

REPUBLIC OF MALAWI

Multi-Annual Indicative Programme 2021 – 2027

List of acronyms

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| MIP | Multi-annual Indicative Programme |
| EFSD | European Fund for Sustainable Development |
| GDP | Gross Domestic Product |
| COVID | Coronavirus disease |
| SDG | Sustainable Development Goals |
| MS | Member States |
| DAC | Development Assistance Committee |
| GAP | Gender Action Plan |
| IPC | Integrated Food Security Phase Classification |
| FDI | Foreign Direct Investment |
| LGBTI | Lesbian, Gay, Bisexual, Transgender, Intersex |
| NDICI-GE | Neighbourhood, Development and International Cooperation Instrument – Global Europe |
| FCDO | Foreign, Commonwealth and Development Office |
| ODA | Official development assistance |
| TVET | Technical and vocational educational training |
| EDF | European Development Fund |
| NPC | National Planning Commission of Malawi |
| MSME | Micro, Small & Medium Enterprises |
| CSO | Civil Society Organisation |
| IFI | International financial institution |
| PPP | Public-Private Partnership |
| NGO | Non-Governmental Organisation |
| ICT | Information and communications technology |
| PFM | Public Finance Management |
| TAIEX | Technical Assistance and Information Exchange instrument |
| FAO | Food and Agriculture Organisation |
| OECD | Organisation for Economic Co-operation and Development |
| EIB | European Investment Bank |
| AfBD | African Development Bank |

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Multi-annual Indicative Programme (MIP) for Malawi 2021-2027

1. Overall lines of EU international cooperation in Malawi

1.1. Basis for programming

The formulation of the Multi-annual Indicative Programme (MIP) for Malawi is based on Malawi's new national development plan, Malawi 2063, which is the successor of Malawi's Vision 2020 as the country's long-term development strategy. The MIP also takes into account the priorities of the new government of Malawi, which took office in June 2020, after a historical court-ordered re-run of the presidential election. It therefore builds on a positive political momentum that may create the needed political environment conducive to unlocking the country's transformation.

Malawi aspires to become an inclusive, wealthy and self-reliant industrialised country, with the target to graduate to a lower middle-income country by 2030 and upper middle-income country by the year 2063. Malawi 2063 rests on three pillars, namely (i) agricultural productivity and commercialisation, (ii) industrialisation and (iii) urbanisation, buttressed by seven "enablers", namely mind-set change, effective governance system, public sector performance, private sector dynamism, human capital development, economic infrastructure and environmental sustainability. This long-term vision will translate into 10-year medium-term plans detailing the programmes implementing the Malawi 2063.

Malawi 2063 and the new government's priorities respond to the country's challenges and constraints. Despite being a stable, peaceful and democratic country for decades, and the progress achieved in certain areas¹, development challenges remain substantial. Malawi is still ranked among the five poorest countries in the world with an average GDP per capita of below USD 500. Two thirds of the population remain below the poverty line, paired with a high level of chronic undernutrition, especially for children under 5. With current trends, exacerbated by the COVID-19 crisis, Malawi is likely to fall short of meeting the Sustainable Development Goals (SDGs) by a wide margin, unless more public and private resources are mobilised, and more allocative efficiencies are achieved.

Malawi is at a critical crossroads. With a population set to double in 20 years, growing environmental degradation and a weak economy severely hit by the COVID-19 pandemic, Malawi can remain trapped in poverty and a cycle of vulnerabilities, or it can capitalise on its human and natural assets to realise an economic transformation, if Government can effectively realise the reforms it has planned.

Malawi's renewed development priorities are geared towards the achievement of the sustainable development goals and tally with the continental Agenda 2063, and the strategies of the Regional Economic Communities to which Malawi belongs. They are therefore also consistent with the EU's interests and priorities, defined by a range of overarching agreements and policy documents, including the 2030 Agenda and the Sustainable Development Goals, the Paris Agreement, the Addis Ababa Action Agenda, the Global Strategy for the European Union's Foreign and Security Policy, the European Consensus on development, the European

¹ E.g. life expectancy, prevalence of stunting, enrolment in primary school.

Green Deal and the Joint Communication Towards a Comprehensive Strategy with Africa (and the Council conclusions of 30 June 2020).

As one of its key diplomatic, economic and development partners, the EU is well positioned to accompany the country in implementing structural reforms and programmes in order to support the economic recovery and accelerate progress for the transformation of the economy. In particular in the context of the COVID-19 pandemic and its socio-economic consequences, the actions of the EU, also as part of Team Europe in Malawi, can be instrumental to creating wealth and seizing development opportunities, while empowering people and protecting the environment. This would ultimately contribute to preserving Malawi's peace, stability and democratic credentials based on respect of human rights and the rule of law.

1.2. Status of joint programming

To date, the EU and EU Member States (EU MS) in Malawi have adopted a pragmatic bottom-up approach to Joint Programming that focusses mostly on strengthening concrete joint implementation and joint financing arrangements at sectoral level where the EU Delegation and Member States are important players. Concrete cases are joint programmes or pooled funding mechanisms developed to support governance, civil society organisations, electoral processes, nutrition, social protection and agribusiness.

Overall, EU and EU MS share the same assessment of the challenges and priorities of the country as reflected in the present MIP, which builds on close and regular discussions and consultations held in the framework of the Team Europe approach. To note that the EU MS see the EU joined-up approach as broader than development, covering issues like political engagement or trade, which are also an integral part of their bilateral strategies. In this regard, the European Economic Diplomacy agenda is also seen as part of the broader effort to strengthen the collective EU and EU MS engagement in Malawi.

At this stage, the EU and EU MS are to continue the bottom-up implementation-focused approach to Joint Programming, while gradually moving towards a Joint Programming Document. The agreed approach is to build on the experience with joint implementation and joint financing, for which the Team Europe Initiatives will be particularly instrumental.

Going forward, the EU will continue its coordination efforts with a view to prepare a multi-annual joint programming document at the occasion of the mid-term review, tentatively foreseen for 2024. In principle, this timeframe would allow sufficient time to synchronise EU and EU MS' programming cycles with the national planning cycle.

1.3. Priority areas of the EU's cooperation with the partner country

In line with Malawi 2063, the MIP 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.

The MIP is based on a clear understanding of the EU and Malawi's mutual interests and responsibilities, reflecting the comprehensiveness and maturity of the relationship. It goes

beyond the donor-recipient relationship of the past and moves towards a partnership focused on realising the untapped economic potential and exploring the opportunities that can further strengthen economic and cultural ties with EU countries. Ultimately, the EU seeks to partner with Malawi's government, civil society, private sector as well as with other development partners, in order to play a pivotal role in supporting a strong, inclusive and sustainable development path.

Guided by the political priorities of the government and an extensive consultation process and literature review and building on 40 years of EU cooperation with Malawi, the EU intends to **support a green and resilient economic transformation, in view of creating decent jobs, based on sound democratic and economic governance systems and on empowered human capital. Interventions in the education sector will be crucial, also education being a high priority of the external action of the EU and also a strong vector to promote gender equality and women and girls' empowerment.** This three-pronged overall objective of the MIP, being rolled out in the context of the COVID-19 pandemic and its aftermath, responds to the need for a strong economic recovery in an inclusive and sustainable way, reducing inequality. A particular highlight will be the strong horizontal focus on supporting girls' and women empowerment, an area in which the EU is convinced it can garner traction to make a real difference in Malawi.

