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ANNEX 4

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of Malawi for 2023

Action Document for Economic Governance for Investment – Tikuze Malawi

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Economic Governance for Investment – ‘Tikuze Malawi’ OPSYS ref.: ACT-61645 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes – Team Europe Initiative “Good governance for Malawi”
3. Zone benefiting from the action	The action shall be carried out in Malawi
4. Programming document	Republic of Malawi Multi-Annual Indicative Programme 2021-2027 ¹
5. Link with relevant MIP(s) objectives / expected results	The Action contributes to: Specific Objective 2.2: Enhancing economic governance; Expected result 2.2.1: Increased domestic revenue mobilisation, stronger control over public expenditure and revenue, as well as greater transparency and accountability in the use of public funds; Expected Result 2.2.2: Anti-corruption legal and institutional framework enhanced and implemented. Specific Objective 2.3: Improving the investment climate and business environment; Expected Result 2.3.1: Improved business environment and investment climate, contributing to increased sustainable private and public investments, in particular in employment generating sectors
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority area 2 – Democratic and economic governance <i>Government & civil society-general (151)</i> <i>Business & Other Services (250)</i>
7. Sustainable Development Goals (SDGs)	Main SDG : SDG 8 (Decent work and economic growth); Other significant SDGs: SDG 1 (no poverty), 9 (Industry, Innovation and Infrastructure), 10

¹ Commission Decision adopting a multiannual indicative programme for the Republic of Malawi for the period 2021-2027, C(2021)9116 of 21 December 2021.

	(Reduced Inequality), 12 (Responsible Consumption and Production), 16 (Peace and Justice Strong Institutions)			
8 a) DAC code(s)	25010 - Business policy and administration: 50% 15113 - Anti-corruption organisations and institutions: 25% 15111 – Public finance management: 25%			
8 b) Main Delivery Channel	Donor Government – 11000 Private Sector Institutions - 60000			
9. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective
Digitalisation @		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services		YES <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	/
Connectivity @		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital connectivity energy transport health education and research		YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	/
Migration @		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Reduction of Inequalities @		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2023-14.020122-C1-INTPA Total estimated cost: EUR 22 000 000 Total amount of EU budget contribution EUR 22 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Direct management through Grants and Procurement Indirect management with entrusted entity in accordance with the criteria set out in section 4.4.			

1.2 Summary of the Action

Malawi is a landlocked, low-income country, highly vulnerable to external shocks, with an economy primarily based on rain-fed farming and primary transformation activities. A low manufacturing sector base, undiversified export basket, and dismal foreign investment inflows, among other factors, hold back its development. The business environment and investment climate are constrained by underdeveloped power supply, limited access to finance, low-skilled labour, high transport costs and low level of regional integration. Entrenched corruption, uncompetitive practices coupled with cumbersome tax administration and unpredictable regulatory environment discourage new entrants and stifle growth of existing businesses.

This action aims to improve Malawi's economic governance for increased investment, thereby bolstering private sector growth and creating more and better jobs. Specifically, the action rests on two interlinked and complementary components: 1) improving the business environment and 2) improving efficiency of anticorruption and antifraud systems. This will be achieved by improving 1.1 investment promotion and facilitation in key sustainable value chains, 1.2 quality certification and management system, 1.3 fairness and competition of the domestic market, 1.4 institutional capacity on access to finance systems for private sector productivity, 2.1 institutional capacity and inter-agency coordination of key institutions fighting corruption and fraud and 2.2 capacity of civil society to demand transparency and accountability from duty bearers.

It will address the key challenges of the country's economic development while complementing the other ongoing impactful programmes funded by the EU and Member States in a Team Europe approach (entrepreneurship, energy, Public Finance Management, skills development, access to finance and food systems). The action contributes to the Team Europe Initiative on good governance and to the objectives of Global Gateway, aiming at an enabling business environment and robust public finance management. Ultimately, the action will set the foundations for a mature EU-Malawi partnership focussed on realising the untapped economic potential and exploring the opportunities that can further strengthen economic ties with EU countries.

2 RATIONALE

2.1 Context

Development progress in Malawi has been very limited over the last decade, with Malawi's real per capita GDP growing at an average of 4.7% per year between 2010 and 2021. Malawi is a low-income country, with one of the highest incidences of poverty, food insecurity and is highly vulnerable to frequent weather shocks. The country has an economic structure that is primarily based on the agriculture sector. 83% of the population is living in rural areas and agriculture represents 85% of employment and 90% of foreign exchange earnings. The country is very dependent on subsistence, rain-fed farming and primary transformation activities, characterised by low productivity, high vulnerability to climate change and small size landholdings, and is unable to meet increasing domestic and export demand. Industry is undersized and declining whereas the service sector is gradually expanding its share of GDP, accounting for more than 50% of GDP, albeit mainly on wholesale and retail trading of imported products. Factors hindering economic development include limited access to finance,

corruption, unclear and bureaucratic business related procedures, high transport costs, low connectivity, low levels of regional integration and underdeveloped energy networks that are largely inaccessible to the population, among others. The necessary business environment for private sector to deliver on its potential is therefore not present.

Malawi is today in a critical situation, with several shocks impeding Malawi's recovery from the pandemic and exacerbating pre-existing challenges that have raised uncertainty and dampened growth and social outcomes. Early 2022, the tropical storm Ana caused severe flooding, directly impacting about 5% of the population across 18 districts, and whose damages are estimated at 1.5-2.7% of GDP. In addition, the Russian aggression against Ukraine is impacting severely the country, in particular through rising commodity prices, higher production costs, and higher borrowing costs. As a consequence, risks to the Malawian economy are decisively tilted to the downside, with GDP growth estimated at 2.1% for 2022 from an earlier estimation of 3.5%. In 2022, inflation is projected to rise by 22.5%² (from 9.3% in 2021), fiscal deficit to reach -9.1% of GDP (from -7.1% in 2021) and public debt to reach 77% of GDP (from 64.1% in 2021). The trade deficit increased by US\$86 million, to more than US\$2 billion in 2021 leading to a deterioration of the current account deficit to 13.1% of GDP in 2021, up from 12.4% in 2020, reflecting a sharp increase in imported commodities and weak export growth. This has generated an acute shortage of reserves of foreign exchange, amounting to only USD 10 million (Oct. 2022), or two days' import coverage causing acute shortages of fuel, fertilizer and other essential commodities.

