



MALAWI COVID-19 SOCIO-ECONOMIC RECOVERY PLAN 2021-2023



First Published in 2021

Suggested Citation: Government of Malawi (2021). Malawi Covid-19 Socio-Economic Recovery Plan: 2021-2023. Ministry of Economic Planning and Development and Public Sector Reforms, Lilongwe, Malawi.



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LIST OF ACRONYMS

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
CCC	Copenhagen Consensus Centre
CDC	Centre for Disease Control
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus Disease 2019
CSI	Corporate Social Investment
CSO	Corporate Social Responsibility
DoDMA	Department of Disaster Management Affairs
DFID	Department for International Development
DPOs	Disabled Persons Organizations
EPI	Expanded Programme on Immunization
FDI	Foreign Direct Investment
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GoM	Government of Malawi
HDI	Human Development Index
ICT	Information Communication Technologies
ICU	Intensive Care Unit
IMF	International Monetary Fund
MAITAG	Malawi Immunization Technical Advisory Group
MCCCI	Malawi Confederation of Chamber of Commerce and Industry
MCTU	Malawi Congress of Trade Unions
MDAs	Ministries Departments and Agencies
MoEPD&PSR	Ministry of Economic Planning and Development and Public Sector Reforms
MFIs	Micro Finance Institutions
MGDS	Malawi Growth and Development Strategy
MoF	Ministry of Finance
MIP-1	Malawi 2063 First 10-year Implementation Plan
MPI	Multidimensional Poverty Index

MRA	Malawi Revenue Authority
MW2063	Malawi 2063
MSMEs	Micro, Small, and Medium-sized Enterprises
NCPRP	National COVID-19 Preparedness and Response Plan
NPC	National Planning Commission
NSO	National Statistical Office
ODA	Official Development Assistance
OPC	Office of the President and Cabinet
PFM	Public Finance Management
PHIM	Public Health Institute of Malawi
PPE	Personal Protective Equipment
PWP	Public Works Programme
SADC	Southern African Development Community
SCT	Social Cash Transfer
SDGs	Sustainable Development Goals
SERP	Socio-Economic Recovery Plan
SGBV	Sexual and Gender Based Violence
SMEs	Small and Medium-sized Enterprises
TEVET	Technical Vocational Education Training
ToC	Theory of Change
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRCO	United Nations Resident Coordinator's Office
WHO	World Health Organization
WTO	World Trade Organization

FOREWORD

Malawi was in the process of registering some socio-economic progress when the Coronavirus Disease - 2019 (COVID-19) pandemic hit the country in April, 2020. Although the country was facing both economic and political challenges due to limited fiscal space; balance of payments problems; and the disputed presidential elections results of 2019, the economy was registering reasonably high growth rates. However, the emergence of the COVID-19 pandemic affected all segments of society, including health, education and key economic sectors; with devastating socio-economic impact on vulnerable groups such as women, youth, persons with disabilities, and workers in the Micro, Small, and Medium-Sized Enterprises (MSMEs) sector. In response, the Government of Malawi, through the Presidency, declared a State of National Disaster; and established a Presidential Task Force which launched the National COVID-19 Preparedness and Response Plan to effectively address the emergency and its increasing impact on the lives of Malawians.

Further, as part of the measures to build back better from the emergency response and place the economy on a sustainable recovery pathway, the Government has designed this Socio-Economic Recovery Plan



(SERP). The SERP identifies strategic interventions related to the social sector and the economy that would need to be supported to help the country recover and build back better from the COVID-19 pandemic; while, at the same time, facilitating the take off to implementing and achieving the long-term national development aspirations articulated

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under the Malawi 2063 First 10-year Implementation Plan (MIP-1).

The Malawi Government, with full guidance of the State President, Dr Lazarus McCarthy Chakwera, recognizes that recovering and building back better from the COVID-19 pandemic will require strategic and sustainable investments in areas such as health and education system strengthening; protecting people, especially the most vulnerable; creating an enabling business environment for sustainable economic recovery and resilient jobs and wealth creation, especially for SMEs and informal sector workers; and putting in place an effective macroeconomic response framework for achieving a sustainable

development pathway. These development objectives will certainly facilitate the transition of Malawi to achieving its vision of becoming an inclusively wealthy and industrialized upper middle-income country; and meeting most of the Sustainable Development Goals (SDGs) by close of the Decade of Action in 2030.

I am, therefore, delighted to present the Malawi COVID-19 Socio-economic Recovery Plan 2021-2023; and, at the same time, solicit the support of our development partners, including the United Nations family, private sector, academia and civil society organizations to partner with us during its implementation over the stated period.