Following this logic, future interventions will fall under the following interlinked priority areas and sectors (as per DAC purpose code):

- Priority area 1: Green and resilient economic transformation
 - Agriculture, forestry and fishing (310)
 - General environment protection (410)
 - Energy (230)
- Priority area 2: Democratic and economic governance
 - Government & civil society-general (151)
 - Business & Other Services (250)
- Priority area 3: Human development and social inclusion
 - Education (110)
 - Other social infrastructure & services (160)

In addition, the following are crosscutting priorities of crucial importance for the realisation of the objectives of this MIP:

- **Climate action**, in line with the European Green Deal and related strategies such as the EU's Biodiversity Strategy, the Circular Economy Action Plan and the Farm to Fork Strategy
- **Gender equality and girls' and women empowerment**, in line with the priorities of the EU's Gender Action Plan (GAP) III. This horizontal priority, as a golden thread through the different actions, focuses on girls' and women empowerment throughout the life cycle, from early childhood development, nutrition and school meals (primary education), over access to sexual and reproductive health services, secondary education and TEVET (adolescent girls) up to economic and political empowerment.
- **Digital development**, in line with the EU's digital strategy and EU's Digital for Development policy.

Given the scale of the development challenges relative to the resources available (both from the government and from development partners, including the EU), it is unlikely that Malawi will become fully self-reliant within the timeframe of this MIP. In addition, the MIP cannot aim at addressing in a comprehensive way all the development challenges that Malawi faces. However, it aims at providing support to pivotal sectors, that can trigger progress toward achieving self-reliance, and at generating opportunities that are sustainable and do not mortgage the country's future development potential and sovereignty. It also strives to balance delivery of both short- and long-term gains.

1.4. Justification and context

Development progress has been generally slow over the last two decades, with Malawi's real per capita GDP growing at an average of 1.5% per year between 2000 and 2019. Malawi is a landlocked, low-income country, with 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 highly 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. The performance of the economy has been also regularly undermined by electorally driven boom and bust cycles.

The economy is thus highly vulnerable to external shocks, with limited coverage of safety nets. The COVID-19 pandemic has heavily affected Malawi, with growth falling to 0.8% in 2020, down from a pre-COVID projection of 4.8%. With population growth of 2.7%, this represents nearly a 2% contraction in per capita GDP. According to the latest projections from the World Bank, growth is forecasted to moderately rebound at 2.8% in 2021 and 3% in 2022. Poverty reduction in the country has stagnated in the last 15 years and is likely to worsen with the pandemic. Malawi also has regularly a significant number of people in IPC3+² (food crises) and has still high chronic child undernutrition with about 1.1 million stunted children. Only 7.8% of infants between 6 and 23 months consume a minimally acceptable diet³ and up to 30% eat only two food groups throughout the year.

Factors hindering economic development include high transport costs, low connectivity, low levels of regional integration and underdeveloped energy networks that are largely inaccessible to the population⁴. Malawi is also increasingly subject to energy stresses. More than 90% of the country's total demand for energy is met with firewood and charcoal. The increasing population growth exerts significant pressure on the country's forest resources, leading to forest degradation and deforestation at a rate of 2.6% per year. Moreover, the business climate suffers from a low level of skilled workforce, inefficiencies in public institutions and difficulties in accessing credit. Foreign direct investment (FDI) inflows to Malawi are still low compared to other countries of the region, amounting to a yearly average of 4% GDP over the last decade, and there is currently no significant FDI from EU origin. Malawi's trade is unstable, characterised by laws restricting exports, lack of infrastructure,

² Integrated Food Security Phase Classification.

³ Malawi Demographic and Health Survey 2015-2016.

⁴ Malawi has one of the lowest electrification rates in the world (11%).

inadequate diversification and value addition, and its trade balance is structurally in deficit. In the World Bank Ease of Doing Business Index, Malawi ranked 109th out of 190 in 2020. One of the main features of Malawi's economic structure is the 'missing middle', with very few large corporations at the top and a large majority of micro-enterprises at the bottom, mostly in the informal economy.

In addition, the social, political and economic potential of women is largely unused, placing the country at the bottom of the Gender Inequality Index scale. Traditionalism and conservatism in the country poses challenges to the inclusion of women and in particular to their participation in economic activities, broadly limited to low paid jobs and in sectors with low emancipatory potential. Moreover, Malawi has one of the highest rates of "child marriage" in the world, with 42% of all girls married by age 18. About one third of teenage women (12-19) are either pregnant or have given birth to at least one child. Maternal malnutrition is also a major public health problem with 7% of women suffering from undernutrition, alongside an increasing trend of overweight (21%)⁵.

Simultaneously, the country faces two worrying structural constraints: a rapidly growing population (expected to double by 2045) **and environmental degradation**, exacerbated by climate change (in particular land degradation and massive deforestation). In an unchanged political economy, these two major trends of population growth and environmental degradation will lead to recurrent and costly humanitarian crises that also threatens the stability of the country.

Malawi's persistent stagnation on major indicators has deep causes that are entrenched in the country's political economy system. A self-reinforcing negative cycle of poor policies' implementation and widespread corruption has locked the country in a state of socio-economic stagnation. While mechanisms are in place to hold the executive to account, their effectiveness is limited and human rights based approaches are not mainstreamed. A number of human rights issues persist: police brutality, violence against children, child labour and child marriage (one of world's highest rate), gender discrimination⁶, discrimination against LGBTI and recently increasing reports of abductions and killings of people living with albinism. Space for civil society has been under pressure. Citizens' access to information and ability to make informed decisions is weak and is further compounded by low levels of education. The weak performance of Malawi's public service is a critical factor underlying shortcomings not only on public finance management, but also across the board with regard to service delivery and implementation of most economic and social programmes.

However, the country senses a wind of change since the election of a new government in 2020, after a historical re-run ordered by Malawi's Supreme Court. The new administration is developing important reform plans that would allow substantially improving the governance system of the country and the effectiveness of public service delivery, triggering the take-off of the country's development. These new policy directions are laid down in the long-term development plan Malawi 2063, which will also be instrumental to build back better.

To achieve the aspirations set in Malawi 2063, the government can build on the country's many assets, its most valuable being its youth and women. Even though Malawi's high population growth is placing enormous pressure to sustain livelihoods and to deliver jobs and

⁵ Demographic Health Survey (2015/2016).

⁶ Malawi ranks 172 out of 189 on the UN's Gender Inequality Index.

quality social services, it represents at the same time a strong opportunity if the country succeeds in harnessing the youth potential and realise a demographic dividend. In particular, putting gender equality and women's empowerment at the core of policies and programmes can be a powerful lever for the higher impact activities transforming demographic trends. Likewise new technologies and sustainable business models can help Malawi to leapfrog to a sustainable development path.

Strengthened partnerships and increased sustainable investment can deliver tangible benefits. 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. Existing investments in these sectors are mostly operating below capacity and producing products and services not commensurate with the quality demands of consumers. Another opportunity exists in Malawi's central location in the region, making it a possible production hub for investment, which could rely on the country's stability and safety. A conducive business environment and investment climate, in addition to targeted initiatives to de-risk investment, will help crowding in sustainable investment, including from the EU.