Overcoming the economic and financial crisis requires addressing urgent balance of payments needs, consolidating economic adjustment and fast tracking the implementation of structural reforms geared to stimulate private sector-led growth. The authorities are currently showing strong commitment to implement prudent macroeconomic policies and stronger fiscal discipline, which, together with the ongoing debt restructuring process, is expected to restore macroeconomic stability and debt sustainability, which are essential to foster higher sustainable growth and realise its aspirations as laid down in the country's long term blueprint, Malawi 2063, with a goal to be an inclusively wealthy and self-reliant industrialised upper-middle-income country by the year 2063.

Launched in 2021, Malawi 2063 is anchored to the global Sustainable Development Goals (SDGs), the continental Agenda 2063, and the strategies of the Regional Economic Communities to which Malawi belongs. It intends to promote rapid structural transformation, economic growth and governance, sustained and inclusive development, economic independence, social justice and the rule of law. It identifies private sector dynamism as one of the core enablers and throughout it refers to corruption as a main obstacle to development. It ambitions that Malawi shall position its economy as a competitive player on the global market, exporting services and manufactured goods, as well as advancing technology. Achieving these goals largely depends on attracting productive investment, domestic or foreign while combatting corruption and fraud as a basis for a fair and competitive market. To that regard, Malawi's key policy frameworks are the National Export Policy (NES II, 2020) in which government sketches its investment policy, and the National Anti-Corruption Strategy (NACS II, 2019).

In line with Malawi 2063, the EU Multi-annual Indicative Programme (MIP) for 2021-2027 has the broad purpose of supporting the development of an inclusive, wealthy and self-reliant nation, capable of progressing beyond its need for assistance, and thereby improving the lives of all Malawians, consistent with the EU's strategic interests and values. More specifically, under its priority area 2 – Democratic and Economic Governance, it includes as specific objective 2 “enhancing economic governance” and specific objective 3 “improving the investment climate and business environment”.

The Action will contribute to removing barriers to the full participation of women in economic activities, hence contributing to gender equality and the Gender Action Plan III (2021-2025).

² This is a conservative estimate given that the inflation was recorded at 25.9% in September 2022.

2.2 Problem Analysis

Changing Malawi's development path requires improving its economic governance system, which is one of the main conditions for all other efforts of the country to achieve sustainable development. It holds the potential to deliver tangible benefits for the country by forging a private-sector led growth and the emergence of a more diverse and dynamic business sector, less dependent and interwoven with the public sector and free from corrupt and fraudulent practices.

Yet, private sector support agencies and accountability institutions are unable to execute their functions efficiently and effectively due to limited technical knowledge, limited human and financial resources, in addition to insufficient coordination between stakeholders. The private sector at large also lacks technical capacity to expand their business, in particular to regional and global markets, whereas international companies do not consider the country an attractive market. Moreover, cartelisation of the economy in many crucial sectors is a real issue, both at national and regional level, while corruption is entrenched at all levels of society.

Business environment challenges

The enabling environment for private investment remains weak. In 2022, Malawi was ranked 131 among 161 countries with a score of 53.0 in the Economic Freedom Index³, falling in the 'mostly unfree' category, maintaining its 2021 score of 53.0, and slightly improving from its 2020 score of 52.8. The country is also performing poorly on the World Bank's Global Competitiveness Index (GCI)⁴, ranking position 132 out of 151 economies in 2017, against a best performer in the region, which ranked at position 45. The country's performance on the GCI has been on a continuous downward trend since year 2011 when it registered a value of 3.58 in 2011, while registering a value of 3.11 in 2017, entailing shrinking productivity in the economy. Although Malawi is open to foreign investment, FDI inflows remain limited compared to other countries in the region, falling from \$116 million in 2016 to \$50 million in 2021. Malawi's low investment level means that there are still significant investment opportunities across the economy. Investment opportunities exist in practically all sectors, in agriculture, energy, mining, tourism, manufacturing, agro-processing, infrastructure, water, environment, climate change adaptation and mitigation, amongst others, that could make significant contributions to growth, revenues and development in the future. Existing investments in these sectors are mostly operating below capacity and producing products and services not commensurate with the quality demands of consumers, in addition to the fact that Malawi's regional markets are also growing quickly. However, investment promotion programmes, which are led by the Malawi Trade and Investment Centre (MITC), have been relatively weak. Its investment promotion strategy continues to rely on untargeted sector profiling and participation in investment fairs and exhibitions, and is further compromised by limited resources and lack of technical information. Additionally, the MITC is unable to execute its mandate effectively due to weaknesses in the legal framework that govern its operations and due to weak linkages between the Investment and Export Promotion Act and that of government Ministries and departments that also interact with investors. This compromises the investment promotion and facilitating role of the MITC, leading to poor handling of investment cases, and a poor investment environment overall. A transition to a more targeted approach is required alongside upgrading of the entire investment services framework from investor identification through attraction, investor entry and establishment, investor retention and expansion and domestic linkages.

Most of Malawi's private enterprises (of which 90% are informal) provide goods and services sold directly to final consumers on the domestic market, and are not well integrated into regional and global

³ Categories under this index are 'Free', 'Mostly Free', 'Moderately Free', 'Mostly Unfree', 'Unfree', and 'Repressed'. The index is derived at based on 12 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom: (i) Rule of Law (property rights, government integrity, judicial effectiveness); (ii) Government Size (government spending, tax burden, fiscal health); (iii) Regulatory Efficiency (business freedom, labour freedom, monetary freedom); and (iv) Open Markets (trade freedom, investment freedom, financial freedom). <https://www.heritage.org/index>.

⁴ A highly comprehensive index, which captures the microeconomic and macroeconomic foundations of national competitiveness. Competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country.

value chains. Malawi's trade and current account are thus structurally imbalanced, with imports accounting on average more than twice the country's exports. Although there is a myriad of constraints to exporting, particularly important is the lack of access to conformity assessment support services, which would allow local firms to certify that their products meet the standards demanded in regional and international markets through third party, recognised accredited services.