Dr. Saulos Klaus Chilima
**The Vice President of the Republic of Malawi,
and Minister of Economic Planning and Development
and Public Sector Reforms**

ACKNOWLEDGEMENT

The Socio-Economic Recovery Plan (SERP) has been developed under a highly consultative process that drew from insights, data and information on the COVID-19 pandemic provided by national, sectoral and local Government institutions, the private sector, civil society organisations, and development partners. The formulation process of the SERP was driven by a Technical Team, led by the National Planning Commission (NPC), which included the Ministry of Economic Planning and Development and Public Sector Reforms (MoEPD&PSR); Ministry of Finance; Ministry of Health; Ministry of Gender, Community Development and Social Welfare; Ministry of Labour; Department of Disaster Management Affairs; National Statistical Office; Office of the President and Cabinet; and Office of the Vice President.

NPC acknowledges and extends sincere appreciation to the Steering Committee for the advisory role and the strategic direction provided during the development of the SERP; SERP

Consultancy Team, comprising Dr. Stephen Chipika, Dr. Milton Kutengule and Dr. Steve Kayizzi-Mugerwa; and Copenhagen Consensus Center (CCC), which provided technical support, especially in the early stages of formulating the SERP.

Further, NPC is immensely indebted to all state and non-state actors who provided valuable inputs throughout the formulation process. Special thanks go to the United Nations, especially the Resident Coordinator's Office and the United Nations Development Programme (UNDP), for the financial and technical support.

We are optimistic that the SERP will support the operationalization of the Malawi 2063 (MW2063), which highlights COVID-19 as a risk factor and development issue that could derail the implementation and realization of the aspiration of building a society that is inclusive, supports wealth creation and aims to become industrialized and self-reliant by 2063; and the attainment of the Sustainable Development Goals by 2030.

PREAMBLE

The COVID-19 Socio-economic Recovery Plan (SERP) should not be considered in isolation but as an integral part of the Malawi 2063 First 10-Year Implementation Plan (MIP-1). The SERP is hence simply defining some of the key interventions for Malawi to build back much faster from COVID-19 as we begin implementing the MIP-1, which include front-loading the ongoing socio-economic infrastructure investments (both by government and cooperating partners' financing). Implementation of interventions in this SERP will therefore happen along side the other catalytic interventions defined in the MIP-1.

The economy currently remains so depressed largely due to COVID-19 and imported inflation. High inflation is principally a reflection of low levels of production in an economy and low levels of forex generation - for Malawi, this is exacerbated by the prolonged net-importer status. The more the economy is supported to produce more domestically and for exports, the lower the levels of inflation will get. Managing inflation using monetary tools, without stifling production, will also be part of the plan in the short term. The stimulants defined in this SERP will target sectors that are in a state of readiness with regard to production and availability of markets - the private sector will hence be a key interlocutor on this, largely through the public-private dialogue platform. Indications

already show the possibility of the economy bouncing back with over 5% of GDP in 2022, at the back of the stimulants being implemented.

Globally, as the economies are recovering from COVID-19, the crude oil prices are going up along with prices for fertilizer and containers for shipping the goods across the globe. Such prices, which affect Malawi, being a net-importer, including importation of essential commodities, are beyond Malawi's immediate control especially given its tight fiscal space for stabilizing prices of such commodities. The SERP hence deals with issues that will lay foundations for putting the economy back onto the track of high production levels and exports, while providing safety nets to those segments of society whose livelihoods are at stake.

The SERP proposes the implementation of strategic interventions across five inter-linked focus areas where evidence shows accelerated recovery will be achieved if targeted, namely: (i) Building a Resilient and Sustainable Health System; (ii) Building a Resilient and Sustainable Education System; (iii) Building a Resilient and Sustainable Social Protection System; (iv) Building a Resilient Economy and Labour Market; and (v) Building an Enabling Macroeconomic Policy Environment. Some of the specific measures to re-energize production and productivity in the economy by both state and private sector actors as defined within the five focus areas of the SERP include:

1. *Intensified efforts in increasing the proportion of the population that is vaccinated.* So far, the country has only managed to have just over half a million people fully vaccinated, representing less than 5 percent of the targeted 60 percent of the population or 11 million to reach herd immunity. The more the population is immunized, the more businesses will operate close to optimal capacity; the lesser the pressure on health systems as most resources are currently being diverted towards COVID-19; the low the likelihood of keeping our children out of school. The economy will therefore start producing close to its optimal levels thereby controlling inflation as there will be more products and services for the domestic and export market. In accelerating this recovery, plans are to vaccinate all people, including those in hard to reach areas.

