stronger-than-expected recovery on average across the regions in the second half of the year despite the negative impact of Covid-19 pandemic on the global economy. The 2021 growth forecast is revised up by 0.3 percentage point, reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of economic activity later in the year, which outweigh the drag on near-term momentum due to rising infections.

18. **The recent Covid-19 vaccine approvals have raised hopes of a turnaround of the impact of the pandemic.** However, the renewed waves and new variants of the virus pose concerns for economic outlook. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics that were prevalent at the beginning of the crisis. Advanced economies are expected to grow at 4.3 percent in 2021 from a contraction of 4.9 percent while emerging markets and developing countries are expected to grow at 6.3 percent from a contraction of 2.4 percent.

b) Sub-Saharan Regional Outlook

19. **Sub-Saharan Africa has been hard hit by the Covid-19 pandemic, with activity in the region shrinking by an estimated 3.7 percent in 2020.** Growth in Sub-Saharan Africa is expected to rebound only moderately to 2.7 percent in 2021, which is about 0.4 percentage point weaker than previously projected before firming up to 3.3 percent in 2022. Risks to the regional outlook are tilted to the downside and include weaker-than-expected recoveries in key trading partner economies, logistical hurdles that further impede vaccine distribution, and scarring of labor productivity that weakens potential growth and income over the longer term.

20. **Economic growth for Nigeria is expected to resume at 1.1 percent in 2021, weaker than previous projections and is projected to edge up to 1.8 percent in 2022 as the economy faces several challenges.** Economic activities are expected to be dampened by low oil prices, falling public investment due to weak government revenues, constrained private investment due to firm failures, and subdued foreign investor confidence. In South Africa, growth is expected to rebound to 3.3 percent in 2021 which is 0.7 percentage point below previous forecasts before softening to a near potential pace of 1.7 percent in 2022.

21. **Sub-Saharan economic recovery is weaker than anticipated due to the lingering adverse effects of the pandemic or delayed distribution of effective vaccine especially combined with a marked uptick in new covid-19 cases.** The new wave of infections would slow growth in non-regional trading partners, which would dampen the projected growth pickup in Sub-Saharan Africa through lower export demand particularly for tourism and reduced investment. Progress in Covid-19 vaccine distribution in Sub-Saharan Africa is likely to face many hurdles. These include poor transport infrastructure and distribution systems, weak health system capacity to implement large-scale vaccination programs, and outdated or insufficient cold storage systems to preserve such vaccines. This will result in slower positive impact of the vaccine program on economic growth in the region.

c) Economic Outlook for Malawi

22. **According to the recent National Accounts and Balance of Payments Business Survey report, Malawi's economy was affected by the Covid-19 pandemic, registering a growth rate of 0.9 percent in 2020 against a pre-covid growth projection of 4.8 percent.** Growth in 2021 is

projected at around 3.8 percent which is a downward revision from a pre-Covid GDP growth rate projection at 5.8 percent. The 3.8 percent growth will be anchored by the positive performance in the Agriculture, Eelectricity, Gas and Water Supply Services; Transport and Storage Services, Information and Communication Services, and Human Health and Social Work activities. Furthermore, growth is anchored by continued macroeconomic stability as evidenced by the exchange rate stability, the low and declining inflation rates and interest rates. In 2022, GDP growth rate is projected at 5.4 percent.

23. **However, the spread of Covid-19 pandemic is expected to continue to exert significant effects on the economy.** Although the full economic impact on the Malawi economy is largely unknown, the country's economic outlook is subjected to substantial uncertainty. Sizeable downside risk to the projected economic growth is prevalent should spillovers to Malawi from Covid-19 effects become larger than we currently envisage.

24. **Government will continue to monitor the Covid-19 pandemic situation and will develop measures to mitigate its economic impact.** To this effect, Government has developed a 3-year Covid-19 Socioeconomic Recovery Plan that will help Malawi to build back better from the adverse effects of this pandemic on health, macro-economy, social cohesion, social protection and jobs. Furthermore, the Plan will be used to monitor the prevalence rates of the second wave.

IV. MEDIUM TERM ECONOMIC POLICIES

a) Monetary Policy

25. **In 2021/22 FY, Government will continue to focus on maintaining the single-digit inflation rate, and preserving price stability over the medium term, whilst providing space for economic recovery amidst the Covid-19 pandemic**. Headline inflation stood at 7.3 percent in November 2020, from 11.5 percent in December 2019, which is a three-year peak. In 2020, the disinflation program was broadly successful, supported by the good harvest which eased food inflationary pressures and the broadly stable kwacha exchange rate. Average inflation rate is anticipated to remain in single digits at 7.8 percent and 8.6 percent in 2021 and 2022, respectively, largely reflecting contained food inflation. Thereafter, it is expected to gradually converge towards the 5 percent medium-term inflation objective.

26. **Government through the RBM is committed to the implementation of a forward-looking monetary policy framework and to adopt the Inflation Targeting Framework (ITF) in the medium term.** Within this framework, the RBM will continue to allow interest rates to play a vital role in the monetary policy transmission mechanism. The RBM will continue to stabilize short-term interest rates particularly the inter-bank market rate (IBR) around the policy rate. To further promote the effectiveness of the monetary policy transmission mechanism, the Reference rate, which was introduced in September 2019, will remain the ruling base lending rate for commercial banks.