Malawi can count on the presence of several international development partners, among which the World Bank, UN, USA, UK, Norway and Japan, but relatively few from the EU as only Germany and Ireland and the Belgian region of Flanders are permanently represented locally. The EU and its Member States⁷ are however the second main donor in the country, after the USA. The country has been receiving official development aid since its independence in 1964, which represented nearly 20% of GDP per year on average over the last decade. In this period, the main sectors of intervention were health, agriculture, education and humanitarian aid. Following the so-called "Cash-gate" corruption scandal in 2013, which reduced donor confidence in Government's public financial management, the majority of aid is disbursed off budget, contrary to the previous decade. Within the aid landscape, China is a relative newcomer, though increasingly active (agriculture, health, infrastructure) since it began diplomatic relations in 2008, after Malawi cut its 41-year old ties with Taiwan.

Against this background and taking due account of the consultations and of lessons learned of past interventions, the choice of the priority areas and sectors is based on the following considerations:

- **The need to ensure alignment with the overarching objectives, pillars and enablers of Malawi 2063,** while reflecting the renewed priorities of the EU for international cooperation and spending targets of the Neighbourhood Development and Cooperation Instrument – Global Europe (NDICI-GE);
- **The need to further focus interventions in key sectors where the EU has comparative advantage,** while ensuring the continuity of successful interventions. This would allow the EU to foster progress and impact in specific sectors as well as to consolidate its cooperation profile on a more limited number of sectors of intervention;
- **The need to ensure division of labour and harmonisation** with other development partners (within Team Europe and with UN, World Bank, USAID, FCDO,), who either intervene in the same areas thus building a critical mass and synergies, or in complementary areas thus covering each other's gaps;

⁷ EU27

- **The need to respect the principle of subsidiarity** and to ensure proper complementarity with actions to be funded at regional and continental level. This includes sectors such as trade and economic integration, transport connectivity, migration and forced displacement and control of animal and plant pests and diseases, which are better addressed at regional or continental level. Other sectors, such as education and skills, governance, energy, agrifood systems, environment, investment climate, may involve complementary actions at both regional and national levels, which shall be coordinated and coherent.

The selected sectors fulfil each of the above-mentioned criteria.

- **Agriculture, forestry and fishing:** agriculture is the backbone of the country's economy where significant funding and a coalition of partners are needed to drive change. It is one of the three pillars of Malawi 2063 and one of the major expenditure items of the country's budget. Most development partners are active in the sector which received the third highest share of total ODA over 2014-2019 (10%), but representing only half of the ODA allocated to health (20% of total ODA). The EU has a long track record of engagement in the sector and is one of its major partners (16% of total ODA since 2014). EU's interventions have proved to be well aligned to the sector policies and programmes of the government and complementary to those of other partners.
- **General environment protection:** the sector has received relatively limited focus from the government and development partners, who allocated only 2.3% of their ODA to the sector. EU's engagement in environmental protection has mostly been scattered over its programmes in agriculture and forestry. In line with the EU's ambition for climate action and given the rapid environmental degradation in Malawi and its exposure to disaster risks, holding back the country's development, the EU will seize the opportunity to lead action in this sector, thereby contributing to one of the enablers of Malawi 2063 (environmental sustainability). Other key bilateral partners include the US and the UK.
- **Energy:** the sector is moderately supported by development partners (concentrating only 5.5% of total ODA since 2014), despite the country's huge needs in generation of and access to energy and its consequences for economic development. Among the few, Germany is a key partner in the sector and in the ongoing blending operation (Mozambique-Malawi Inter-connector). Scaling up engagement in the energy sector remains however unavoidable if lasting results are to be achieved in the priority area of economic transformation. The sector could also benefit from the expertise of EU energy champions, while contributing to the objectives of the Paris agreement. Other key partners are the US, Japan, China and the World Bank.
- **Government & civil society-general:** the EU is one of the main partners in this sector (22% of ODA since 2014), with interventions focussing on the fight against corruption, supporting democracy and the rule of law, as well as public finance management (PFM). After Malawi's historical presidential re-run, the government is committed to consolidate trust and strengthen key governance bodies, as reflected in the national budget. The EU, based on its experience and on the shared values of democracy and rule of law, can further bring value to this agenda. Other key partners include the UK, Norway, Germany, the US and Ireland.
- **Business & Other Services:** this sector has received relatively limited ODA since 2014 but there is a growing engagement from development partners. In line with the Africa-EU Alliance for Sustainable Investment and Jobs, the EU has launched a flagship programme to foster entrepreneurship and employment, in addition to interventions in the field of trade and competition. Consolidating EU's engagement in business environment and investment

climate can underpin the government's economic ambitions and foster economic recovery, while reinforcing EU-Malawi economic relations. This sector also provides entry points to engage on a number of related fields, such as industrialisation and information, communication and technology (ICT).

- **Education:** this sector receives the largest share of the country's budget and a significant share of ODA (8.4% since 2014, and 4th main supported sector), given the structural needs that are ever increasing due to population growth. The EU has a good track record of interventions in secondary education and TVET, complementing interventions from other partners. Education is also a high priority of the external action of the EU, and a strong vector to promote gender equality and women and girls' empowerment. Other active bilateral partners include the US, the UK, Norway, Japan and Germany.
- **Other social infrastructure & services:** In the face of chronic poverty, food insecurity, frequent climatic shocks and more recently the COVID-19 pandemic, the government has taken crucial steps to provide social protection for those furthest behind, which is identified as a key driver of human development in Malawi 2063. Along with other European partners (Germany and Ireland), the EU has become a partner of reference for social protection and resilience building, addressing the increasing needs of marginalised and vulnerable parts of the population, and mitigating the negative effects of the COVID-19 pandemic.

Furthermore, lessons learnt from past cooperation show that one of the main obstacles to change in Malawi is the weak accountability at all levels (administration, political parties, government, private sector, ...) paired with the need to enhance institutional capacity. While strategic policy documents are generally relevant and well designed, implementation lags very often behind. Capacity constraints and institutional weaknesses continue in spite of years of capacity development provided by development partners. Hence, the impact of development cooperation is subdued by the overall stagnation of the country and a negative political economy. The persistent poverty has root causes that development partners cannot help addressing without strong and sustained political traction. In order to tackle this central challenge, the new government of Malawi has put at the forefront of its mandate "mind-set change" and a stronger emphasis on performance, as pivotal drivers to unlock economic, political and social emancipation and transformation. This is supported by the National Planning Commission (NPC), which has been established and mandated to develop Malawi 2063 and to oversee its implementation across subsequent governments, in contrast with Vision 2020 that has much suffered from political interference.

Given this background, future interventions will be guided by the following principles and approaches, to ensure sustainability and impact, and mitigate risks (cf. risks assessment):

- **Policy first principle** to make engagement with the government and key other partners more strategic and impactful, building ever stronger and mutually beneficial partnerships based on shared interests, thereby mitigating possible risks of limited national ownership;
- **People-centred approach** that focuses on improving local communities' self-reliance, social justice, inclusion and participatory decision-making, requiring changes in social, political, and environmental values and practices, addressing inequalities and applying rights-based approaches and the principles of "leaving no one behind" and "do no harm";

- **Use of government financing channels and systems as the preferred implementation modality**, wherever possible, in order to build capacity and ensure greater ownership;
- **Further consolidating effective coordination and information sharing with other development partners** to ensure complementarity and synergy for enhanced impact, building on the Team Europe approach;
- **An enhanced combination of different modalities of implementation** to increase impact; future actions will be designed in an integrated manner in order to create synergies and meet multiple objectives in a coherent way, as challenges cannot be dealt with in isolation. Crisis modifiers will also be integrated to allow adaptation and response to unforeseen events
- **An increased engagement with civil society organisations** to ensure their active participation and involvement in policy dialogue and/or the implementation of programmes, while promoting their role in fostering accountability and innovation
- **A greater emphasis on a territorial approach** and locally-led implementation to foster differentiated support and better respond to people’s need on the ground;
- **A more robust and iterative process of monitoring & evaluation** to guide results-based implementation and support greater mutual accountability between the EU, the partner government and other stakeholders.