health posts and 1800 health community health worker housing units under the National Acceleration Community Health Roadmap; kick-starting the 15 infrastructure projects under the 1 Trillion Kwacha local bond like the 6-lane high-way in Lilongwe; Ensuring that large infrastructure like the Mpatamanga energy plant take off; secondary schools construction; ensuring no stalling of the irrigation schemes across the country, including the shire valley transformation programme, fast-tracking the Salima-Lilongwe Water supply and other investments in water boards across the country's regions so as to eventually stabilize tariff increases and ensure wider availability of clean water at affordable prices across the country and hence tame inflation. The infrastructure development projects will also provide opportunities for direct and indirect employment that will increase people's disposable incomes.
2. *Infrastructure investments to stimulate long-term public and private investments, as well as create employment.* A number of health and education facilities across the country including economic infrastructure that will stimulate the economy to recovery have been prioritized and front-loaded to the SERP period of 2021-2023 (for both Government and cooperating partner funded projects). These include kick-starting of the 900
3. *Intensified digitalisation* - there are efforts in all sectors to ensure more digital connectivity - health, education, Government (especially e-procurement and e-payments). Within the SERP's period of 2021-2023, the Digital Economy Strategy will be implemented that will review some of the taxes on digital the services. This will significantly bring cost of digital services and internet down, leading to huge reduction in

inflation given that the modern economy largely revolves around the internet and digital services. There is now accelerated implementation of the Digital Malawi Program supported by the World Bank, which aims to also connect schools and public places like airports.

4. *Sustaining and scaling-up the fiscal and monetary stimulants towards the productive sectors of the economy, especially those most affected by COVID-19 such as the hospitality industry, Creative Arts and Small and Medium Enterprises (SMEs).*

This will be the focus of Government through the Ministry of Finance and Reserve Bank through-out the 2021-2023 period as the foundational years for building back better from COVID-19 while mindful of the environment (green economic recovery). Key also is the fiscal and monetary stimulants that Government will put in place during this period towards the sectors that generate forex, like mining, so as to support our currency's value on the international market and thereby tame imported inflation like the one that is hitting the country through high crude oil prices. Without a

good forex buffer, it is hard to support any imported commodity prices with the existing fuel price stabilization fund.

5. *Administering safety nets, especially those that are productivity-enhancing.* Realizing that certain segments may not easily cope with the escalating costs of living due to the COVID-19 impacts on their livelihoods, Government (jointly with its cooperating partners) will scale-up targeted and/or conditional cash transfers during the 2021-2023 period, especially to the urban poor and rural communities. This includes efficient administration of agriculture input subsidies to ensure that people are food-secure. This would sustainably dissipate inflation given that food contributes around 50 percent of the country's consumer price index. Moving forward, Government is at an advanced stage exploring the domestic production of essentials, such as fertilizer, in order to have better control the prices of such commodities and tame inflation.

EXECUTIVE SUMMARY

COVID-19 poses real risks for the attainment of Malawi's national development aspirations as espoused in the new long-term development Vision, Malawi 2063 (MW2063); as well as the Sustainable Development Goals (SDGs). In addition to declined economic activities and growth rates, COVID-19-related threats include the erosion of domestic institutional capacities; reversal of recent achievements in health and education; and reversal of trade and private sector investment streams, which had brightened in recent years. Further, social insecurity has heightened, with the evolving situation exposing various deficiencies in the healthcare system which need to be addressed urgently. Furthermore, with large numbers of job losses in the formal sector, the informal sector has ceased to play an effective role of absorbing shock for alternative livelihoods, as the latter has not been spared from the COVID-19 induced decline.

Within the context of international best practice, the Socio-Economic Recovery Plan (SERP) has been developed through an extensive evidence-based consultative process that drew from recent studies on the impact of COVID-19 and the spill-over effects. The consultative process included insights, data and information on the pandemic provided by state and non-state actors. Sectoral and other central Government experts identified the priorities for redress under the

SERP. Accordingly, the SERP supports and aligns to the following existing frameworks and plans: (a) MW2063; (b) Malawi 2063 First 10-Year Implementation Plan (MIP-1); (c) UN Framework for the Immediate Socio-Economic Response to COVID-19; (d) National COVID-19 Preparedness and Response Plan; (e) Global World Health Organization's Strategic Preparedness and Response Plan; and (f) UN Sustainable Development Goals (SDGs).