27. **In cognizance of a relatively favourable short to medium-term inflation outlook, and the need to support economic recovery, in 2020/21 FY, the RBM reduced the Policy rate by 150 basis points to 12.0 percent in November 2020.** This resulted into the obtaining base lending rates of commercial bank to average around 12.3 percent. Further, Government is keenly focused on galvanizing the low non-food inflation around the current levels as well as moderating the adverse second-round effects of the relatively high food inflation on the overall inflation. In this regard, monetary and exchange rate policies will be implemented in such a manner that a very promising medium-term outlook is maintained.

b) Exchange-Rate Policy

28. **Government through the Reserve Bank of Malawi will continue to pursue a flexible exchange rate regime that is market-determined while managing excessive exchange rate fluctuations.** The exchange rate remained relatively stable over the past year despite adverse developments in our external accounts, amidst Covid-19 pandemic. The country's trade balance remains weak and fragile. In 2020/21 FY, on the one hand, exports performed dismally due to reduced global demand, border closures, and heightened trade transit costs resulting from economic disruptions in neighboring countries. On the other hand, imports remained elevated. This heightened demand for foreign exchange amidst significantly lower supply.

29. **Reflecting the weak balance of payment position and declining gross official reserves, the Malawi kwacha exchange rate depreciated, though marginally against most major currencies.** Gross official reserves fell short of the targeted floor of 3-month of import cover as at end of December 2020 compared to a 3.9 months of imports recorded in December 2019. The above notwithstanding, the RBM aims at rebuilding international reserves to at least 4 months of

prospective imports in the medium term. The Malawi Kwacha exchange rate depreciated by 4.6 percent in 2020. This exchange rate flexibility partly helped in cushioning the economy against external shocks.

c) Financial Sector Policies

30. **The Government, through the Registrar of Financial Institutions will continue to strengthen the regulatory framework of the financial sector to ensure its stability.** In 2020, the Registrar revised Foreign Exchange Bill, Banking Amendment Bill, and drafted Deposit Insurance Bill, which is awaiting Cabinet approval. Additionally, several Regulations and Directives including Credit Reference Bureau Regulations, Investment of Pension Funds regulations, the Directive on Domestic Systemically Important Banks, and various Capital Markets Directives were drafted and submitted to the Ministry of Finance for gazetting.

31. **To minimize the impact of Covid-19 pandemic on the financial system, the RBM adopted several policy measures.** Some of these measures included the reduction of the Liquidity Reserve Requirements (LRR) on domestic currency deposits from 5 percent to 3.75 percent; reduction of the Lombard Rate by 50 percent to 0.2 percentage points above the Policy rate; and activated the Emergency Lending Assistance to be accessed by banks on a case by case basis. These measures were expected to wind down in December 2020 but were extended by a further six months to June 2021 following the resurgence of Covid-19 pandemic.

32. **Government will take the necessary steps to ensure a conducive regulatory environment for the development of the financial sector.** Government in 2021/22 FY will continue with the development of the successor strategies to the Financial Sector Development Strategy and the National Strategy for Financial Inclusion. Additionally, through the Malawi Agricultural and Industrial Investment Corporation (MAIIC), Government in 2021/22 FY will continue supporting the private sector development agenda and bolster its activities in mobilizing finance and capital from the local private sector and international investors among others. MAIIC will continue to extend medium to long-term credit facilities to private sector entities, especially the SMEs sector. Further, Government will continue to enter into partnerships with financial service providers to increase access to affordable and quality financial services in rural areas targeting enterprises and smallholder farmers.

33. **Government will continue to implement laws and regulations aimed at enhancing the stability of the financial sector.** Some of these regulations include the Interoperability Directive, Agent Banking Regulation, Revised Insurance Sector Directives, Consumer Protection Directives, Capital Adequacy Directive, Credit Reference Bureau Regulation, and Supervisory Levy Regulation for banks. Additionally, Government will continue to enforce the implementation of the E-Money Regulations in the provision of e-money services.

d) Fiscal Developments and Policies

34. **The Malawi Government is committed to prudent fiscal management with the view to manage the rising public debt stock without necessarily crippling the much-needed public investment.** Government seeks to spur economic growth through provision of prerequisite infrastructure. These investments will be implanted alongside tax and other revenue reforms aimed at improving revenue collection which are currently lower than international thresholds. Improved effectiveness and efficiency in revenue collection will greatly address the issue of rising debt and provide resources for public investments.

35. **Implementation of the 2020/21 FY national budget was significantly affected by the Covid-19 pandemic.** Government revenues fell short of targets alongside increased spending aimed at treatment, preventing further spread of the disease, and assisting vulnerable households to cope with Covid-19 restrictions through cash transfers. The pandemic worsened the 2020/21 fiscal deficit to 8.8 percent of GDP. Government, therefore, intends to continue with fiscal consolidation in 2021/22 FY through implementation of the Public Finance Management System reforms with the ultimate aim of reducing fiscal deficits.

V. STRUCTURAL AND SECTORAL REFORMS

Structural Reforms

a) Public Finance Management Reforms

36. **Government is committed to implement reforms in the Public Finance Management (PFM) sector.** Government is on course to complete the review of the Public Finance Management Act of 2003 with the aim of strengthening the Act in addressing the emerging challenges related to public finance management such as weaknesses in public revenue and expenditure management and control. Furthermore, Government has developed a PFM Rolling Plan to guide all PFM

reform interventions until June 2021. The Rolling Plan sets the platform for improving the alignment of public finances to national development goals and optimizing their impact on economic growth by implementing pertinent reforms in five thematic areas of planning and budgeting; budget execution; monitoring and reporting; budget oversight; and PFM institutional framework.

37. **The Rolling Plan has brought to the fore some important areas in public finance management that were either overshadowed or narrowly defined under the previous reform efforts.** Among these are contract management and the PFM institutional framework. Contract management was inseparable from procurement and consequently much attention was given to procurement. To obtain value for money from the implementation of Government contracts, special attention has been given to contract management so that Government does not pay for the non-delivery of contracted services. On the PFM institutional framework, the PFM rolling plan has helped to develop strong linkages and cross-institutional capacity needs to address emerging PFM issues.