1.5. Duration of the MIP and option for synchronisation

The MIP will have a duration of 7 years and will include one mid-term review in 2024, as well as possible *ad hoc* reviews, if deemed necessary. **The initial duration of 4 years of the first term of the MIP will allow synchronising it with the regular review of the planned national medium term strategy, and with the next presidential election scheduled for 2025.** This timeframe will also offer the opportunity to evolve to a joint programme with the German and Irish cooperation in Malawi, as well as with the cooperation of the Belgian region of Flanders.

2. EU support per priority area and proposals of Team Europe Initiatives

2.1. Priority area 1 – Green and resilient economic transformation

The critical issue for Malawi in the coming decade will be to embark on the path of sustainable economic transformation that is green and resilient, driven by private sector growth and investment. This would create sustainable wealth and decent jobs for the growing number of youth entering the labour market every year as well as more opportunities for women, and thus harness the benefit of a demographic dividend (provided that the birth rate continues to decrease). Private sector led growth, in particular in the green and circular economy where significant opportunities exist, will help young Malawians increase productivity and consumption, therefore creating opportunities also for EU businesses, and increasing two-way trade. For this to happen, sizeable efforts are necessary, in particular to deliver a resilient, diversified and commercially modern agriculture and agro-industry, driven by a healthy and productive workforce and capable to generate sustained inclusive green growth. This in turn requires further crowding in sizeable sustainable investment in enabling economic infrastructure, in addition to progress in further improving governance systems and building human capital (cf. priority areas 2 & 3). The Team Europe initiative “Green growth for Malawi” will be instrumental to deliver on this priority.

2.1.1 Specific objectives

Specific objective 1

- **Boosting productivity, resilience, diversification, value addition and commercialisation of agriculture and fisheries.** Future support will aim at further developing sustainable, climate-resilient agrifood systems following a Farm-to-Fork approach, thereby focussing on agribusiness, agro-industries as well as cooperatives (including those related to fisheries). This calls for further supporting private sector development, related skills development and extension services, and access to finance, in particular for micro, small and medium enterprises (MSMEs) led by women. Support will also focus on fostering a more holistic and sustainable approach to farming practices based on agro-ecological techniques and preservation of natural resources (e.g. agroforestry, soil and water conservation), including sustainable irrigation, paired with an enhanced territorial approach, and conducive governance in the agriculture sector. In particular, adopting and implementing more predictable and transparent trade policies for agricultural products, higher up in the value chain, building on regional integration processes, as well as addressing land tenure issues could bolster diversification and commercialisation. Moreover, support to nutrition sensitive agriculture and homestead farming will receive particular emphasis in order to address Malawi's challenges of food and nutrition security and to help building a healthy and productive workforce.

Indicative sector: Agriculture, forestry and fishing (310)

SDG: 2, 8, 9, 13, 15

Specific objective 2

- **Enhancing environmental sustainability** to break the cycle of environmental degradation, increase the country's resilience to climate change, disaster risks and natural resource scarcity and degradation, and in so doing also protect carbon sinks, thereby contributing to Malawi's Nationally Determined Contribution. Interventions will consider the humanitarian-development nexus as relevant. This will be essential in order to mitigate the impact of climate change and to lay the foundation of a green and resilient economy. Interventions will also apply ecosystem approaches to protect, restore and ensure the sustainable use of Malawi's terrestrial ecosystems, especially forests and watersheds, including the Lake, while ensuring complementarity with actions related to agriculture development and particularly land tenure and land use management. This will in turn have a positive impact on preserving biodiversity and the development of nature-based tourism, which may also benefit from specific support. Regional/transboundary actions are to complement the country-based efforts in this area.

Indicative sector: General environment protection (410)

SDG: 13, 15

Specific objective 3

- **Developing economic infrastructure**, which is a fundamental driver for Malawi’s economic and social development. A particular emphasis will be put on the energy sector in order to ensure the generation of and access to affordable and reliable renewable energy, given its pivotal role in the rest of the economy. Support may also be provided to facilitate a pipeline of bankable projects to be considered for investment (in the form of blending, guarantees, and other financial instruments). In addition to support to renewable energy infrastructure, the EU’s support will consider the country’s capacity to implement a conducive regulatory framework for an open and competitive market for private sector investments in renewable energy. As such, EU support would complement ongoing donor assistance to regulate the energy sector and to manage efficiently the power grid to allow for successful integration of renewable energy sources. Investment in other infrastructure, such as digital, transport or water infrastructure may also be facilitated, in particular in the framework of the European Fund for Sustainable Development (EFSD+), and in complementarity with regional infrastructure programmes. All infrastructure development and rehabilitation will take place on a climate- and risk-informed basis, and integrate climate change adaptation and mitigation considerations (climate-proofing, energy and resource efficiency, preference for low-carbon options).

*Indicative sector: Energy (230)
SDG 7, 13*

Risk Assessment

| Risks | Mitigation measures |
|---|---|
| Key policy measures and reforms required are not implemented and current ineffective policies are continued | Continuous improvement of sector dialogue with the government, engagement with the private sector, local authorities and CSOs and coordination with development partners |
| Climate change effects and environmental mismanagement | Sound screening for environmental impact and climate change risk will be ensured, and best practices to build resilience to climate change and prevent/reverse environment and natural resources degradation will be supported |
| Indirect drivers of environment degradation insufficiently addressed (such as governance, agriculture and energy practices, land tenure) | Stronger political and policy dialogue, support to CSOs for increased capacity to hold government accountable and end environmentally damaging practices, greater involvement of local communities in decision making, and incentive mechanisms for small holders to protect ecosystems |
| Insufficient access to capital and low capacity to contract loans due to constrained fiscal space for infrastructure investment and high indebtedness | Support engagement of interested IFIs to provide best conditions for concessional loans and formulate best value for money and sustainable projects; support development of PPPs and innovative financing tools |
| Poor to limited capacity of national actors (i.e. departments/agencies/NGOs/private sector) to | Support continuous capacity building and collaboration by mobilising external support in |

| | |
|---|--|
| efficiently implement actions related to the policies | order to strengthen the national capacity for effective implementation of the policies |
|---|--|

Expected contribution to spending target: this priority area contributes fully to the 25% spending target for climate change action. In line with the EU Gender Action Plan 2021-2025 (GAP III), all actions will include a gender focus, to the extent possible.

2.1.2. Expected results

Expected result 1.1.1: Improved access to and sustainable use of resources aimed at increased resilience and productivity in agriculture and fisheries, especially for smallholders

Expected result 1.1.2: Accelerated economic transformation, creating decent jobs and value addition, in particular in the agrifood value chains

Expected result 1.1.3: Improved nutritional status, especially of children under 5, school aged children, adolescents and women of child bearing age (also relevant for Priority Area 3 / Specific Objective 3)

Expected result 1.2.1: Conservation and sustainable management and use of natural resources, biodiversity and ecosystems improved

Expected result 1.2.2: Development of sustainable eco-tourism sector enhanced

Expected result 1.2.3: National capacity to cope (adaptation/mitigation) with climate change increased at the central, decentralised and community levels

Expected result 1.3.1: Improved access to energy for all, increased energy efficiency and renewable energy generation

Expected result 1.3.2: Key economic infrastructure developed or rehabilitated based on sustainability principles

2.1.3. Indicators

The intervention framework in Attachment 1 presents the main indicators for measuring the above results.