The cost of capital in Malawi is very high, with interest rates above 30% even for the largest corporate clients. This is partly due to the high volumes of lending to the Government, which increases the rates and reduces the availability of credit for other potential borrowers (crowding out). Furthermore, the financial sector is dominated by two large players, which enables collusion (see below). The largest banks enjoy high levels of profitability, supported by large holdings of lucrative treasury bills and their narrow focus on the large corporate sector. Finally, the Reserve Bank of Malawi having opted for a tight monetary policy in the context of rising inflation continues to increase the policy rate.

In sectors where a few large firms have captured economic opportunities there is often a high degree of market concentration and many signals of extensive collusion operating through industry associations exchanging information, inter-firm agreements and lobbying government to distort notionally developmental policies for private benefit. Most of the critical sectors are thus dominated by cartels and other forms of competition constraining practices and structures. This is evident in construction industries, mobile telephony, retail, insurances and agricultural value chains. Lack of competition is leading to increased prices for key goods and services, which has a knock-on effect for small businesses and stifling innovation. The current competition framework does not give the Competition and Fair Trading Commission (CFTC) effective tools to create a competitive interface with other regulatory bodies in the economy, rendering the CFTC ineffective in its role in promoting competitive business practices and contributing to improving the business environment. Moreover, CFTC imposed fines, which are much too low⁵ to prevent anti-competitive practices. Additionally, political sensitivities exist in the competition landscape as private entities either are owned by politicians or have the ability to influence political support to promote anticompetitive business practices. Finally, there is lack of formal competition training in Malawi's tertiary education curricula as well as limited competition jurisprudence in Malawi, with relatively dismal training on competition done to judges and technical staff in the judiciary. According to CFTC, there is currently only one judge who is trained accordingly and therefore understands and can adjudicate in competition cases.

Another key challenge lies in the degradation of diminishing natural resources that are unsupported by sustainable business models. Malawi's natural resources base is subject to increasing pressure as a result of high population growth, unsustainable agricultural practices, poverty and a lack of environmental awareness. The result is increased degradation of the environment, with significant loss of soil fertility, soil erosion, serious deforestation, water depletion, pollution and loss of biodiversity. The private sector predominantly uses linear business models, but could play a major role in transitioning the economy and contribute to more sustainable development. This could be achieved through adopting greening business models that are environmentally and socially inclusive, which could lead to profitable ventures. Adoption of circular business models such as promotion of biogas technology, e-waste management, promoting green manufacturing and eco-industrial zones and green standards and labelling in the tourism industry go a long way in contributing towards sustainable development. Yet the authorities are still to develop a robust framework of relevant fiscal and financial incentives to initiate and support the green economic transition of the private sector.

While the Government is keen on developing private sector led growth through an enabling environment, many bottlenecks remain. It is therefore pertinent to address some of the key challenges and enhance private sector productivity by among others, providing affordable access to finance with conducive repayment conditions to companies, supporting conformity assessments to facilitate acceptability of Malawi's exports to regional and international markets, supporting the country's investment promotion and facilitation efforts, and encouraging competitive and fair trading practices in business.

⁵ Most of the time fines amounted to circa EUR 500.

Corruption and fraud

Corruption remains a major challenge for firms operating in Malawi. Corruption, fraud, bribery of public officials, illicit payments, misuse of funds, and conflicts of interest are widespread. The Anti-Corruption response in Malawi is at a critical juncture, having, on one hand, sworn promises by the ruling party to an active citizenry to decisively address grand corruption in Malawi, and on the other, relatively young and/or under-capacitated institutions. The ruling Government has, since coming into power in 2020, primarily dealt with corruption risks through creation and emboldening of a solid policy, legal and institutional framework and formalised strategies and procedures, including with regard to public finance management. Malawi has legal tools with far-reaching asset recovery regimes – both conviction- and non-conviction-based forfeiture, a confiscation fund and an asset forfeiture unit as well as an appropriate balance between prevention and law enforcement.

While the existing legislative scheme is relatively solid, largely capable of delivering valuable outcomes, in terms of prevention, disruption and deterrence of corrupt and fraudulent behaviours, enforcement is insufficient and slow. Such frameworks often lend themselves to medium- to long-term effects and may not readily meet the public and political call for immediate responses. To its credit, ACB has pursued quick wins including those that may not be politically palatable in addition to medium- and long-term strategies. As a result, a number of high-profile individuals in the previous and ruling governments have resigned, been suspended, relieved of their duties and/or held in custody. The Government has also made significant progress with regard to public finance management, including with the revision of the outdated PFM act in 2022, geared to better control fraud and corruption. These efforts notwithstanding, there is a shared understanding that more is needed at the political and communication level (in particular in terms of strengthening the communication efforts of the key anticorruption institutions) and from accountability institutions in order to exhaustively address fraud and corruption. Furthermore, the solid legal framework in place is reliant on commensurate institutional and operational capacity. All accountability, oversight and law enforcement institutions face common challenges, though with variances across institutions. These common challenges include insufficient operational resourcing, inadequate ICT capabilities and specialized technical skills, and weak coordination and inter-agency collaboration at the strategic and operational levels.

Stakeholders

The key institutional stakeholders comprise the Ministry of Industry and Trade, the Ministry of Justice, the Ministry of Finance and Economic Affairs, the Malawi Investment and Trade Centre, the Malawi Bureau of Standards, the Competition and Fair Trading Commission, the Malawi Agricultural and Industrial Investment Corporation, the Presidential Delivery Unit, the Judiciary, the Anti-Corruption Bureau, the National Audit Office, the Financial Intelligence Unit, the Office of the Director of Public Officers Declarations, the Government Contracts Unit, the Public Procurement and Disposal of Assets Authority, the Malawi Revenue Authority, Private sector led institutions and other civil society organisations. Their respective mandates, potential roles and capacities are summarised as follows:

Stakeholders relating to Business Environment:

Stakeholder	Mandate	Role and capacities
Ministry of Trade and Industry (MoTI)	Responsible for developing policies that would create economic regulatory environment conducive to promoting industry, trade, and private sector development in Malawi. Also responsible for overseeing implementation of the policies by respective government departments.	Lead for the business enabling environment component. It is responsible for providing oversight to policy implementation related to trade, industry, and private sector development.
Malawi Investment and Trade Centre (MITC)	A government parastatal organisation, operating under the Ministry of Trade and Industry. Mandated to promote, attract,	A strategic entity for Malawi's structural transformation. Its successful execution of functions will contribute to addressing the country's

	encourage, facilitate and support local and foreign investment in Malawi. It is also mandated to promote the country's exports.	current macroeconomic challenges. It however lacks the political empowerment, the technical capacity and operational resources to execute its functions effectively.
Malawi Bureau of Standards (MBS)	A statutory organisation operating under the Ministry of Trade and Industry, with a mandate to promote metrology, standardisation and quality assurance of commodities and of the manufacture, production of products in Malawi.	MBS has operational independence thanks to its ability to generate own resources from its service offer. However, it lacks technical capacity to deliver on its mandate and facilitate private sector growth.
Competition and Fair Trading Commission (CFTC)	A statutory organisation operating under the Ministry of Trade and Industry. It has the mandate to regulate, monitor, control, raise awareness and prevent acts or behaviours, which would adversely affect competition, fair-trading and consumer welfare in Malawi.	CFTC operates independently but lacks sufficient resources to bring significant change in the sector. It is also hampered by conflicting sector specific rules and regulations that compromise its effectiveness.
Malawi Agricultural and Industrial Investment Corporation (MAIIC)	A Development Financial Institution in Malawi. It is a partnership between Malawi Government, the private sector, and international investors. It is mandated to support commercially viable investments in the public and private sectors of the economy to consolidate and promote growth.	Of recent creation, it requires institutional strengthening towards facilitating access to finance for enhancing private sector productivity.
Presidential Delivery Unit (PDU)	A unit under the Office of the President and Cabinet (OPC) responsible inter alia for accelerating implementation of prioritised business reforms in the country	Having organised consultations with private sector, it will have to ensure implementation of and follow-up to the resulting recommendations.
Non-state actors (NSA)	This constitutes private sector led institutions, civil society organisations, academia, and professional associations among others.	To undertake advocacy and analytical work on anti-competitive business practices, NSAs will require support.

Stakeholders relating to corruption and fraud:

Stakeholder	Mandate	Role and capacities
Ministry of Justice	Represents the Government in civil litigation cases and prosecutes criminal cases on behalf of the State, drafts legislation, and vets agreements and treaties on behalf of the government.	Co-lead of the component related to the fight against corruption. Beneficiary of technical assistance in particular to strengthen its Asset Forfeiture Unit, which is responsible for the management of seized and confiscated assets and the realisation of proceeds in corruption cases.
Ministry of Finance and Economic Affairs	Responsible for economic and fiscal policies and strategic guidance on economic and development planning.	Co-lead of the component related to anti-fraud. Beneficiary of technical assistance to prevent fraud in public

	The MoFEA leads the PFM reforms agenda.	expenditure, in particular focussing on strengthening IFMIS implementation.
Anti-Corruption Bureau (ACB)	Malawi's leading institution for the fight against corruption, tasked to investigate and prosecute persons engaged in corrupt practices, raise awareness of corruption and its effects and prevent corruption through support and advice to organisations on systems and procedures.	ACB has autonomy and moderate operational independence to perform its core functions. It is well structured and operates in a secure environment – though operational resources are a critical constraint that is undermining its activities.
The Judiciary	System of courts that adjudicates legal disputes/disagreements and interprets, defends, and applies the law in legal cases. It leads the establishment of the financial crimes court.	Its capacities for the operationalisation of the financial crimes court, as well as for handling of competition related cases, need strengthening.
National Audit Office (NAO)	Supreme audit institution of Malawi responsible for providing assurance services on accountability, transparency, integrity and value for money in management of public resources through quality audits	NAO is an independent public spending watchdog, which lacks sufficient resources, equipment and human capital to deliver efficiently on its mandate.
Financial Intelligence Authority (FIA)	Government organ responsible for receipt, request, analysis and evaluation of reports and dissemination of financial intelligence and other relevant information to Law Enforcement Agencies.	FIA has autonomy and operational independence to perform its core functions but needs more resources to strengthen its capacity to support the emerging focus on complex financial crimes investigations.
Office of the Director of Public Officers Declarations (ODPOD)	Malawi's public body responsible for the national database for asset declarations by public officers in Malawi, established to promote public confidence in the public service by receiving, verifying and publicising listed public officers' declarations.	ODPOD has autonomy and operational independence guaranteed by the Public Officers Act, but lacks financial and institutional capacity to deliver on its mandate. It is also a relatively young institution, established in 2014.
Malawi Revenue Authority	Government agency responsible for assessment, collection and accounting for tax revenues.	MRA supports anti-fraud activities with regard to tax collection, which area needs further strengthening.
Public Procurement and Disposal of Assets Authority (PPDA)	Malawi's public institution responsible to monitor and oversee all public sector procurement activities.	PPDA has autonomy and operational independence guaranteed by the Public Procurement and Disposal of Assets Act (2017), but lacks financial and institutional capacity to deliver on its mandate.
Government Contracts Unit (GCU)	Located in the Office of the President (OPC), GCU is responsible to review, consider, vet, negotiate and pass contractual proposals before they are	GCU lacks financial and institutional capacity to deliver on its mandate.

	concluded on behalf of the Malawi Government.	
Non-state actors (NSA)	These consist of private sector led institutions, civil society organisations, academia, and professional associations among others.	To undertake advocacy and analytical work on anti-corruption NSAs will require support.

The EU and Member States have ample experience with interventions towards sustainable development and economic governance, in particular Germany, Ireland and the Belgian region of Flanders. Currently, the EU and Member States in a Team Europe approach support job creation and sustainable growth, circular economy, agribusiness and value chain development, access to finance, skills development, energy and PFM. Therefore, the action complements these ongoing interventions of the EU and Member States and enhances the outcomes and results of the Team Europe Initiative “Good governance for Malawi”.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective of this action is to improve Malawi’s economic governance for increased investment.

The Specific Objectives of this action are to:

- SO1: Improve Malawi’s business environment
- SO2: Improve efficiency of anticorruption and antifraud systems

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are:

- Output 1.1: Improved investment promotion and facilitation in key sustainable value chains
- Output 1.2: Improved, gender sensitive, quality certification and management system
- Output 1.3: Improved fairness and competition of the domestic market
- Output 1.4: Improved institutional capacity on, gender sensitive, access to finance systems for private sector productivity

- Output 2.1: Improved institutional capacity and inter-agency coordination of key institutions fighting corruption and fraud
- Output 2.2: Enhanced capacity of civil society to demand transparency and accountability from duty bearers

3.2 Indicative Activities

Activities relating to Output 1.1: Improved investment promotion and facilitation in key sustainable value chains

Possible value chains include Agri-value addition, packaging, circular economy, and services.