38. **Government is expected to accrue other benefits of the rolling plan**. These include greater fiscal discipline and integrity through the PFM cycle by observing, complying with, and enforcing key PFM legislation at central and local government level; capacity of National Audit Office for external audits, including financial, performance and value for money, significantly enhanced leading to timely and better quality audit reports; improved availability of information on central government operations outside financial reports, and enhanced efficiency and control in the management of payroll and pensions.

39. **Government will continue to improve its procurement systems.** Following the establishment of the Public Procurement and Disposal of Assets (PPDA) Authority, Government has made significant progress to operationalise the PPDA Act. The new Act among others gives mandate to ODPP to declare mis-procurement; and to investigate and sanction. The new law creates Public Procurement and Disposal of Assets Authority which is an autonomous institution.

b) Revenue Policy Reforms

i) *Tax Revenue*

40. **In 2021/22 FY, Government will continue with efforts to broaden the tax base by among other things developing and implementing a Domestic Revenue Mobilization (DRM) Strategy.** Under this Strategy, Government will continue to review tax legislations to modernize the tax legislation system. The DRM will aim at widening the revenue base, strengthening taxpayer compliance, improving the perception of the tax system, and strengthening institutional capacity.

41. **Further, Government will continue to implement the Integrated Tax Administration System (ITAS), branded "Msonkho online" through the Malawi Revenue Authority (MRA).** The automation processes will ensure efficiency in the tax administration system, especially for domestic taxes. Additionally, Government will continue to adopt new ICT systems to cope with growing levels of E-commerce thereby enhancing revenue collection.

42. **In the 2021/22 FY, Government intends to curb tax evasion and tax avoidance by reviewing and renegotiating some of the Double Taxation Avoidance Agreements (DTAAs).** The Government will continue renegotiating treaties that are not serving our interests and maintain all other existing tax treaties to ensure that they are aligned with good international taxation practices to curb tax evasion and avoidance. The Government will continue to update its DTA model to be used as a basis for Treaty negotiations including the development of a DTA Policy.

ii) *Non-tax Revenue Reforms*

43. **Government will embark on the digitization of the payment system of non-tax revenues.** Government already conducted business process re-engineering for all non-tax revenue including the Treasury Funds to strategize and streamline all the revenue collection processes to improve the performance of non-tax revenue. The automation process would be in phases beginning with institutions that can yield quick wins in the short run. The full automation of the processes in receipting of Government revenue and electronic payment for all Government services will lead to efficient and effective collection and management of non-tax revenue.

44. **Government will review, user fees as per the requirements of the Public Finance Management Act**. The user fees will be revised to ensure that costs are recovered for all services

provided by government. This will ensure sustainability as well as the provision of quality services by Ministries and Departments.

iii) *Regional Economic Integration*

45. **Government will continue pursuing the regional economic integration agenda under the Accelerated Programme for Economic Integration (APEI), SADC, COMESA, Tripartite FTA (EAC-COMESA- SADC and the African Union Continental Free Trade Area (AFCFTA)).** High on the agenda is the Africa Continental Free Trade Area. Malawi has already deposited the instruments of ratification and as a country, Malawi is expected to benefit from preferential market access of its products into regional markets.

c) Budget Reform

i) The Medium Term Expenditure Framework (MTEF)

46. **The proposed 2021/22 FY national budget estimates will continue to be preceded by stressful fiscal dynamics due to expenditure pressures in statutory payments.** Growth in statutory expenditures especially wage bills, interest payments have affected discretionary budgetary allocations for the past couple of years. For the 2020/21 FY, statutory payments amounted to K1.03 trillion which translated into 87.3 percent of domestic revenue and 47percent of total expenditure. A growth of 23 percent from the 2019/20 FY allocation of K790.3 billion towards statutory payments. This growth in statutory payments translates into under-provision for operational expenses for Ministries, Departments, and Agencies. Further, MDAs will continue to use a standardized costing template as they prepare their budgets to strengthen the Medium Term Expenditure Framework**.**

47. **Government, in 2021/22 FY, will continue to focus on reducing domestic debt stock largely by keeping expenditures within targeted levels.** To achieve this, Government plans to reduce the fiscal deficit for the 2021/22 FY to not more than 6 percent of GDP. The Government will effect a modest adjustment to the 2021/22 expenditure ceilings due to the Covid-19 pandemic.

48. **The 2021/22 FY budget will continue to be aligned to key priority areas as outlined in the National Development Strategy (MGDS III).** Government will continue to ensure that all MDAs align their budgets and priorities to the key priority areas highlighted in MGDS III. MDAs

will also continue to use the new chart of accounts which has key priority area codes aligned to MGDS III.

ii) Program-Based Budgeting

49. **Government will continue to implement the Program Based Budgeting (PBB) Reform.** Focus in 2021/22 FY will be to institutionalize the PBB thereby improving budgeting and scrutiny by programs, execution of the budget especially on funding, reporting, and monitoring performance by the program.

d) Public Enterprise Reforms

50. **Government will continue to provide financial oversight on State-Owned-Enterprises (SoEs) and Government Investments.** Government will develop a web-based database for Public Enterprises and Government Investments to monitor the performance of SOEs. Government will further roll out the production and publishing of the consolidated annual Performance Report for State-Owned Enterprises. Furthermore, SoEs will operate on the private sector management model while control over policy and regulation is left to the government. It is, therefore, expected that the SOEs would gradually be weaned from Government subventions and would later start remitting dividends or surpluses to Government. Overall, the performance of Public Enterprises has been going down some of which entirely depend on Government bailouts and persistent borrowing while others have lost their mandates of providing social services to citizens.

51. **Government will continue to enhance the performance of SOEs and mitigate the potential risks to the national budget posed by contingent liabilities resulting from the activities of these institutions.** To this effect, Government developed the Dividend and Surplus Policy which is expected to guide the remittance of dividends and surpluses by respective statutory bodies. Government will further develop Public Finance Management Regulations; and Guidelines for the issuance of Parastatal Guarantees, indemnities, and letters of consent and comfort.