2.1.4. Possible use of blending and guarantees for investment under EFSD+

Interventions under this priority area could be supported by blending operations leveraging investments in enabling economic infrastructure. Focus will be primarily on energy infrastructure, but also, where relevant, on the transport, water and ICT areas, in complementarity with interventions to be funded under the regional multi-annual indicative programme. Moreover, the EFSD+ could also be mobilised to enhance access to finance for MSMEs, building on the guarantee backed loan facility under the KULIMA programme, as well as to facilitate the implementation of nature-based solutions (agroforestry, agro-ecology, soil and water conservation).

Subject to its confirmation through the implementation phase, it is expected that an indicative amount of EUR 33 million may be used between 2021 and 2024 to provision EFSD+ guarantee operations, including under this priority area.

In addition to existing guarantee schemes, yet to be operationalised in Malawi, additional programmes may be instrumental to facilitate the financing of green investments, in particular small and medium agribusinesses and agro-industries (also related to fisheries), in order to support their expansion, resilience and productivity.

2.2. Priority area 2 – Democratic and economic governance

Changing Malawi’s development path requires primarily improving its governance system, which is the main condition for all other efforts of the country to achieve sustainable development. Given the country’s critical governance weaknesses, strengthening participatory, transparent and effective governance systems will thus remain at the core of the EU’s action. In line also with the EU Human Rights and Democracy Strategy⁸, work would entail broadening and intensifying support to make Malawi’s accountability bodies and systems more effective, improve access to justice and protect human rights, while maintaining strong democratic institutions that are more responsive to the needs of the marginalised and vulnerable groups, and preserving the space of media and of civil society (including capacity development of CSO's). Particular attention will go to ensuring that women and girls’ voices are elevated, and their rights protected. This includes in particular sexual and reproductive health and rights, which can leverage better access to education (priority area 3) and economic empowerment (priority area 1) of women and girls. Furthermore, the EU will continue supporting economic governance, focusing on promoting public finance management reforms and improving the business environment and investment climate in order to facilitate the emergence of a more diverse and dynamic business sector, less dependent on and interwoven with the public sector and crowd in sustainable FDI in Malawi. The Team Europe initiative “Good governance for Malawi” will be instrumental to deliver on this priority.

2.2.1 Specific objectives

Specific objective 1

- **Advancing democracy, human rights and the rule of law**, in order to strengthen the quality of electoral processes, including for the delivery of inclusive, transparent and well-managed elections in 2025, and to address challenges related to human rights violations, gender inequality and gender-based violence, violence against children and limited access to justice for the marginalised and vulnerable groups. To that end, there is need for continuous support to strengthening institutional capacities of oversight institutions (e.g. Malawi Electoral Commission, Malawi Human Rights Commission, Office of the Ombudsman), of the judiciary and of law enforcement institutions. Digital solutions will be used to increase efficiency wherever feasible and relevant, taking into account the fundamental rights to privacy and data protection. This may include support to the digitalisation of law enforcing systems and to ensuring a permanent and continuous national civil registration and identification system. Furthermore, support will also focus on empowering citizens’ voice, in particular from the youth, youth organisations and civil society, communities’ structures, and the media, in order for them to provide reliable information, keep oversight of the public sector’s action and

⁸ Other relevant policy document include the Action Plan for 2020-2024 of the EU Human Rights and Democracy Strategy and the Human Rights and Democracy Country Strategy for Malawi.

engage in advocacy. This includes improving the access to information, to ensure that necessary checks and balances in the democratic system can function effectively.

Indicative sector: Government & civil society-general (151)
SDG 16

Specific objective 2

- **Enhancing economic governance** to support Malawi to increase efficiency and effectiveness in resource mobilisation, reduce waste of public funds and address corrupt practices. Sound public financial management systems are essential for democratic governance, macro-economic stability, and effective use of resources available while preventing corruption. It is also a precondition to channel efficiently resources to service delivery. Support will be pursued to further improve systems and processes along the public finance management cycle to sustainably increase efficiency and effectiveness, “green the budget” if and as relevant, and strengthen transparency and accountability, with amongst others the uptake of digital solutions. This will also include continued work to enhance the institutional capacity of oversight mechanisms and institutions (e.g. Anti-Corruption Bureau, National Audit Office).

Indicative sector: Government & civil society-general (151)
SDG 16

Specific objective 3

- **Improving the investment climate and business environment** to support the needed diversification of the economy beyond the agricultural sector, thereby promoting re-industrialisation and expanding the service sector, as well as promoting innovation and creativity, with a particular focus on green and agro-ecological activities. Strengthened cooperation will focus on the implementation of business environment reforms, geared to reducing business costs and risks, encouraging competition and regional integration, ensuring sustainable and responsible business practices (e.g. Extractive Industries Transparency Initiative), facilitating the emergence of entrepreneurs and MSMEs generating decent jobs. This may also include support to a conducive and secure regulatory and institutional framework for the development of the green/circular economy and the digital economy, as well as to tapping opportunities of the (eco)tourism industry. Pursuing the European economic diplomacy agenda will also help attracting sustainable and responsible investments, e.g. in the mining sector.

Indicative sector: Business & Other Services (250)
SDG 8

Risk assessment

| Risks | Mitigating measures |
|---|---|
| Political interference affecting independence of oversight institutions | Enhance political dialogue to address external influence, support for institutional capacity building and coordination facilitation between independent and yet-to-be independent |

| | |
|---|---|
| | institutions. Ensure conditions for stronger demand for accountability |
| Vested interest and resistance to conducive socio-economic reforms | Join forces with development partners to promote reforms and provide related technical support. Engage in political economy analysis in areas of most likely resistance to change and promote greater engagement from key non-state actors, in particular CSOs and private sector |
| Weaknesses in national systems for appropriate monitoring | Support to capacity development and advisory services and M&E arrangements |
| Slow progress to improve public financial management and insufficient sequencing of PFM reforms | Enhance engagement with Government and development partners with incentives and pursue capacity building |
| Limited implementation and absorptive capacities | Thorough assessment of absorption capacity at formulation phase and diversification of implementation modalities and partners |

Expected contribution to spending target: Gender equality, but not possible to quantify at this stage.

2.2.2. Expected results

Expected result 2.1.1: Inclusive, transparent and credible electoral processes and a pluralist democratic system promoted

Expected result 2.1.2: Universal values of human rights for all, in particular women and girls' rights, including tools for the effective exercise of human rights such as civil registration and civic education, promoted

Expected result 2.1.3: Provision of fair justice, including access to legal assistance enhanced

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

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

2.2.3. Indicators

The intervention framework in Attachment 1 presents the main indicators for measuring the above results.