- Strengthen institutional capacity to promote and facilitate investments, including support for a new National Investment Promotion Strategy, Investor Services Framework, and a revised incentive framework for investors, with a particular focus on green investments and business models
- Support the organisation and undertaking of targeted investment promotion meetings

- Support for change management, governance and leadership, and communication activities of key public and private stakeholders to foster a culture of performance

Activities relating to Output 1.2: Improved, gender sensitive, quality certification and management system

- Strengthen institutional capacity to provide internationally recognised conformity assessment services, (product certification, inspection and associated testing services) and expand the scope of accreditation to cater for new industry with high potential;
- Accompany the private sector in targeted value chains to comply with adequate standards required to access regional and global markets, allowing Malawi to access the so much needed foreign exchange. Affirmative action will be accorded to female headed private sector entities, and those entities with female employees in key positions.

Activities relating to Output 1.3: Improved fairness and competition of the domestic market

- Improved institutional capacity to oversee and regulate competition, including by supporting the revision of the Competition Law and its implementation; and adoption of new enforcement systems;
- Increased awareness, capacity and informed advocacy on fair competition practices.

Activities relating to Output 1.4: Improved institutional capacity on, gender sensitive, access to finance systems for private sector productivity. The output will support capacity strengthening of MAIIC to enable the institution provide better services to private sector in relation to provision of long-term financing for productive investment ventures.

- Improved institutional capacity to capital mobilisation, operationalisation and management of financing portfolios;
- Improved institutional capacity on conducting assessments and operationalisation of large transformative projects, and mobilisation of capital.

The institutional capacitation will ensure no less than 40% of benefiting persons be female.

Activities relating to Output 2.1: Improved capacity and inter-agency coordination of key institutions fighting corruption and fraud

- Institutional and operational support to anti-corruption institutions to enforce their mandate, with a focus on investigation and prosecution (e.g. wealth investigations and lifestyle audits, mobile accountability clinics, etc...)
- Support the operationalisation of the financial crime court and the management of seized and confiscated assets and ensure the realisation of proceeds in corruption cases
- Institutional capacity building of key institutions to foster the prevention of fraud and corruption, in particular focussing on asset declaration, public procurement, public expenditure management, revenue collection, internal controls, audits, and the implementation of the wider PFM reform agenda,
- Support inter-agency collaboration, governance and leadership, and strategic communication activities of key institutions, with a focus on women's empowerment
- Support effective and secured ICT systems to enhance digitalisation and automation of internal processes and to foster systems interoperability.

Activities relating to Output 2.2: Enhanced capacity of civil society to demand transparency and accountability from duty bearers

- Strengthen civil society to provide evidence and generate policy-oriented research for informed decision-making and enhanced accountability from duty bearers.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from the EU and Member States. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action aims to reduce gender gaps by mainstreaming women's economic and social empowerment throughout the different activities of the action. It acknowledges the potential role women can play to contribute to economic growth and job creation in the private sector as well as with regard to change management and leadership and in the fight against corruption. Corruption and anti-competitive business practices help perpetuate gender inequalities in political participation and public sector positions and in industry, which in turn can lead to the implementation of policies and decisions, which fail to address issues faced by women and girls. The action intends to help address gender inequality and enhance opportunities and spaces for women's empowerment and to ensure their involvement in decision-making processes, by promoting women's participation throughout the programme activities. All training and capacity building interventions will be required to be gender balanced, both when it comes to participants and those providing training, to the extent possible. All implementing partners will be required to disaggregate data by gender where appropriate. Private sector entities headed by females, and employing females in key positions will be prioritised in receiving support towards quality certification.

Human Rights

Corruption and anti-competitive practices negatively undermine the fairness of institutions and process and distorts policies and priorities. It thus affects the enjoyment of human rights - civil, political, economic and social as well as the right to development - which underscores the indivisible and interdependent nature of human rights.

The action will implement a Human rights-based approach by the respect of the five working principles in all the phases and processes of the action: respect to all human rights, accountability, transparency, non-discrimination and participation. It will also abide by the 'do no harm principle' to avoid unintended negative impact in terms of human rights.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action is not specifically targeting persons with disabilities, even if the latter will potentially benefit from the action as the improvement of economic governance is expected to have a positive impact on the country as a whole and its people.

Reduction of inequalities

Limited growth and slow pace of structural transformation, coupled with rapid population growth and frequent external shocks, have contributed to the high and stagnant rates of poverty and inequality over the past decade, which have been further exacerbated by the Covid-19 pandemic. This action will bring foreign companies to invest in Malawi, and encourage productivity of existing companies for export and for import substitution. This is expected to create direct and indirect employment in various sectors of the economy including the primary sector and the service sector, and will ultimately contribute to improving people's livelihoods and reduce inequalities.

Democracy

Good economic governance and the fight against corruption are essential elements of democracy and rule of law. This action aims to empower individuals to meaningfully participate in the country's economic development and to provide them with more and better economic opportunities and prospects.

Disaster Risk Reduction

The action will take into consideration the high vulnerability of Malawi's economy to extreme climate shocks, such as tropical storms and cyclones, in particular when identifying sustainable value chains for investment. The action will also encourage green investment and circular economy related investments, and the introduction of standards related to sustainability. This will contribute to the resilience of the people and of enterprises to climate shocks and a more sustainable use of natural resources.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood	Impact	Mitigating measures
External environment	Political disruptions and loss of political commitment fuelled by the 2025 elections, taking away the focus on business environment and anti-corruption priorities	Medium	High	Maintain sound political dialogue and engagement with government officials at the highest level
External environment	Political interference affecting independence of oversight and justice institutions (in particular the ACB) and insufficient cooperation between key institutions	High	High	Maintain political dialogue to address external influence, support for institutional capacity building and coordination facilitation between oversight institutions. Ensure conditions for stronger demand for access to justice and accountability. Ensure flexibility in the planning and implementation of activities.
External environment	Political interference affecting the operations of the MITC, CFTC, MBS, PDU, and MAIIC	High	High	Maintain political dialogue to address external influence, incorporate public awareness and sensitisation of the need for improvements in the systems and processes in order to ensure conditions for stronger demand for an improved business environment.