VI. ECONOMIC GROWTH SECTOR REFORMS

a) Agriculture

52. **The Government will continue to Implement policies that are aimed at increasing agricultural productivity.** In 2021/ 22 FY, Government will continue to implement the

Affordable Inputs Program (AIP) which is aimed at increasing maize production. In 2020/21 FY, 3.7 million farmers were duly registered, down from the initially planned 4.3 million. The Program in 2021/22 FY will among other things resolve network-related challenges and delays in input supply which affected the delivery of the program in the last farming season. Further, the farmers' database will also be cleaned to remove duplication. To reduce pilferage, the program will continue to use the national ID for farmers' identification.

Government is also geared to enhance irrigation farming in the country. Guided by the Irrigation Master Plan and Investment Framework which aims at irrigating 220,000 hectares by 2035, Government will continue to rehabilitate, upgrade and construct new irrigation schemes works across the country in the 2021/22 FY season. The major construction works include the Shire Valley Transformation Program, in Chikwawa and Nsanje, whose progress currently is at 18 percent, construction of the Linga dam in Nkhatabay meant to irrigate some 1,000 hectares whose progress is currently at 55 percent. Additionally, the Government will finalize the preparation of detailed designs of the medium to large-scale schemes across the country totaling 5,300 hectares. It is envisaged that commencement of construction works is in 2021.

53. **Government will continue to enhance livestock productivity by intensifying animal health and livestock development interventions.** This sub-sector is susceptible to diseases and pests. In the 2020/21 FY, Government successfully contained the spread of Foot and Mouth Disease and has vaccinated over 50,000 cattle in Nsanje, Chikwawa, Blantyre, Neno, Mwanza, and Ntcheu. Government also procured over 3 million doses of I-2 Vaccine for poultry vaccinations to reduce incidences of Newcastle disease in poultry. Dip tanks, veterinary and livestock development extension services in communities, veterinary laboratories, and structured livestock markets will also be revamped.

54. **Government will continue to implement sustainable land and water management interventions**. In the current farming season, some 437,604 hectares have been put to sustainable land and water management practices including; soil and water conservation, soil fertility improvement, and agroforestry and conservation agriculture.

55. **Government will strive to improve the welfare of Extension Workers and the Agricultural Extension and Advisory Services.** Government is committed to using modern instruments to

bring back the agricultural extension advisory services to their glory days. In 2021/22 FY Government will deploy to rural areas the 334 Agriculture Extension Development Officers (AEDOs) to increase coverage of and access to agricultural extension services. Government intends to phase out the use of push bikes by extension workers and instead will introduce the use of motorbikes to improve mobility of the extension workers.

56. **Government also intends to continue to enhance agricultural research and development to improve both seeds and the whole seed system in the country**. In 2020/21 FY, Government released 47 new technologies in crops, livestock, and fertilizer, and herbicides. In 2021/22 FY Government will be following up on farmer adoption of the released technologies which were aimed at improving productivity and profitability of agricultural value chains and leverage agriculture sector resilience to climatic shocks. Additionally, the Ministry of Agriculture, through the Department of Agricultural Research Services finalized the construction of a laboratory responsible for detecting Genetically Modified Organisms (GMO) at Chitedze Research Station.

b) Energy, Climate, and Natural Resources

i) Energy

1) Electricity Sub-sector

57. **Government will continue its efforts to increase the reliability, efficient supply and security of power.** The country's electricity generation capacity stands at 484 Mega Watts (MW) of which 361MW is from hydro and 124MW is from diesel. The diesel generators are being used during peak hours thereby assisting in reducing the frequency and duration of load shedding in the country. The projected demand for electricity is 719MW arising from developments in the construction, industry, and mining sectors. To catalyze such developments and meet the supply deficit, Government will continue to work on measures aimed at increasing generation capacity.

58. **In the short term, Government will continue to promote private sector investment in solar and wind power generation as Independent Power Producers (IPPs).** Government has so far engaged three companies namely; - JCM Capital of Canada; Phanes of the United Arab Emirates and VoltaLia SA of Portugal to produce a total of 137.5 MW from solar photovoltaic (PV). While completion of these projects was affected by travel restrictions due to Covid-19 preventive measures, JCM Capital is expected to commission 60MW at its Salima site by April 2021.

Government has also engaged Droege Energy of Germany to generate at least 50MW from wind at Chikangawa in Mzimba using the IPP arrangement. Government will also continue ensuring that strategic sub-stations are upgraded to evacuate more power and enable full utilization of the generation potential. A case in point is Luwinga Sub-station which upon upgrading will enable the wind farm in Mzimba to generate 100MW which is more than the current target of 50MW.

59. **Government will continue to implement projects aimed at improving the Country's energy generation capacity.** Government is developing Tedzani IV and Mpatamanga Hydropower Plants. Tedzani IV is expected to be commissioned within 2021 and will add about 20 MW to the grid while Mpatamanga Hydropower is expected to add 350MW and is being supported by the World Bank using a Public-Private-Partnership (PPP) arrangement.

60. **Government will also participate in the co-development of the Songwe Hydropower Plant with Tanzania to generate and equally share 180MW.** Feasibility study and detailed designs were done with funding from the African Development Bank (AfDB). The Project is strategic to Malawi as it will act as a gateway to the East African Power Pool (EAPP).

61. **Government will develop the Malawi-Mozambique and Malawi-Zambia Interconnector to enable the country to participate in power trading in the Southern Africa Power Pool (SAPP).** For the Malawi – Mozambique interconnector Project, Government is in the process of procuring the Contractor and Owners Engineer. The project is supported by the World Bank, the Norwegian Trust Fund, and KfW. Construction is expected to take two years and was initially projected to be completed by 2022. On the other hand, Government is looking for financing for the Malawi–Zambia interconnector. Once commissioned, these two projects will enable Malawi to trade in power and give the country enough time to develop a domestic power supply at a steady pace.