2.3. Priority area 3 – Human development and social inclusion

Enhancing human capital and social inclusion is the other fundamental pillar of green and resilient economic transformation. Investing in human development and social inclusion is not only a normative obligation and at the core of the EU's multilateral commitment toward

achieving the SDGs, but also the smartest long-term economic and political investment for sustainable development and stability. Despite improvement in the human development index, where Malawi increased its score by 45% over the last two decades, the country still ranks a low 174 out of 189 countries. This ranking stems from a conjunction of factors, which in addition have deteriorated during the pandemic, in particular for the most vulnerable and marginalised and vulnerable groups. These include poor nutrition and deficient coverage and quality of early childhood care, affecting cognitive development, poor health and education services, especially at the community level, important school dropout rate, especially of girls due to early pregnancy and challenges related to sexual and reproductive health and rights, which enforces the cycle of intergenerational transmission of poverty, exacerbated by recurrent shocks. Furthermore, every year between 300,000 and 500,000 youth enter the labour market age, of whom only a negligible number has had some exposure to secondary education⁹, in particular women, and even fewer graduate from university and formal TVET (an estimated 24,000 and 10,000 respectively). Skills mismatch further aggravates the outlook, as skills acquired often do not match the already limited labour market demand. Given the depth of the challenges and the need to catalyse progress, interventions will continue to support secondary education and skills development, and to strengthen social inclusion and resilience systems, particularly in the context of external shocks such as the COVID-19 pandemic. In that, a multi-sector approach will be followed, including in particular gender equality and girls and women empowerment, which will receive particular attention, ensuring no one, is left behind.

2.3.1 Specific objectives

Specific objective 1

- **Advancing quality education and skills**, with a view to meet the needs of the private sector and provide more decent jobs and greater socio-economic opportunities to both urban and rural youth, notably in the green, circular and digital economy. Actions will continue to focus on strengthening the secondary education system as well as expanding demand driven and flexible TVET and entrepreneurship programmes, in order to improve employability. Support for girls and women will receive a particular emphasis in order to promote greater gender equity in education and women empowerment, including through improved ability to participate in the green transition and the digital transformation. Synergies with the actions implemented under Priority Area 1 aiming at boosting productivity, resilience, diversification, value addition and commercialisation of agriculture and fisheries and enhancing environmental sustainability through the education system will be further enhanced building on the lessons learned from the programmes under the 11th EDF.

Indicative sector: Education (110)
SDG 4

Specific objective 2

- **Strengthening social protection systems** to help mitigate the impact of the current pandemic and of future shocks (including those created or aggravated by climate change) and enhance the resilience of the most vulnerable. In the EU's action, the focus

⁹ Net Enrolment Rate: 15%, Gender Parity Index: 0.92, Drop-out Rate: 10.9%, 13.4% for girls.

on girls and women empowerment throughout the life cycle will stand out, supporting the creation of pathways for graduation out of poverty. Social protection requires a multi-sector integrated approach with due attention to complementarity with nutrition, early childhood education and development and women economic empowerment. This will also help addressing Malawi’s growing inequality while supporting growth at local level through the multiplier effect of increased consumption and improved labour market outcome. Interventions will also seek to deepen the humanitarian-development-peace nexus, as well as to support institutional capacity and information management. Innovative digital solutions will be leveraged to ensure that support effectively reaches the targeted beneficiaries.

Indicative sector: Other social infrastructure & services (160)
SDG: 1, 2

Risk assessment

| Risks | Mitigating measures |
|---|--|
| Reluctance at policy level to address certain sensitive issues | Robust political and policy dialogue with government, together with key stakeholders, based on evidence and facts |
| Mismatch between TVET curriculum and private sector needs | Greater dialogue and engagement with the private sector |
| Extended COVID-19 pandemic leading to further restrictions and/or closing of schools | Support to strengthen COVID-19 related sanitary measures and foresee flexibility in formulation, including space for crisis modifiers |
| Limited cooperation and coordination between central and local government authorities | Strengthen dialogue with central and local government authorities, support to institutional capacity building, and enhance sector coordination |
| Limited implementation and absorption capacities | Thorough assessment of absorption capacity at formulation phase and diversification of implementation modalities and partners |

Expected contribution to spending target: this priority area contributes fully to the 20% spending target for human development and social inclusion and to the commitment that 10% of funding goes to education and skills. In line with the EU Gender Action Plan 2021-2025 (GAP III), all actions will include a gender focus.

2.3.2. Expected results

Expected result 3.1.1: Enhanced quality employment and entrepreneurship opportunities, notably in the green, circular and digital economy

Expected result 3.1.2: Improved inclusive and equitable quality education

Expected result 3.2.1: Resilience of the most vulnerable enhanced based on a sound multi-sector approach to social protection systems.

2.3.3. Indicators

The intervention framework in Attachment 1 presents the main indicators for measuring the above results.

2.4. Proposals of country Team Europe Initiatives

The two proposed flagship initiatives are built on individual strengths and synergies between EU and EU Member States in the spirit of Joint Programming. They aim at joining forces to generate a critical mass for promoting change, and therefore mobilise in an integrated way the wide array of implementing tools such as grants, pool funding, innovative financial instruments, twinning, and technical assistance. Budget support may also be used, if conditions are met.

2.4.1. Team Europe Initiative 1: “Green Growth for Malawi”

Indicative EU contribution: EUR 150 million

This initiative aims at accelerating diversification and resilience in the agricultural sector based on the farm to fork approach, thereby promoting sustainable job creation, ensuring sustainable food systems while respecting sound principles of natural resources management. It seeks to leverage two major growth enablers, environment and nutrition, to achieve greater agricultural diversification and higher productivity, which matches the track record and experience of Team Europe in Malawi, in particular Germany and Ireland and the Belgian region of Flanders.

The implementation of this flagship programme comprises two interrelated strands of actions:

1/ Green agro-ecological value chain development

Specific objectives include:

- **Supporting the sustainable development of the most promising agricultural value chains**, which would be selected based on criteria of environmental sustainability, climate resilience, inclusiveness (i.e. smallholder integration), youth employment potential, import substitution and export in particular to regional markets;
- **Supporting private sector development** with dedicated support to green MSME business development, farmer organisation and cooperatives, TVET for youth employability (in particular in the green, circular and digital economy), and market access e.g. through advocacy and support for the Economic Partnership Agreement;
- **Facilitating sustainable investment** for enabling infrastructure, with a particular focus on access to clean energy and renewable energy generation.

2/ Environmental protection and nutrition

Specific objectives include:

- **Supporting natural resources management** for environmental protection, disaster risk reduction and mitigation of climate change effects. Interventions would include

strengthening decentralisation to maximise the involvement of local communities, in particular for investment in public and social community infrastructure and the introduction of measures for incentivising the conservation and restoration of ecosystem, and/or by integrating compensation mechanisms for negative externalities resulting from the promotion of economic diversification activities (e.g. eco-schemes, payment for ecosystem services schemes);

- **Ensuring nutrition and healthy diets**, by facilitating production, processing and consumption of healthy and diversified food to provide Malawi with a well-nourished and productive workforce. This would notably include promoting social behavioural change through nutrition education.

2.4.2. Team Europe Initiative 2: “Good governance for Malawi”

Indicative EU contribution: EUR 60 million

This initiative aims at addressing governance weaknesses in a comprehensive manner by joining forces as Team Europe, in particular with Germany and Ireland, building on each other’s capacities and experience. In particular, it will promote transparency and accountability to prevent vulnerability to corruption and unethical practices, and improve public trust in government institution. Team Europe would focus on promoting shared values of democratic governance, supporting an effective and fair legal environment, and strengthening public financial accountability and transparency in government institutions. This would in turn contribute to the effective implementation of public policy and delivery of public services.

The implementation of this flagship programme comprises three interrelated strands of actions:

1/ Participatory and inclusive governance

Specific objectives include:

- **Promoting joint policy and political dialogue on democratic governance**, with a wide circle of stakeholders, including civil society, academia promoting consensus-based reform;
- **Supporting programmes and campaigns designed to empower** citizens, civil society, the media, and the private sector, with a focus on fighting and reporting the misuse of authority, funds or other of public interest; and on enhancing public participation in policy-making and decisions on natural resources management;
- **Supporting domestic electoral observation and electoral cooperation**, in particular in the context of the next presidential election in 2025.