External environment	Macroeconomic situation does not improve, and country remains high risk for financing & investment	High	High	Maintain technical dialogue with Ministry of Finance and relevant DPs including the IMF on improving the macroeconomic situation.
Planning, processes and systems	Resistance in the responsible key government departments to adopt new and better ways of executing their functions.	High	High	Maintain sound political dialogue and engagement with government officials at the highest level, ensure sound monitoring of activities, and provide support to institutional capacity building, including change management programme.

Lessons Learnt:

After two decades of support to governance in Malawi, the major lesson learned from previous EU programmes is that support to institutions alone will have limited results if not paired with the genuine interest from Government counterparts. Past experience, also clearly signal the need for greater result-oriented interventions and culture of performance and that programmes work best when they include a focus on improving coordination, collaboration and cooperation amongst role players. Similarly, insufficient account was often taken of the public sector environment, where it is difficult to recruit and retain skilled people, the incentives for institutional change are very low and equipment, in particular IT, is particularly limited.

Against that background, this action benefits from the highest political interest (private sector, investment, exports, anti-corruption, etc...), as repeatedly highlighted by the Malawi authorities⁶ and enshrined in the country's long term blueprint "Malawi 2063", launched in 2021, and its first implementation plan, thus mitigating risks of insufficient interest from the government, at least until the next presidential election in 2025. The action focusses also on enhancing coordination among the key institutions, while also fostering performance with specific change management support to achieve results. This will also be supported by the supply of equipment, in particular IT, in order to foster digitalisation and e-governance. Moreover, the following will be duly taken into account during implementation:

- Elaborate for any type of intervention a comprehensive and sound planning well in advance;
- Define precisely the project's stakeholders, scope, quality baseline, deliverables, milestones, success criteria and requirements, in consultation with all relevant stakeholders;
- Foster accountability by communicating clearly expectations and monitor closely progress;
- Anticipate risks and include risk modifiers where relevant.

Last, as it is essential to transfer the external drive for accountability (often from development partners) to domestic entities to ensure that checks and balances are institutionalised at all levels, the action will strengthen citizen's voice and participation in governance as well as CSOs' capacity in research and issue-based interventions.

3.5 The Intervention Logic

This action aims to improve Malawi's economic governance, to foster sustainable private sector-led growth and investment, creating more and better jobs. It addresses the challenges of Malawi's business environment and investment climate, which are compounded by fraud and corruption, in a

⁶ These priorities were prominent in the discussions with EU Commissioner for International Partnership during her visit to Malawi in October 2022.

complementary manner with the ongoing interventions and initiatives of the EU and the Member States, also in a Team Europe approach. The underlying intervention logic for this action is the following:

With strong institutional capacity and strong commitment among key sector stakeholders, Malawi's aspirations for a dynamic private sector, increased investment and a competitive market free of corruption and fraud, will be realised, legal and institutional frameworks operationalised and related agencies will fulfil their respective mandates with increased efficiency and transparency as well as improvement of service delivery. This assumes that the sector stakeholders are fully engaged and motivated to improve and implement the regulatory framework, and to collaborate among each other, which requires in turn that proper operational means and equipment are available and a sound culture of performance is in place. The success of these outcomes will also largely depend on the holding of the assumptions that the political environment will continue to be conducive for increased accountability and transparency, with sound commitment from the authorities for the implementation of reforms and enforcement of existing policies, and the relevant institutions avail sufficient resources to operate, including to develop and use proper digitalised processes and platforms.

Managing change requires understanding of the power structures including informal rules shaped by cultural influence and how to incentivise change. It is seldom a linear relationship between cause and effect but needs careful consideration regarding chosen approaches with iterative reflections and corrections to move forward. In this context, it will be important to maintain a degree of flexibility to adapt programme activities and focus to the feedback from the iterative approach or changes in the political economy.

Moreover, the inclusion of support to accountability interventions is important to create domestic and sustained demand for transparency and accountability replacing the external request for accountability from Development Partners. This is an important element for the overall framework of checks and balances in Malawi. Further, successful implementation of reforms also depends on changing the nature of the incentives and the relative power and ability of different interest groups to influence key decision makers. In this regard, the role of civil society pressing for change is an important element. Thus, strengthening the information, monitoring and advocacy role of civil society as well as the involvement of private sector holds great opportunities to promote reforms.

Last, this action should also be understood as a catalytic programme, leveraging other ongoing and future programmes from the EU and Member States in a Team Europe approach. As such, it contributes to the Team Europe Initiatives on good governance and green growth and to the objectives of Global Gateway, aiming at an enabling business environment and robust public finance management. It also supports the Malawian authorities in delivering on their commitments agreed in November 2022 with the IMF in the framework of the Staff Monitored Programme with Executive Board involvement. Ultimately, the action will set the foundations for a mature EU-Malawi partnership focussed on realising the untapped economic potential and exploring the opportunities that can further strengthen economic ties with EU countries.

3.6 Logical Framework Matrix

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (e): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To improve Malawi's economic governance	1 Real GDP growth (annual %) 2 Gross official reserve (months of import) 3 FDI net inflows 4 Trade balance (% of GDP) 5 Transparency International Corruption index (score) 6 WGI: control of corruption (percentile rank)	1 2.8 (2021) 2 1.4 (2021) 3 USD 50M (2021) 4 -13.1% (2021) 5 35 (2021) 6 46.2 (2021)	1 > 6 (2027) 2 >3 (2027) 3 >USD 200 M (2027) 4 >0 (2027) 5 TBD 6 TBD	1 WB 2 WB 3 UNCTAD 4 WB 5 TI Index 6 WGI	Not applicable
Outcome 1	1 Malawi's business environment is improved	1.1 Global Competitiveness Index 1.2 Economic freedom score 1.3 Number of processes related to partner country practices on trade, investment and business, or promoting the external dimension of EU internal policies or EU interest, which have been influenced (GE RF 2.15) 1.4 Number of jobs supported/sustained (EU RF 2.11)	1.1 43.7 (2019) 1.2 53.0 score (2022) 1.3 0 (2022) 1.4 0 (2022)	1.1 <50 value (2027) 1.2 <60 score (2027) 1.3 5 (2027) 1.4 5000 (2027)	1.1 World Economic Forum 1.2 The Heritage Foundation 1.3 Project reports 1.4 Project reports	