62. **To enhance cooperation with neighbouring countries, Government is working to trade in power for the border towns and trading centers.** In this regard, Government is importing 3MW at the distribution level from Mozambique through Mandimba to Mangochi with the potential to increase importation to 10MW. Government is also importing 20MW at the distribution level from Zambia through Chipata and Mchinji.

63. **Government realizes that intervening in the pricing of electricity has rendered the Electricity Subsector non-attractive to private investors.** In this regard, Government has replaced the old pricing mechanism with an automatic electricity tariff adjustment system that adjusts the electricity tariff in response to market forces. Government will continue implementing electricity cost-reflective tariffs in 2021/22 FY.

64. **In its quest to expand access to electricity, Government will continue implementing MAREP Phase 9 and Malawi Electricity Access Project.** After completing the electrification of a total of 846 sites (336 target and 116 beneficiary sites under Phase 8 and 270 sites and 124 beneficiary sites under the Extended MAREP Phase 8), Government proceeded into site identification, surveying, and production of detailed designs for MAREP Phase 9. This Phase is expected to electrify 500 rural sites. On the other hand, implementation of the Malawi Electricity Access Project has commenced and is expected to connect households in urban and peri-urban trading centers. The Project will also promote the usage of off-grid solar systems in remote areas. The Project is being funded by the World Bank and is expected to increase electricity access.

2) Petroleum Sub-Sector

65. **Exploration for oil and gas in the upstream petroleum sub-sector continues to reveal positive results on Malawi's potential for hydrocarbons.** The exploration for hydrocarbons has been taking place in 4 of the 6 blocks demarcated through the Petroleum Exploration and Production Regulations of 2009. Government will continue to ensure that a conducive environment is provided to ensure environment-friendly and socially accepted petroleum exploration is undertaken in the country. Government also intends to demarcate further the two oil exploration blocks that were relinquished in 2018.

66. **Government will continue to diversify the transport modes to reduce the inbound landed cost for fuel.** As such, Government commissioned a rail siding at Kanengo Fuel Reserve Depot and is at an advanced stage in the development of a similar project at Matindi Fuel Reserve Depot. This will enable importation and transportation of fuel from Nacala via rail.

3) Biomass Sub-Sector

67. **Government realizes that the household sector depends heavily on charcoal and firewood for cooking and heating requirements which has led to deforestation and land degradation.**

Government, in conjunction with the private sector, will continue promoting the use of Liquefied Petroleum Gas (LPG) as an alternative source of energy for cooking and heating. Government will also continue working with various Non-Governmental Organizations (NGOs) in promoting energy-efficient cooking stoves to ensure that the available biomass energy resources are utilized efficiently.

4) Coal Sub-Sector

68. **Government remains committed to developing a Coal-Fired Power Plant at Kam'mwamba to increase generation capacity and also diversify the generation from hydro to have a steady supply of electricity for social and economic development**. Government through Electricity Generation Company (EGENCO) Limited is reviewing and updating the feasibility study for the Project. The exercise will also include the production of detailed designs, tender documents, and assessment of the availability, quantity, and quality of local coal to determine an appropriate mix for the Project.

ii) Mining

69. **Malawi's geological records indicate that mining is one of the economic sectors that have the potential to diversify the economic base, increase foreign exchange cover and assist in the country's self-reliance.** In this regard, Government will continue to issue licenses to both local and foreign companies who are engaged in the exploration and mining of various minerals in the country. Further, Government has introduced some incentives to promote activities in the sector. Government will continue monitoring mining projects such as Kanyika Niobium Project in Mzimba; Maligunde Granite Project; Songwe Hill Rare Earth Project; Makanjira Heavy Mineral Sand Project; Duwi Granite; Tengani Heavy Mineral Sand; and Kangankunde Rare Earth project.

70. **Further, Government will continue creating a competitive and favorable working environment for mining companies and potential local and international mining investors.** Government will continue to implement the revised Act to attract investment in the sector. Government will also review the Mining Fiscal regime to ensure a coherent, standardized, and globally competitive fiscal regime through the design and implementation of suitable royalty and tax regulations. Government is using a modern computer-based mining cadastral system as a

platform for license processing and management of mineral rights in the country. Electronic Geodata Management Information System (GDMIS) is currently under trial at the intranet level.

71. **Government will continue to build and strengthen capacity in both human and institutional infrastructure relating to the mining sector.** This includes the procurement of modern geological mapping and mineral exploration equipment; mining and mineral processing inspection equipment; rehabilitation of mineral laboratories at the Geological Survey Department. The Ministry will support specialized geological and mining courses in tertiary institutions and training of a critical mass of officers at various levels in geological and mining courses.

72. **Artisanal and Small-Scale Mining (ASM) plays an important role in the socio-economic development of the country.** Government will continue to provide technical services to ASM in areas of geological information, prospecting, mineral identification, and value addition.

iii) Climate Change, Natural Resources, and Environmental

73. **Climate change poses a great risk to the socio-economic development of this country**. In this regard, in 2021/22 FY, Government will continue to implement adaptation measures as enriched in the National Adaptation Programmes of Action (NAPA), National Resilience Strategy (2017), and National Adaptation Plan (NAP) to enhance community resilience to the effects of climate change. Government, with guidance from the Nationally Appropriate Mitigation Actions (NAMAs) and National Climate Change Management Policy (2016), will continue to implement climate change mitigation interventions to reduce emissions of greenhouse gases in the country. Realizing that the availability of reliable and predictable funds is critical to the achievement of the objectives of the Climate Change and environmental related policies, plans, and strategies, Government intends to operationalize the National Climate Change Fund.