The SERP also recognizes that recovery from COVID-19 will require collaborative and multi-dimensional efforts; coordinated action across local communities; civil society; private sector; micro, small and medium enterprises; informal sector; and national and local Government structures. This collaboration will facilitate recovery in the health sector and other severely affected sectors; and deal with the numerous socio-economic challenges encountered, while bearing in mind the specific needs and roles of women, youth, people with disabilities, and other vulnerable groups that bear the brunt of the compound effect of COVID-19.

Broadly, the aim of the SERP, which covers the period 2021-2023, is to enhance the capacity of Malawi and its people to effectively recover and build back better from the adverse impact of the COVID-19 pandemic; and facilitate the transition to the effective

implementation and realization of its development aspirations as espoused under MW2063. As such, the SERP prioritizes interventions within the MIP-1 that would help accelerate the recovery. One key principle driving the SERP is the front-loading of interventions (especially economic infrastructure) that have high probability of stimulating private sector investments capable of optimising production for local and export markets thereby creating jobs and stabilizing prices, especially imported inflation on a sustainable basis.

The SERP proposes the implementation of strategic interventions across five inter-linked focus areas where evidence shows accelerated recovery will be achieved if targeted, namely: (i) Building a

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Resilient and Sustainable Health System; (ii) Building a Resilient and Sustainable Education System; (iii) Building a Resilient and Sustainable Social Protection System; (iv) Building a Resilient Economy and Labour Market; and (v) Building an Enabling Macroeconomic Policy Environment.

Further, the SERP identifies possible sources of development financing to aid the implementation of the strategic interventions within the five focus areas. In view of the huge financial demand necessary for the implementation of the proposed interventions, the SERP's financing mechanisms consist of various sources of development financing to complement traditional sources and includes domestic and international public and private finance; trade through global, continental, and regional initiatives; debt and debt sustainability; South-South and North-South cooperation; remittances and diaspora financing; foreign direct investment; and corporate social responsibility and corporate social investment.

An implementation, coordination, monitoring and evaluation (M&E) framework has been developed to facilitate performance tracking over the three-year implementation period. This captures all the focus areas, strategic interventions, outputs and activities under the SERP. The M&E framework is a key component of the SERP and will enable different stakeholders to

¹ The full costs of the interventions in this SERP can be found in MIP-1.

articulate their roles and responsibilities, what they are expected to do and how specific tasks are expected to be carried out during the implementation period.

The total cost¹ of implementing the SERP is estimated at Five Hundred Eighty Billion and Eight Hundred Twenty Eight Million Kwacha **(K580,828,000,000)**.

Focus Areas	Costs (in Kwacha)	Costs (in US\$)
Focus Area 1 Building a Resilient and Sustainable Health System	397,800,000,000.00	492,326,732.67
Focus Area 2 Building a Resilient and Sustainable Education System	56,600,000,000.00	70,049,504.95
Focus Area 3 Building a Resilient and Sustainable Social Protection System	9,500,000,000.00	11,757,425.74
Focus Area 4 Building a Resilient Economy and Labour Market	101,448,000,000.00	125,554,455.45
Focus Area 5 Building an Enabling Macroeconomic Policy Environment	15,480,000,000.00	19,158,415.84
Grand Total	580,828,000,000.00	718,846,534.65

1 INTRODUCTION

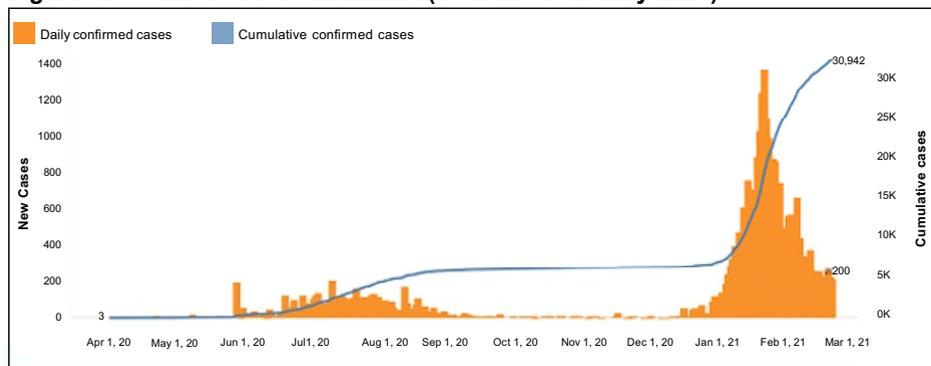
1.1 Background

The first cases of COVID-19 in Malawi, which also marked the beginning of the first wave of the pandemic, were confirmed on 2nd April 2020. The transmission of COVID-19 evolved very slowly, with cases increasing moderately until they reached a first wave peak in early July 2020. The rapid transmission of COVID-19 cases was partly aided by the returning residents from neighbouring countries, especially South Africa; and political campaigns ahead of the June 2020 elections, when social distancing and other hygiene protocols were flouted. At the close of December 2020, the total number of COVID-19 confirmed cases was recorded at 6,583, with recoveries placed at 5,705 and deaths recorded at 189.²