2/ Rule of law and justice

Specific objectives include:

- **Supporting effective enjoyment of human rights** and fundamental freedoms, including promoting the fight against discrimination in all its forms;

- **Reinforcing the capacity of judiciary institutions** to improve access to justice and ensure a responsive and fair justice, with a view to end impunity.

3/ Economic governance

Specific objectives include:

- **Accelerating the transformation of Malawi's public financial management**, through support to key PFM institutions;
- **Supporting and enhancing the institutional capacity of independent governance and oversight institutions**, particularly regarding the management of public funds, anti-corruption efforts and diligent prosecution and reporting of cases;
- **Improving access to information**, for enhanced transparency and accountability in the public sector and via the use of digital solutions, which are a powerful tool for ensuring transparency.

3. Support measures

3.1. Measures in favour of civil society

Civil society makes an effective contribution to Malawi's development through advocacy and service delivery. Building on previous support to civil society organisations and in full synergy with other ongoing and future EU programmes, the MIP may provide support to measures in favour of civil society along the following strands of actions:

- Supporting the role of CSOs for the monitoring of EU's interventions as well as for the monitoring and implementation of Government policies and programmes;
- Working with public institutions to promote openness, engagement and responsiveness, particularly with a view to ensure that public resources are used effectively and efficiently and budgets are reflective of people's needs and priorities;
- Promoting access to information, particularly on issues related to implementation of budgets, policies and laws at both national and local level;
- Promoting knowledge dissemination, networking and mentoring opportunities for CSOs, as well as strengthening research capacity of the CSOs, with a strong emphasis on gender equality and youth policies;
- Promoting meaningful participation and inclusion of youth and youth organisations in society and in decision-making;
- Increasing competency of media, their understanding and capacity to accurately communicate social, economic and public accountability issues;
- Strengthening an enabling environment and CSOs' capacities as actors of governance, in complementarity with support to be provided via the CSO thematic programme.

3.2. Cooperation facility

A Technical Cooperation Facility will be established in order to support within the framework of this MIP:

- The preparation, implementation, monitoring and evaluation of actions related to the EU's cooperation, including via technical assistance;
- Capacity development and institutional capacity building, including through exchanging public expertise, such as TAIEX and Twinning;
- Policy dialogues: events, conferences, studies, fellowships, exchange platforms to support sector dialogues leading to policy reforms and engagement with the government of Malawi and other stakeholders;
- Communication and visibility actions, including strategic communication and the fight against disinformation, as well as specific interventions related to public diplomacy to promote EU policies and its multilateral agenda in the partner country;
- Coordination of Joint Programming / Team Europe, as well as the participation of the country in EU Programmes and cooperation with EU Agencies, where relevant.

4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Malawi and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Malawi.

| Overall indicative allocation 2021-2024 | <i>EUR million</i> | |
|--|--------------------|-------------|
| Priority Area 1 : Green and resilient economic transformation | 155 | 44% |
| <i>Expected contribution to climate change action</i> | <i>155</i> | <i>44%</i> |
| Priority Area 2: Democratic and economic governance | 60 | 17% |
| Priority Area 3: Human development and social inclusion | 120 | 34% |
| <i>Expected contribution to human development and social inclusion</i> | <i>120</i> | <i>34%</i> |
| <i>Expected contribution to education</i> | <i>63</i> | <i>18%</i> |
| Support measures | 17 | 5% |
| TOTAL for initial period* | 352 | 100% |

* Subject to its confirmation through the implementation phase, it is expected that out of the total of EUR 352 million [1st period], an indicative amount of EUR 33 million may be used between 2021 and 2024 to provision EFSD+ guarantee operations across all priority areas.

Attachments

Attachment 1: Intervention Framework

| Priority area 1: Green and resilient economic transformation | | |
|--|---|--------------------------------|
| Specific Objective 1.1 Boosting productivity, resilience, diversification and commercialisation for agriculture and fisheries | | |
| Expected results | Indicators | Means of verification |
| 1.1.1 Improved access to and sustainable use of resources aimed at increased productivity and resilience in agriculture and fisheries, especially for smallholders | Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha) <i>Baseline: 0</i> <i>Target: 30,000 ha</i> | EU Result Framework |
| 1.1.2 Accelerated economic transformation, creating decent jobs and value addition, in particular in sustainable agrifood value chains | Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support (overall, in the agrifood sector) <i>Baseline: 0</i> <i>Target: 3,100</i> | EU Result Framework |
| | Number of jobs supported/sustained by the EU (disaggregated for green jobs, and by sex) <i>Baseline: 0</i> <i>Target: 9,000 jobs (90% of which are green, 40% of jobs for women)</i> | EU Result Framework |
| | Number of beneficiaries with access to financial services with EU support: a) firms b) Individuals <i>Baseline: 0</i> <i>Target: 200 (MSMEs) and 115,000 (individuals)</i> | EU Result Framework |
| | Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land <i>Baseline: 0</i> <i>Target: 400,000 smallholders</i> | EU Result Framework |
| 1.1.3 Improved nutritional status, especially of children under 5, school aged, | Percentage of children under 5 who are wasted | Demographic and Health Survey/ |

| | | |
|--|---|---|
| adolescents and women of child bearing age (also relevant for PA3/SO3) | <p><i>Baseline: 2.7</i> <i>Target: 1.5%</i></p> <p>Percentage of children under 5 who are underweight: Baseline 12% (2015-16) Target: 6% (2026-27)</p> <p>Number of women of reproductive age, adolescent girls and children under 5 reached by nutrition related interventions supported by the EU <i>Baseline: 0</i> <i>Target: 2,000,000 (700,000 women, 700,000 children under 5, 600,000 adolescent girls)</i></p> | <p>Multiple Indicators Cluster Survey</p> <p>Demographic and Health Survey/ Multiple Indicators Cluster Survey</p> <p>EU Result Framework</p> |
| Specific Objective 1.2 Enhancing environmental sustainability | | |
| Expected results | Indicators | Means of verification |
| 1.2.1 Conservation and sustainable management and use of natural resources, biodiversity and ecosystems improved | <p>Areas of terrestrial and freshwater ecosystems under a) protection, b) sustainable management with EU support(ha) <i>Baseline: 0</i> <i>Target: a) 400,000 ha (protection)</i> <i>b) 200,000 ha (sustainable management)</i></p> | EU Result Framework |
| 1.2.2 Development of sustainable eco-tourism sector enhanced | <p>Number of communities benefiting from sustainable eco-tourism livelihoods opportunities as a result of EU-supported interventions Baseline: 0 Target: 100</p> | EU programme reporting |
| 1.2.3 National capacity to cope (adaptation/mitigation) with climate change increased at the central, decentralised and community levels | <p>Number of households implementing climate change adaptation/mitigation measures throughout their economic activities with EU support <i>Baseline: 0</i> <i>Target: 400,000 households</i></p> | EU programme reporting |
| Specific Objective 1.3 Developing economic infrastructure | | |
| Expected results | Indicators | Means of verification |