Outcome 2	2 Efficiency of anticorruption and antifraud systems is improved	2.1 Mo Ibrahim Index for African Governance: Anti-corruption mechanisms	2.1 39.3 (2019)	2.1 TBD	2.1 MoI Foundation	Political will to enforce the law and related regulations
Output 1 relating to Outcome 1	1.1 Improved investment promotion and facilitation in key sustainable value chains	1.1.1 Number of investment related strategies and action plans developed and adopted 1.1.2 Total value of investments facilitated with EU support	1.1.1 None 1.1.2 0	1.1.1 3 (2026) 1.1.2 USD 50M	1.1.1 MOTI, MITC 1.1.2 MITC	Macroeconomic environment improves to encourage FDI inflows
Output 2 relating to Outcome 1	1.2 Improved, gender sensitive, quality certification and management system	1.2.1 Number of new scope sectors accredited 1.2.2 Number of firms exporting successfully after receiving support 1.2.3 Number of quality schemes adopted by economic operators (EU RF 2.14)	1.2.1 3 (2021) 1.2.2 0 (2021) 1.2.3 0 (2022)	1.2.1 15 (2026) 1.2.2 5 (2026) 1.2.3 TBD (2026)	1.2.1 MBS 1.2.2 MBS, MOTI, MITC 1.2.3 MBS	Firms have the capacity to sustain conformity across supply chains
Output 3 relating to Outcome 1	1.3 Improved fairness and competition of the domestic market	1.3.1 Status of the competition law 1.3.2 Number of recommended enforcement practices adopted and implemented 1.3.3 Number of trainees equipped with new skills, disaggregated by sex, funded by the EU 1.3.4 Number of supported trade related policies, regulations or legislations developed/ revised/ implemented with the support of the EU-funded intervention	1.3.1 Weak law 1.3.2 0 (2021) 1.3.3 0 (2023) 1.3.4 0 (2021)	1.3.1 a new, strong and comprehensive law 1.3.2 TBD (2026) 1.3.3 TBD (2026) 1.3.4 3 (2026)	1.3.1 CFTC, MOTI 1.3.2 CFTC, MOTI 1.3.3 CFTC, MOTI 1.3.4 CFTC, MOTI	Political will to improve and enforce the law
Output 4 relating to Outcome 1	1.4 Improved institutional capacity on, gender sensitive, access to finance systems for private sector productivity	1.4.1 Number of individuals trained by the EU-funded intervention with increased knowledge and/or skills for entrepreneurship or financial education, disaggregated by sex i.e. capacitated in advanced Development Finance Institution (DFI) roles	1.4.1 0 (2023)	1.4.1 TBD (2026)	1.4.1 MAIIC	Willingness to learn new and better ways of doing things
Output 1 relating to Outcome 2	2.1 Improved institutional capacity and inter-agency coordination of key	2.1.1 Number of complaints received, prosecuted and concluded (by ACB)	2.1.1 399, 103,16 (from ACB)	2.1.1 TBD	2.1.1 Institutional Annual reports	Political will to enforce the law and related regulations

	institutions fighting fraud and corruption	2.1.2 Status of the Economic and Financial Crimes Court	2.1.2 Non operational	2.1.2 Operational (2026)	2.1.2 Project Annual report	
		2.1.3 Status of management of seized and confiscated assets	2.1.3 Very poor	2.1.3 Good (2026)	2.1.3 Institutional Annual reports	
		2.1.4 Status of digitalisation across key institutions	2.1.4 Very poor	2.1.4 Good (2026)	2.1.4 Project Annual report	
		2.1.5 Number of anticorruption policies (incl. preventive/repressive measures) implemented with EU support (IPA PF 2.6)	2.1.5 0	2.1.5 TBD	2.1.5 Project Annual report	
		2.1.6 Number of trainees from MDAs equipped with new skills, disaggregated by institutions and sex, funded by the EU	2.1.6 0	2.1.6 TBD	2.1.6 Project Annual report	
		2.1.7 Status of IFMIS implementation	2.1.7 Limited	2.1.7 Fully operational	2.1.7 Government PFM M&E reports	
		2.1.8 % of external audits report produced on time	2.1.8 TDB	2.1.8 >80%	2.1.8 Government PFM M&E reports	
		2.1.9 Number of public policies to strengthen revenue mobilisation, public financial management and/or budget transparency, under implementation with EU support (IPA PF 2.17)	2.1.9 approx. 10	2.1.9 Approx. 10	2.1.9 Project Annual report	
Output 2 relating to Outcome 2	2.2 Enhanced capacity of civil society to demand transparency and accountability from duty bearers	2.2.1 Number of trainees from CSOs equipped with new skills, disaggregated by sex, funded by the EU	2.2.1 0	2.2.1 TBD	2.2.1 Project Annual report	
		2.2.2 Number of studies/research published or discussed publically for improved decision making	2.2.2 0	2.2.2 TBD	2.2.2 Project Annual report	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁷.

4.4.1 Direct Management (Grants)

Grants: (direct management)

(a) Purpose of the grant

The grants will contribute to SO1 - to improve Malawi's business environment, particularly *output 1.3: Improved fairness and competition of the domestic market*.

The grants will contribute to SO 2 – to improve efficiency of anticorruption and antifraud systems, particularly *output 2.2: Enhanced capacity of civil society to demand transparency and accountability from duty bearers*.

(b) Type of applicants targeted

The potential applicants for funding shall be a civil society organisation, including research or tertiary education institutions, with demonstrated in-depth knowledge and expertise in the field of transparency, accountability, competition and/or anti-corruption. With regard to essential characteristics, the applicant shall be an entity with legal personality, and established in one of the EU member states or eligible countries defined by the basic act.

4.4.2 Direct Management (Procurement)

Under the responsibility of the Commission's responsible authorising officer, service and supply contracts to provide technical assistance and equipment will be contracted by the Commission to support the implementation of activities related to *SO1 : to improve Malawi's business environment* and *output 1.1: Improved investment promotion and facilitation in key sustainable value chains*, *output 1.2: Improved, gender sensitive, quality certification and management system*, *output 1.3: Improved fairness and competition of the domestic market*, and *output 1.4: Improved, gender sensitive, access to finance for private sector productivity*.