Beginning January 2021, Malawi faced a fast-spreading and severe second wave of COVID-19 infections exceeding the first wave. This saw an

escalation of deaths from COVID-19 such that by the end of January 2021, the accumulated COVID-19 infections increased to 23,963 cases, and reached 33,481 cases by end-March 2021 (see *Figure 1*). The rapid transmission of COVID-19 infections in the second wave, and the resultant escalation in mortality, was mainly due to a combination of laxity in preventive measures; reduced communication messaging of risks; and the onset of the festive period, which saw migrant workers returning from a highly burdened South Africa, bringing home a highly infectious and fast-spreading variant of the virus. From mid-December 2020, the majority of new COVID-19 cases was found in Malawian workers returning from South Africa; but from January 2021, all new cases were a result of local transmission. This led to the belief that the South African variant was responsible for the second wave of COVID-19 infections.

Figure 1: COVID-19 cases in Malawi (as at 23rd February 2021)



Source: Ministry of Health and Population, Government of Malawi; data to 1 March 2021

² Malawi Ministry of Health.

The visible impact of COVID-19 on the population and the economy during the two waves; and the accumulated knowledge among officials with respect to the epidemiology of the disease and what was required to address its spread, resulted in a steadier and well-formulated response from the Government. The two waves exposed the capacity weaknesses of Malawi's health care system, especially in relation to its ability to handle the large and increasing numbers of pandemic cases. With limited human, institutional, and financial resources, COVID-19 has had a disruptive impact on key areas of health care services provision in Malawi, both in terms of quality and distribution. Resource reallocations, including for the limited space and equipment, affected specialist care in hospitals, notably maternity, paediatric and cancer wards, as well as persons with other underlying health conditions.

1.2 National Response to COVID-19

Like most countries around the world that have been affected by the COVID-19 pandemic, the Government of Malawi declared a State of National Disaster on 20th May 2020. Part of the measures pronounced in the State of National Disaster was the formation of the COVID-19 Presidential Taskforce, which launched the National COVID-19 Preparedness and Response Plan (NCPRP) that was financed with K15 billion to be executed through ten clusters. The NCPRP was built on four broad pillars, namely: (i) Emergency Preparedness and Capacity Building;

(ii) Spread Prevention and Control; (iii) Response; and (iv) Early Recovery. The main objective of the NCPRP was to prevent, rapidly detect and effectively respond to any COVID-19 outbreak, thereby reducing morbidity and mortality in the country. The NCPRP drew from international best practices on national disaster mitigation strategies to provide public support to communities, households, and individuals in dire need. The NCPRP included the adoption of short-term measures targeted at alleviating the immediate impact of the pandemic through restrictions on travel, closure of borders, limiting numbers in public gatherings, maintaining social distance, encouraging the wearing of masks and regular washing and sanitizing of hands using soap and sanitiser, respectively.

The cluster of Ministries and Agencies that developed the NCPRP was led by the Ministry of Disaster Management Affairs and Public Events which is also responsible for its overall implementation and coordination. The Ministry of Health is the technical lead. The initial estimated budget of the NCPRP, amounting to US\$ 213.2 million, was revised upwards to US\$ 345 million with increased budgets for the health and education clusters; and the inclusion of agriculture and nutrition clusters. Support for tackling the medical emergency response to the COVID-19 pandemic was, however, subsequently received from the World Health Organization (WHO), Centre for Disease Control (CDC), Global Alliance for Vaccine Immunization, Department for International Development (DFID) and Global Fund.

Several development partners have also supported the Government in its response to the COVID-19 pandemic. For example, the UN Agencies are providing technical expertise, including co-chairing the 10 clusters of the NCPRP; and catalytic funding to support its implementation. In addition, the International Monetary Fund (IMF) provided US\$91 million to assist Malawi in meeting its urgent Balance of Payments needs arising from the pandemic. The African Development Bank (AfDB) provided US\$45 million to support the establishment of four additional infectious diseases treatment centres at Kamuzu Central Hospital; increase the number of households receiving support from social protection schemes from 292,500 to 346,000; support the establishment of jobs and businesses relief scheme for Small and Medium-sized Enterprises (SMEs); and support the food security of vulnerable groups by re-stocking the strategic grain reserves, so as to minimise the impact on food shortage and inflation. The World Bank provided US\$30 million to support the Government's response to the pandemic. Malawians (at home and in the diaspora) and Malawian businesses responded quite well to the financing needs of the health system to address its capacity challenges by raising about K 3 billion between January and March 2021.