74. **Government will continue to promote the integration of environmental considerations into development projects to reduce environmental degradation**. Government will further operationalize the Malawi Environmental Protection Authority (MEPA) to enhance enforcement and compliance to the environment, natural resources, and climate change-related legislation in the country. Additionally, Government will continue to implement the National Clean-up initiatives and ban the use of thin plastics to enhance management of waste in the country.

75. **Malawi's biodiversity has a high economic value, locally, nationally, and globally**. Biological resources supply goods for consumption and production, as well as providing ecosystem services that provide the underlying support for human well-being and economic activity. To realize these benefits, Government will continue implementing programs aimed at promoting conservation, and sustainable use of genetic and biological resources in the country. This will be done through enhanced management of Invasive Alien Species and Living Modified Organisms (LMOs), promoting Access and Benefit Sharing (ABS) from genetic resources, and the valuation of ecosystem services.

76. **In 2021/22 FY, Government intends to develop and enact the National Meteorological Act**. This will result in the establishment of enabling legal framework that will enhance capacity for the provision, access, and utilization of weather, climate, and climate change services

77. **Government will also establish and strengthen the User Interface on the utilization of weather and climate services at the district level to effectively inform the production of tailored weather and climate services**. The plan is to deploy meteorological experts in every district to ensure the successful uptake and utilization of weather and climate information. It will also improve awareness of the importance and the socio-economic value of effective climate services.

78. **Government recognizes the contributions of forests to the economic growth of the nation.** Through the implementation of the National Charcoal Strategy and National Forest Landscape Restoration Strategy, Government will continue with the enforcement of the existing forest management legislation to protect and manage forest reserves, catchment areas, and promote tree planting and natural regeneration. The plan is to plant up to over 60 million tree seedlings on the customary estate and state-owned industrial forest plantations. This will be jointly done with several different stakeholders. A total of 700 hectares of natural regeneration is expected to be fully managed and protected by Government and surrounding communities. Government will also develop and implement the Reduced Emissions from Forest Degradation and Deforestation (REDD+) Strategy to support these efforts.

79. **Government will continue to harvest water to make it available for multipurpose use in rural and urban areas.** Government in 2021/22 FY will continue to develop water resources in

form of dams and high-yielding boreholes for multipurpose uses such as a network of piped water schemes for domestic purposes, irrigation, hydropower generation, and fish farming. Government will also increase water availability by promoting managed aquifer recharge.

80. **To provide information and advisory services on water-related developments.** Government will continue to generate water resources data and information on quantity and quality for both surface water and groundwater that is necessary for the water resources management and development by stakeholders.

81. **Government will continue to establish, maintain, and upgrade early warning systems response mechanisms on water-related disasters to minimize the negative impact on people's lives and their properties.** The Systems in 2021/22 FY will be improved through uupgrading early warning monitoring stations; training of staff and Committees on the early warning systems and conducting sensitization and awareness campaigns on water resources monitoring systems.

82. **In 2021/22 FY, Government will also continue with processes leading to the accession of the Zambezi Watercourse Commission (ZAMCOM) Agreement.** The agreement is aimed at improving the cooperation with riparian states thereby promoting equitable and reasonable utilization of water resources of the Zambezi Watercourse. Further, Government also recognizes the importance of credible water resource data. To this effect, the Government will pursue the Accreditation of the water quality testing methods for Sustainable Development Goals (SDGs) chemical contaminants in water and sanitation. This will increase confidence in generated water and wastewater quality data for national, regional, and international recognition.

iv) Fisheries Sector

83. **The implementation of the National Fisheries and Aquaculture Policy of 2016 will continue in 2021/22 FY.** Some of the outlined strategies and key reform areas to be implemented include development and implementation of sustainable control measures for the recovery of the over-exploited stocks like Chambo; promotion of investment in both small- and large-scale commercial aquaculture with specific consideration of production of quality feed with the participation of the private sector; reducing fish post-harvest losses and enhancing capacities of government institutions and communities in fisheries management and aquaculture development.

84. **Government will also continue to enforce fishing laws in Malawi.** Government will use the Vessel Monitoring System as an additional strategy for enforcing the fishing law**.** Further, the Department will finalize the review of the Fisheries Conservation and Management Act (1997) to take into account emerging issues in the sector such as climate change adaptation, social development, and decent employment as well as an ecosystem-based approach to fisheries management.

c) Industry and Trade

85. **In 2021/22 FY, Government will continue spearheading the development of the Investment and Export Promotion Bill.** The Bill aims at strengthening the legislative framework of the Malawi Investment and Trade Center. The Bill was approved by Cabinet in March 2019, however, it was withdrawn and will be resubmitted to Cabinet for reconsideration.

86. **The Government of Malawi continues to recognize the vital role of trade agreements in the economic development of the country**. The agreements are aimed at increasing market access for Malawian products and facilitating trade through various trade facilitation interventions. Consequently, Malawi has signed several bilateral, regional, and multilateral trade agreements, including preferential trade arrangements such as the Common Market for Eastern and Southern Africa (COMESA), the Southern Africa Development Community (SADC), the recently concluded African Continental Free Trade Area and bilateral regimes with China, South Africa, Zimbabwe, Mozambique, and Botswana. As a Least Developed Country (LDC), Malawi also benefits from development-focused pro-LDC trade agreements with the EU and USA, such as Everything But Arms (EBA) and the African Growth and Opportunity Act (AGOA), respectively. In 2021/22 FY Government will continue to participate in these agreements to enhance the country's economic fortunes.

87. **Government will continue to develop and review trade policies and strategies to guide sector operations and incorporate emerging sector issues.** Government in 2021/22 FY will finalize the development of the National Export Strategy II (NESII) (2021-2026) and the review of the National Investment Policy. The NESII is expected to improve and up-scale exports from Malawi to regional and international markets as well as capitalize on the preferential market access privileges that Malawi enjoys while the Investment Policy is expected to provide strategic

direction that would enable the Country to attract both domestic and foreign direct investment. Government will also continue to promote implementation of the Buy Malawian Strategy (BMS) to encourage the consumption of locally produced goods and services thereby contributing to job creation and safeguarding existing jobs.