⁷ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.4.3 Indirect Management with an entrusted entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Specific technical capacities bringing added value, in terms of expertise related to economic governance, public finance management, accountability and oversight, rule of Law, and the fight against fraud and corruption
- Capacity in terms of human resources and organisational set-up to implement a project in Malawi
- Previous successful experience related to the implementation of EU funds in sub-Saharan Africa

Additional criteria considered an asset are:

- Experience in working with key accountability and oversight institutions in Malawi
- Experience with Team Europe initiatives

The implementation by this entity entails implementation of activities related to output 2.1: *improved institutional capacity and inter-agency coordination of key institutions fighting corruption and fraud*, contributing to achieve SO2: *improve efficiency of anticorruption and antifraud systems*.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

4.4.4 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case the preferred modalities referred to in sections 4.4.1 and 4.4.2 above cannot be implemented due to circumstances outside of the Commission's control an alternative implementation modality will be used. This alternative would be implementation through Indirect Management with an entrusted entity, using the following criteria:

- Specific technical capacities bringing added value, in terms of expertise related to fairness and competition of domestic markets, as well as increased transparency and accountability from duty bearers;
- Specific capacity to supply technical assistance to improve Malawi's business environment;
- Previous successful experience related to the implementation of EU funds in sub-Saharan Africa.

In case the preferred modality referred to in sections 4.4.3 (indirect management with an entrusted entity) above cannot be implemented due to circumstances outside of the Commission's control, an alternative implementation modality will be used. This alternative would be implementation through a combination of procurement and grants:

- i. Procurement will be used for the activities of technical assistance under output 2.1;
- ii. Grants (twinning grant combined with direct grants to public institutions) will be used for the activities of strengthening institutional capacity under output 2.1. In this case, the implementation would be as follows:

Twinning grant

(a) Purpose of the grant

The twinning grant(s) will contribute to SO 2 – to improve efficiency of anticorruption and antifraud systems, particularly *2.1: Improved institutional capacity and inter-agency coordination of key institutions fighting corruption and fraud*.

(b) Type of applicants targeted

The potential applicants for funding shall be an EU Member State body or their mandated bodies.

Direct Grant

(a) Purpose of the grant

The grant(s) will contribute to SO 2 – to improve efficiency of anticorruption and antifraud systems, particularly *2.1: Improved institutional capacity and inter-agency coordination of key institutions fighting corruption and fraud.*

(b) Type of applicants targeted

The potential applicants for funding shall be a public body, representing the government of Malawi.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Ministry of Finance and Economic Affairs.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is foreseen in Article 195 (c) of the Financial Regulation since the Ministry of Finance and Economic Affairs⁸, as holder of the policy, is in a situation of monopoly de jure and de facto to achieve the objectives described above.

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
SO1 - Improve Malawi's business environment composed of	10 500 000
Procurement (direct management) - cf. section 4.4.2	9 500 00
Grants (direct management) - cf. section 4.4.1	1 000 000
SO2 – Improve efficiency of anticorruption and antifraud systems composed of	10 500 000
Indirect management with an entrusted entity - cf section 4.4.3	9 500 000
Grants (direct management)- cf. section 4.4.1	1 000 000
<i>Grants – total envelope</i>	<i>2 000 000</i>
<i>Indirect Management with an entrusted entity – total envelope</i>	<i>9 500 000</i>
<i>Procurement – total envelope</i>	<i>9 500 000</i>
Evaluation and Audit – cf. section 5.2 and 5.3	200 000

⁸ <http://www.finance.gov.mw/>.

Contingencies	800 000
Total	22 000 000

4.7 Organisational Set-up and Responsibilities

Two Programme Steering Committees (PSC) comprising all key stakeholders shall be established to oversee the implementation of respectively SO1: Improve Malawi's business environment and SO2: Improve efficiency of anticorruption and antifraud systems, which shall indicatively meet at least once a year.

Members of the Steering Committee for SO1 will be (indicative list): Ministry of Industry and Trade, the Malawi Investment and Trade Centre, the Malawi Bureau of Standards, the Competition and Fair Trading Commission, key private sector-led institutions and other civil society organisations, the European Union and the implementing partners.

Members of the Steering Committee for SO2 will be (indicative list): the Ministry of Justice, the Ministry of Finance and Economic Affairs, the Judiciary, the Anti-Corruption Bureau, the National Audit Office, the Financial Intelligence Unit, the Office of the Director of Public Officers Declarations, the Government Contracts Unit, the Malawi Revenue Authority, the Public Procurement and Disposal of Assets Authority, the European Union and the implementing partners.

In addition to the PSCs, Programme Technical Committees (PTC) shall be established to provide technical guidance and ensure that timely and appropriate decisions are made relating to challenges or issues emerging during programme implementation. The PTC shall also make recommendations to PSC when necessary.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring: availability of relevant public statistics will be researched by the implementers for use as baseline and subsequently to measure progress at the end of the Action. Where such public data is not available the implementers will launch specific surveys at start and end of the Action to measure progress. The cost associated to these possible surveys will be integrated in the relevant contracts. Whenever possible the project will harmonise its data collection with national partners systems. A joint monitoring system will be agreed wherever possible.

Gender equality and the human rights-based approach will be mainstreamed into the monitoring and evaluation of the project and indicators will be sex-disaggregated whenever possible.

5.2 Evaluation

Having regard to the nature of the action, a final or ex-post evaluation will be carried out for this action or its components via independent consultants, contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the size of the financial support and innovative aspects of some activities.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments. Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle adopts a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “Communicating and Raising EU Visibility: Guidance for External Actions”, it remains a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

- Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;
- Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
- Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit). The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options):

Action level (i.e. Budget Support, blending)		
<input type="checkbox"/>	Single action	Present action: all contracts in the present action
Group of actions level (i.e. top-up cases, different phases of a single programme)		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#):
Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Foreseen individual legal commitment (or contract) – indirect management with an entrusted entity – EUR 9 500 000
<input checked="" type="checkbox"/>	Single Contract 2	Foreseen individual legal commitment (or contract) – services – EUR 9 500 000
<input checked="" type="checkbox"/>	Single Contract 3	Foreseen individual legal commitment (or contract) – grants – EUR 2 000 000
Group of contracts level (i.e. series of programme estimates, cases in which an Action includes for example four contracts and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other)		
<input type="checkbox"/>	Group of contracts 1	