1.3 Rationale for the Malawi COVID-19 Socio-Economic Recovery Plan

With increasing confirmed cases of COVID-19 around the world, it has become apparent that the pandemic is far more than just a health crisis. COVID-19 is an unprecedented socio-

economic crisis that has stressed nations. It has the potential to create devastating social, economic and political effects that leave a deep and long-lasting impact. Effective redress against COVID-19 thus requires strategic socio-economic interventions that can deal with the multidimensional impact of the pandemic. This is the motivation for the development of the Malawi COVID-19 Socio-Economic Recovery Plan (SERP).

The MW2063 is the country's long-term vision that seeks to build an inclusively wealthy and self-reliant industrialized upper middle-income country by 2063. ”

The SERP has an implementation period of two years, from 2021 to 2023, and comprises catalytic short- and medium-term strategic interventions with long-term considerations that will enable Malawi to recover and build back better from the adverse impact of the COVID-19 pandemic; while, at the same time, facilitating the country's take-off to achieving its development aspirations as espoused in the Malawi 2063 Vision (MW2063). The MW2063 is the country's long-term vision that seeks to build an inclusively wealthy and self-reliant industrialized upper middle-income country by 2063. This aspiration is anchored on three strategic Pillars, namely: (i) Agricultural productivity and commercialization; (ii) Industrialization; and (iii) Urbanization.

The SERP has been developed as a complementary framework to the MW2063 First 10-year Implementation Plan (MIP-1) to provide a prioritised recovery package that addresses the disruptions caused by COVID-19 as the country moves to operationalize MW2063. In particular, the SERP seeks to strengthen Malawi's capacity and resilience to recover and build back better from the adverse impact of the COVID-19 pandemic. This will ensure that the affected sectors of the economy and social life are restored through catalytic strategic interventions during and beyond the implementation period.

1.4 Objectives of the SERP

The main objective of the SERP is to enhance the capacity of Malawi and its people to effectively recover and build back better from the adverse impact of the COVID-19 pandemic; and facilitate the country's transition to effectively implement and achieve its development aspirations. Accordingly, the SERP has two specific objectives:

- To provide strategic transitional redress to the COVID-19 pandemic in order to facilitate the operationalization of Mw2063 through its MIP-1
- To provide remedial strategic interventions that will set Malawi back on course on its efforts to actualise the Sustainable Development Goals (SDGs) by 2030.

The implementation period of the SERP (2021 to 2023) effectively coincides with the first years of implementation of the MIP-1 and the Decade of Action for the attainment of the SDGs to ensure that Malawi does not lag behind in the achievement of the set targets of the national and global frameworks, respectively.

1.5 Outline of the SERP

Section One provided a brief introduction to the SERP. The remaining Sections are arranged as follows: Section Two provides a situation analysis featuring Malawi's socio-economic context and a socio-economic outlook of key indicators and projections for the country; Section Three addresses the revealed vulnerabilities that have set Malawi back as a consequence of the pandemic; Section Four builds on the vulnerabilities identified in Section Three and presents the focus areas and catalytic strategic interventions that will be implemented to help the country recover and build back better from the COVID-19 pandemic and any future crises, while at the same time facilitating the transition of the country to the realization of its development aspirations; Section Five presents the sources of development financing for the SERP, which will be upscaled to support the financing of MIP-1 and the attainment of SDGs; and Section Six presents the implementation, coordination, monitoring and evaluation framework that will support the effective accountability for results of the SERP during its three-year period.

2. SITUATION ANALYSIS OF COVID-19 IN MALAWI

2.1 Overview

This Section provides a situational analysis of the fast-moving events that characterized the advent of the COVID-19 pandemic in Malawi and the deep structural and policy issues it has posed for the Government. It provides a brief socio-economic development context of the country and presents an outlook of select socio-economic indicators at the national and sectoral level to project the consequences of the incidence of the COVID-19 pandemic in Malawi.