88. **Government *will finalize the development of the Public Procurement and Disposal of Assets Act*.** Once gazetted, the Act will ensure more participation of Indigenous Black Malawians and MSMEs in public Procurement. Under the revised Act, Indigenous Black Malawian will be granted 60 percent and 40 percent others for the national competitive bidding.

89. **Government will continue to provide support facilities to the private sector for the export market through the Export Development Fund (EDF).** This support is meant to address challenges of limited access to financing for capital investment on export development. EDF facilities include export packing credit facility, venture capital facility, contract farming, and export agriculture facility, construction and export manufacturing guarantee and re-financing facility, hotel construction guarantee facility, project preparation facility, and Covid-19 trade impact mitigation facility.

d) Tourism

90. **Government through the Ministry of Tourism, Culture and Wildlife will continue to develop and promote tourism, and undertake conservation of wildlife and preservation of culture for the socio-economic development of the country**. The sector in 2020/21 FY was heavily hit by the measures that Government implemented to curb the spread of Covid-19 pandemic. Travel restrictions and closing of all borders negatively affected the local tourism industry resulted in an abrupt decline in international tourist arrivals and patronization of tourism facilities. The sector is slowly picking up and it is expected that the situation will improve greatly in 2021/22 FY on account of marked progress in Covid-19 vaccine distribution globally. Further, Government will continue to implement incentives to encourage local patronization of the tourism facilities such as the suspension of the Tourism Levy.

91. **Government recognizes the need to develop policies, strategies to guide the development of the tourism Sector.** Government with support from the African Development Bank (AfDB) is in the process of developing a twenty-five-year Tourism Investment Master Plan which will serve as

a central document for promoting tourism in Malawi. Government will continue with the processes aimed at amending the National Arts and Heritage Council Act, the Arts and Creative Industries Act, and the Museums and Heritage Act. Further, Government in collaboration with stakeholders will continue to implement reforms as highlighted in the National Tourism Policy such as the creation of the semi-autonomous Tourism Authority which helps in delinking the regulation and marketing functions.

e) Transport and Public Works

92. **Government policy and strategies in the transport sector will continue to be guided by the 20-year National Transport Master Plan (2017-2037).** The Master Plan guides the sustainable development of a multi-modal transport sector and has the following strategic objectives: (i) reduce transport costs and prices across all modes; (ii) improve the safety of transport infrastructure and services; and (iii) enhance and sustain passenger and freight transport systems.

93. **Covid-19 pandemic continues to negatively affect the transport sector including progress on infrastructure projects and reduction in consumption of transport services across all modes**. The transport sector is seen as a vector of the virus but at the same time critical to the delivery of essential commodities. To combat the spread, the Government will continue to institute control and preventive measures on passenger and freight services. The measures taken by Government will be enhanced by the regional harmonized guidelines.

i) Road Transport

94. **Government recognize the critical role that road transport plays in the transportation of goods and passengers in the country**. Government recognizes that there is a huge infrastructure deficit in the road sector of about 15,000 kilometres designated roads, only 5,000 kilometres is paved and there is a huge backlog in road maintenance leading to the poor condition of the road infrastructure. In 2021/22 FY, Government will embark on several road projects to preserve, and in some cases, upgrade the road network to standards and levels of service that would minimize operating costs.

95. **Further, Government has recognized the need to improve the capacity of selected urban roads in major cities.** Traffic congestion on urban road networks has increased substantially over the past decade. Traveling on urban roads during peak hours is characterized by slower speeds,

longer trip times, and increased traffic jams. To this effect, Government has planned to improve the capacity of selected urban roads in the four major cities of Blantyre, Zomba, Mzuzu and Lilongwe to reduce traffic congestion and travel time.

96. **Government will adopt measures to reduce road accidents and improve safety of road users.** To enhance testing of vehicle road-worthiness, Government will finalize works at Mangochi, Karonga, and Ngabu vehicle testing stations being undertaken in collaboration with PVHES. Government also intends to introduce a vehicle recovery system for broken-down vehicles that create safety hazards on the road. Further, Government will enhance the visibility of Road Traffic Officers and Police Traffic Officers on all roads coupled with the rolling-out of electronic road traffic law enforcement which will end spot fines and will allow the Directorate of Road Traffic and Safety Services (DRTSS) to identify frequent offenders and types of offenses to design appropriate interventions to improve safety. Government will continue to implement the revised Road Traffic (Miscellaneous Fees) and (Prescribed Offenses and Penalties) Regulations to enhance safety, improve the provision of its services and sustain the maintenance of the Malawi Traffic Information System (MalTIS).

97. **Government will continue to implement measures aimed at safeguarding road transport infrastructure**. In 2021/22 FY, Government will finalize construction of weighbridges at Nkhotakota, Dedza, and Bwengu which is in line with the Vehicle Load Management Strategy. Further, Government will relocate the weighbridges at Songwe and Mwanza border posts to comply with the Government directive on reducing the number of agencies at border posts.

ii) Railway Sub-Sector

98. **Government recognizes the need to improve the condition of railway infrastructure in the Country.** In 2021/22 FY, Government in collaboration with Central East African Railways Limited (CEAR) will continue to rehabilitate the Nkaya-Mchinji and Limbe-Sandama railway sections.

99. **Government recognizes the need to improve access to ports to reduce the landed costs of both imports and exports**. Government will construct the new Shire North Bridge in Balaka District and the new rail/road bridge on the Ruo river breakaway at Osiyana in Nsanje District.

These two bridges will reconnect Limbe to Marka in Nsanje and ultimately to Sena-line which connects to the Beira Port in Mozambique.