| | | |
|---|--|--|
| 1.3.1 Improved access to energy for all, and increased energy efficiency and renewable energy generation | <p>Number of individuals with access to electricity with EU support through: a) new access, b) improved access <i>Baseline: 0</i> <i>Target: 350,000</i></p> <p>Renewable energy generation capacity installed (MW) with EU support <i>Baseline: 0</i> <i>Target: 100 MW</i></p> | <p>EU Result Framework</p> <p>EU Result Framework</p> |
| 1.3.2 Key economic infrastructure developed or rehabilitated based on sustainability principles | <p>Number of infrastructure items developed with EU support <i>Baseline: 0</i> <i>Target: 7</i></p> | EU programme reporting |
| Priority area 2: Democratic and economic governance | | |
| Specific Objective 2.1 Advancing democracy, human rights and the rule of law | | |
| Expected results | Indicators | Means of verification |
| 2.1.1 Inclusive, transparent and credible elections and a pluralist democratic system promoted | <p>Status of implementation of recommendations from EU election observation missions <i>Baseline: 0</i> <i>Target: 11</i></p> <p>Number of government policies developed or revised with civil society organisation participation through EU support <i>Baseline: 0</i> <i>Target: 10</i></p> | <p>EU programme reporting</p> <p>EU Result Framework</p> |
| 2.1.2 Universal values of human rights for all, in particular women's and girls' rights, including civic rights and education, promoted | <p>Number of individuals benefitting from EU-funded programmes to counter sexual and gender-based violence <i>Baseline: 0</i> <i>Target: 60,000</i></p> <p>Number of victims of human rights violations directly benefitting from assistance funded by the EU (disaggregated by sex) <i>Baseline: 0</i> <i>Target: 7000 (at least 50% girls/women)</i></p> | <p>EU Result Framework</p> <p>EU Result Framework</p> |
| 2.1.3 Provision of fair justice, including access to legal assistance, enhanced | <p>Number of people directly benefitting from legal aid interventions supported by the EU (disaggregated by sex)</p> | EU Result Framework |

| | | |
|---|---|--|
| | <i>Baseline: 0</i> <i>Target: 300,000 people (at least 40% women)</i> | |
| Specific Objective 2.2 Enhancing economic governance | | |
| Expected results | Indicators | Means of verification |
| 2.2.1 Increased domestic revenue mobilisation, greater control over public expenditure and revenue, as well as greater transparency and accountability in the use of public funds | <p>Public Access to fiscal information <i>Baseline: OBI 27/100</i> <i>Target: >60/100</i></p> <p>Publication of fiscal risks (from e.g. guaranties, PPP, contingent liabilities) in Budget documentation, other reports submitted to Parliament e.g. on SOE oversight and management <i>Baseline: none</i> <i>Target : full disclosure</i></p> <p>Oversight and Control over commitments and arrears <i>Baseline: no systematic overview/control over commitments and arrears</i> <i>Target: systematic follow up of commitments and arrears and full disclosure in periodic reporting</i></p> | <p>Open Budget Index</p> <p>Annual Budget Documentation</p> <p>Governments in year reports</p> |
| 2.2.2 Anti-corruption legal and institutional framework enhanced and implemented | <p>Corruption perceptions index <i>Baseline: 31 (score)</i> <i>Target:>50 (score)</i></p> | Transparency International |
| Specific Objective 2.3: Improving the investment climate and business environment | | |
| Expected results | Indicators | Means of verification |
| 2.3.1 Improved economic governance, business environments, contributing to scale-up private and public investments, notably in the green and circular economy and the digital economy | <p>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 <i>Baseline: 0</i> <i>Target: 10</i></p> | EU Result Framework |
| Priority area 3: Human development and social inclusion | | |
| Specific objective 3.1 Advancing quality education and skills | | |
| Expected results | Indicators | Means of verification |
| 3.1.1 Enhanced quality employment and entrepreneurship opportunities, | Number of people who have benefited from institution or workplace based TVET/skills development interventions | EU Result Framework |

| | | |
|--|---|--|
| notably in the green, circular and digital economy | supported by the EU (disaggregated for digital skills and by sex) <i>Baseline: 0</i> <i>Target: 3,000 (at least 35% women, at least 5% in digital skills)</i> | |
| 3.1.2 Improved inclusive and equitable quality education | <p>Number of students enrolled in secondary education with EU support (disaggregated by sex) <i>Baseline: 0</i> <i>Target: 10,000 (at least 50% girls)</i></p> <p>Transition rate to secondary (disaggregated by sex) <i>Baseline: 37.6 (37.8 girls, 37.3 boys)</i> <i>Target: 56%</i></p> <p>Gender parity index - GPI in secondary education <i>Baseline: 0.94</i> <i>Target: 1</i></p> | <p>EU Result Framework</p> <p>National statistics</p> <p>National statistics</p> |
| Specific objective 3.2 Strengthening social protection systems | | |
| Expected results | Indicators | Means of verification |
| 3.2.1 Resilience of the most vulnerable enhanced based on a sound social protection system | <p>Number of individuals directly benefiting from EU supported interventions that aim to reduce social and economic inequality (disaggregated by sex) <i>Baseline: 0</i> <i>Target: 350,000 (of which 55% women)¹⁰</i></p> <p>Government share of financing of the Social Cash Transfer Programme <i>Baseline: 7%¹¹</i> <i>Target: 15%¹²</i></p> | <p>EU Result Framework</p> <p>National statistics</p> |

¹⁰ The EU long-term objective for social protection is to support a gradual increase of government ownership in terms of both management and financing of the Social Cash Transfer Programme. In this context, the support of the EU would only marginally increase over the related period. EU support is currently catering for 305,432 beneficiaries (166,713 W and 138,719 M). These beneficiaries will gradually phase out of the programme (each beneficiary should remain in the programme for a 5 year cycle) and will be replaced by new intakes. The target refers to new beneficiaries only.

¹¹ 2019/20 Social Welfare Budget Brief, UNICEF Malawi.

¹² Social Cash Transfer Programme 5-year Strategic Plan Draft.

Attachment 2 – Donor Matrix

| Main priority sectors (per OECD DAC purpose code) | | | | | | | | | | | | | | | Total | |
|---|-----------|--------|--|---------------------------|----------------------------|--|---------------------|----------------|--------|------------------------------|---------------------------|--------------------------------|--------------------------------|------------------------------|-------|--------------------------------|
| | Education | Health | Population policies/Programmes & Reproductive Health | Water supply & Sanitation | Government & civil society | Other social infrastructure & services | Transport & Storage | Communications | Energy | Banking & Financial services | Business & other services | Agriculture, Forestry, Fishing | Industry, Mining, Construction | Trade policies & regulations | | General environment protection |
| European Commission* | x | | | | x | x | | | | | x | x | | | | 5 |
| EIB | | | | x | | | x | | x | x | | x | | | | 5 |
| Germany | x | x | x | | x | x | | | | | | x | | | | 6 |
| Ireland | | x | | | x | x | | | | | | x | | | | 4 |
| Belgium (Flanders) | | | | | | | | | | | | x | | | x | 2 |
| USA | x | x | x | | x | x | | | x | | x | x | | | x | 9 |
| UK | x | x | x | x | x | x | | | | | x | x | | x | x | 10 |
| Norway | x | x | x | | x | | | | | | x | x | | | x | 7 |
| Japan | x | x | | x | | | x | | x | | | x | x | | | 7 |
| China** | | x | | | x | | | x | x | | | x | x | | | 6 |
| World Bank Group | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | 15 |
| UN | x | x | x | | x | x | | | | | x | x | | | | 7 |
| AfDB | x | | | x | x | | x | x | | x | x | x | x | | x | 10 |

* Excluding programmes funded via regional and thematic budget lines.

** No precise data for China available.