2.2 The Socio-economic Development Context

Malawi is a landlocked country, a situation that poses many challenges to its socio-economic development and competitiveness in trade, including the country's remoteness from global markets; high transport and transit costs; and its lack of territorial access to the sea. Malawi is classified as one of the least developed countries in the world, with the country placed in the low human development category and its human development index (HDI) being 0.483 in 2019. The country ranks 174 out of the 189 countries and territories (UNDP, 2020). However, when the HDI of the country is discounted for inequality in life expectancy, education, and income, Malawi's HDI value reduces to 0.345, with an overall human development loss of 28.6%. This further displaces the country's human

development rank by five places, raising a major concern of inequality in all three human development indicators. Relative to the GDP per capita, \$411.60 (2019) is estimated for Malawi³ and the country's Gini coefficient is 44.7⁴ (2016), which is above the Africa average of 44.0. Agriculture, which employs over 80% of the population, is the mainstay of the economy. It drives livelihoods for two-thirds of the country's population of about 18 million people, but contributes only a third to Gross Domestic Product (GDP) (World Bank Group, 2018). However, the agricultural sector along with mining and quarry, manufacturing, tourism, financial and professional services, and transport and communication comprise key sectors of the Malawi economy.

The country's main exports are tobacco, sugar, tea, cotton, rice, groundnuts, textiles and apparels. Amongst these, tobacco is considered the country's main export earner, providing over 60% of foreign exchange earnings; while tobacco, tea and sugar combined generate over 70% of export earnings. The agricultural sector is mainly dominated by small-scale farmers who depend on rain-fed agriculture and natural resources for their livelihoods,⁵ which have been seriously threatened due to the preventive measures introduced to contain the spread of the COVID-19 pandemic. A similar fate has been experienced by small-scale businesses and workers in the informal sector.⁶

³ The World Bank Group (2021). GDP per capita (current US\$)-Malawi.

<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2019&locations=MW&start=1960>

⁴ The World Bank Group (2021). Gini index (World Bank estimate)-Malawi.

<https://data.worldbank.org/indicator/SI.POV.GINI?locations=MW>

⁵ <https://www.malawiembassy.de/TRADE-AND-INVESTMENT>

⁶ These include businesses that suffer most when handwashing, masking, and social distancing are enforced like saloons, food stands, artisanal mining, businesses operating on set open market days, etc



In recent years, Malawi has made commendable gains in macroeconomic stability; reduction in poverty rates; and progress on key demographic indicators, with such progress made prior to the advent of the COVID-19 pandemic. This progress was made against a history of very low overall poverty reduction; slow and volatile growth; and vulnerability to weather related shocks, amidst declining natural resources due to rapid population growth (The World Bank Group, 2018). However, the incidence of the COVID-19 pandemic has exacerbated the situation, retarding anticipated gains. Further, the economy has experienced wide fluctuations in growth rates over the past decade due to erratic weather and agricultural production, with a GDP growth rate averaging less than the desired 6% per year.

In terms of the share of the population living below the international poverty line of \$1.90 per day, the World Bank Group (2020) reveals that this has decreased only slightly from 69.6% in 2017, to 68.3% in 2019. More so, rural poverty remains elevated and actually increased between 2011 and 2017,

even as national poverty stagnated. The increase in poverty level has been linked to low productivity in the agricultural sector; frequent natural disasters that hindered agriculture production; limited opportunities in the non-farm activities; volatile economic growth; rapid population growth; and targeting challenges associated with the safety net programmes.⁷

According to the 2013 Malawi Labour Force Survey, 89% of employed persons in Malawi are engaged in informal employment. Women are more likely to be employed in informal employment than males. Out of all females in employment, 93.6% are in the informal sector; compared to 83.8%

The increase in poverty level has been linked to low productivity in the agricultural sector; frequent natural disasters that hindered agriculture production. ”

⁷ The World Bank Group. <https://www.worldbank.org/en/country/malawi/overview>

among their male counterparts. The inability of the economy to generate decent and adequate green and sustainable jobs has left many job seekers, particularly the youth and women, either unemployed or in vulnerable employment. The Survey also found that 64.1% of employed persons worked in agriculture, which is largely subsistence. The gender gap in agricultural productivity between men and women is estimated at 7.3% (Government of Malawi, 2019). Among the employed women, 69.9% work in the agriculture sector, compared to 58.5% for their male counterparts. However, most women are constrained in terms of access to productive resources such as land, credit and entrepreneurial and business management skills.

2.3 Socio-economic Outlook: Select Indicators and Projections

2.3.1 National Growth Outlook

Although recent global vaccine approval and administration raised hopes of a turnaround in the pandemic this year, renewed waves and new variants of the virus remain a concern for Malawi's national growth outlook. Amid exceptional uncertainty, the economy grew at only 0.9% in 2020; and is projected to grow at 2.5% in 2021. This trend is reflective of the growth patterns that have prevailed in many countries around the world due to the COVID-19 pandemic, including sub-Saharan Africa (SSA) (see *Figure 2*).