100. **In 2021/22 FY, Government intends to enhance efficiency in the railway sub-sector.** To this end, Government will separate the operational functions from regulatory roles. Government will resuscitate Malawi Railways (MR) 1994 Limited to manage rail operations and infrastructure in this country while the Department of Railways Services will be responsible for providing policy direction. The Company will be mandated not only to revive usage of the existing railway and expand to new areas but also to revamp the Railway Training Center.

iii) Inland Water Transport

101. **Government recognizes the need to scale up investment in inland water transport to ensure that all ports on Lake Malawi are accessible to ships.** Climate change has negatively impacted the sector with continuous drop of the lake water levels which has led to the closure of Chipoka Port.

102. **Government will also continue to construct, upgrade and rehabilitate port infrastructure.** Accessibility of several designated ports remains a challenge due to inadequate and in some cases dilapidated infrastructure. Government will continue to implement Likoma Jetty construction Project in the 2021/22 FY. Further, Government looks to rehabilitate Chilumba, Nkhatabay, and Chipoka Ports.

iv) Air Transport

103. **Covid-19 pandemic heavily impacted the air transport sector and its recovery is projected to take long.** In the large part of 2020/21 FY, commercial flights were suspended as a measure of containing the spread of the pandemic. Overall, the country's aviation industry lost an estimated MK134 billion in revenue during the period of the pandemic on account of business slowed down. Government will continue to monitor the situation and consult with experts on the necessary response to the pandemic by this sector.

104. **Government will continue to strive towards the sustainable development of an air transport sub-sector in line with the following strategic objectives of the NTMP:** Government will put in place internationally acceptable practices in tandem and in compliance with the International

Civil Aviation Organization (ICAO) standards and recommended practices; reduce air passenger fares and freight costs, and support and facilitate international and regional trade and tourism.

105. **Government will seek to operationalize the newly created Civil Aviation Authority (CAA) to regulate the aviation sector.** Government has already appointed a Board of Directors of the Authority. It is expected that the Authority will spur Malawi's ability to comply with international standards as set by regional and international bodies. The Authority will operate on a commercial basis and sustain itself partly from the revenues realized thereby reducing the burden on the national budget.

106. **Furthermore, Government has noted the need to devolve some of the functions to improve service delivery at the airports and the sector in general**. In this regard, Government intends to separate regulatory and safety oversight functions from the ownership, management, and operations. This will necessitate the creation of an Airports Company which can also be accomplished by expanding the mandate of Airports Development Limited (ADL). To inform this process, Government in the 2021/22 FY will undertake a functional review with financial and technical support from development partners.

107. **Government recognizes the need to meet international set standards on aviation safety and security.** Government will continue to implement infrastructure development programs to improve aviation safety and security with priority being given to the two primary international airports of Chileka and Kamuzu International Airports. Government will replace essential aviation safety and security equipment with support from the European Investment Bank (EIB) amounting to 21 million Euros.

v) Buildings Infrastructure

108. **Government will continue ensure that buildings projects are constructed, rehabilitated, and maintained to acceptable standards.** To this effect, Government will finalize the development of the National Buildings Policy and the Buildings Act. These two will incorporate climate resilience measures. Government will also work with the local councils and construction practitioners to ensure that the tools are implemented at local levels as well. Besides, the Department will continue to provide project management and technical support on the

construction projects namely: 1,000 houses for security institutions; Ntcheu, Mzimba, and Thyolo Stadium; and Blantyre Police office complex.

f) Labour and Employment Sector

109. **Government also recognizes the need to focus on job creation as one of the important channels for poverty reduction.** To pursue this aspiration, Government has finalized the development of the Decent Work Country Programme which is premised on four pillars namely employment creation, rights at work, social security, and social dialogue. Implementation of this program will help to achieve sustainable development goal number 8. Government will in 2021/22 FY, coordinate the implementation of a program to address the decent work deficits.

110. **It has been observed that there is an information gap between employers and the employees' force.** To address this problem, the Government in 2020/21FY established the Labour Market Information System and in 2021/22 FY, Government will fully operationalize the system. Related to this, Government will establish job portals beginning with the four cities. The Job portals will help job seekers to register and look for jobs electronically.

111. **Government noted that the economy has enormous potential to generate jobs if certain policy actions and incentives are implemented.** To this effect, Government has also embarked on a job-creation agenda in a more focused manner. The economic sectors identified to have enormous potential include agriculture, mining, tourism, manufacturing, and ICT. Furthermore, Government has developed the National Job Creation Strategy to streamline the implementation of this agenda.

112. **There is need for Government to improve the welfare and safety of employees.** To this end, Government is reviewing the Occupational Safety Health and Welfare (OSHW) Act. Government is also in the process of developing the Occupational Safety, Health, and Welfare Policy. Government in 2021/22 FY has plans to intensify OSHW inspections in all workplaces. Further, Government will establish a Workers Compensation Fund (WCF) to reduce delays in settling worker compensations as well as guaranteeing the availability of funds to handle work-related injuries. Furthermore, Government is in the process of developing the National Labour Migration Policy which will help in managing the challenges and harnessing the benefits of labour migration for socioeconomic development.

113. **Government recognizes the prevalence of child labour mostly in tobacco estates in Malawi. To this effect, Government** plans to abolish tenancy labour in the country. This would ensure that all tenants are employed just like any other employees and their conditions of service are subject to the country's labour laws. The abolition of tenancy labour will eventually result in a reduction of child labour. To inform the process, Government is conducting an economic analysis of the impact of abolishing tenancy labour.

VII. CONCLUSION

114. **Government anticipates that initiatives proposed herein will stimulate the recovery of the economy from the adverse impact of the Covid-19 pandemic and catalyze and sustain our inclusive wealth creation and self-reliance vision.** Emphasis will be to spur growth through prudent fiscal management with the view to manage rising public debt stock without necessarily crippling the much-needed investment in the proposed three pillars in the Malawi Vision 2063.