Figure 2: Trends in national (and regional) growth patterns



Source: IMF World Development Outlook

Projections of growth before COVID-19 in 2020 were at 5% and 3.6% in Malawi and in the SSA region, respectively. However, the incidence of COVID-19 has seen the reduction of these estimates to 0.9% and -1.6% in Malawi and the SSA region, respectively. This points to some of the worst growth estimates since the Great Depression in the 1930s.

Figure 2 also shows that the Malawi economy was on a fairly high growth path over the past few years before the COVID-19 pandemic introduced disruptions in the economy. This growth trend is reflective of the performance of Malawi's productive sectors. As such, a disaggregation of the growth trend should reveal the sectoral underperformances that caused it.

2.3.2 Sectoral Growth Outlook

An assessment by the International Labour Organisation (ILO)⁸ disaggregated Malawi's sectoral growth trends before and after COVID-19 and projected how the pandemic would reduce overall economic activity by diminishing various sectoral growth prospects for the country if the

pandemic persisted to the first quarter of 2021. ILO estimates in *Table 1* show that some sectors were likely to be more affected by the COVID-19 pandemic than others due to the direct linkages of their business operations to the pandemic. However, all sectors were to be affected to some extent by COVID-19 (see *Table 1*, below).

Table 1: Growth outlook by sectors

Sector	2020 Growth (%)		2021 Growth (%)	
	Pre-COVID	Post-COVID	Pre-Covid	Post-Covid
Agriculture	5.2	-3.3	5.3	-0.1
Wholesale and retail trade	4.9	-3.4	5.1	3.5
Manufacturing	5.6	-3.8	5.8	-0.7
Construction	5.6	2.7	5.9	2.4
Education	6.1	1.9	6.5	3.6
Health	6.9	1.8	6.7	2.5
Transport and storage	4.4	-0.8	4.9	1.6
Accommodation and food services	2.0	-15.0	1.9	10.1
others	3.6	-1.6	6.3	-3.8
Aggregate	5.5	0.3	6.3	1.1

Source: ECAM and ILO, 2020

Agriculture, the country's single largest economic sector, is seen to slow down significantly from 5.2% and 5.3% to -3.3% and -0.1% in 2020 and 2021,

respectively, with the incidence of COVID-19. The education sector has also been greatly affected mainly due to the abrupt closure of schools

⁸ ECAM and ILO (2020). Assessment of the Impact of COVID-19 on Employment in Malawi. <https://malawi.un.org/en/89451-assessment-impact-covid-19-employment-malawi>

because of the pandemic. Before the pandemic, Government projected the education sector to grow by 6.1% in 2020 and 6.5% in 2021. However, these estimates have been revised downwards to 1.9% in 2020 and 3.6% in 2021 due to the pandemic.

The growth of the health sector has also been projected to decline from 6.9% in 2020 to 2.5% in 2021, with the incidence of COVID-19, representing a downward revision of 4.4 percentage points. The sector is largely affected by weakened demand for health services following increased public fears of going to hospitals for fear of contracting the virus. This will cause hospitals to provide fewer services for non-COVID-19 related ailments in 2021 compared to what was initially projected.

2.3.3 Sectoral Labour Market Outlook

The projections indicated that the COVID-19 pandemic would cost the Malawian labour market between 273,712 and 680,496 current and future jobs if it persists into the first quarter of 2021. This translates into a 3 to 7% loss of jobs that would have been available had the pandemic not befallen the labour market. Expectedly, a majority of the job losses are in the agricultural sector as it is the mainstay of the economy and employs more than 60% of the total workforce.

The [health] sector is largely affected by weakened demand for health services following increased public fears of going to hospitals for fear of contracting the virus.



In real numbers, the agricultural sector is expected to lose about 274,084 jobs if the pandemic persists to 2021,

representing a 6% reduction of the workforce in the sector (see *Table 2*, below).

Table 2: Job losses due to COVID-19 pandemic by sector

Sector	Job Losses			
	Number	Percent	Number	Percent
Agriculture	151,188	3	274,084	6
Wholesale and retail trade	18,909	1	134,097	10
Manufacturing	14,387	4	42,588	13
Construction	4,184	2	14,930	7
Education	5,374	3	10,777	5
Health	4,662	4	9,170	7
Transport and storage	4,905	3	11,313	7
Accommodation and food services	2,229	4	7,993	14
others	67,873	3	175,542	8
Aggregate	273,712	3	680,496	7

Source: ECAM and ILO, 2020

Other significant job losses in real numbers are expected in the wholesale and retail trade sector (134,097) and the manufacturing sector (42,588) in 2021. However, in terms of percentages, it is the accommodation

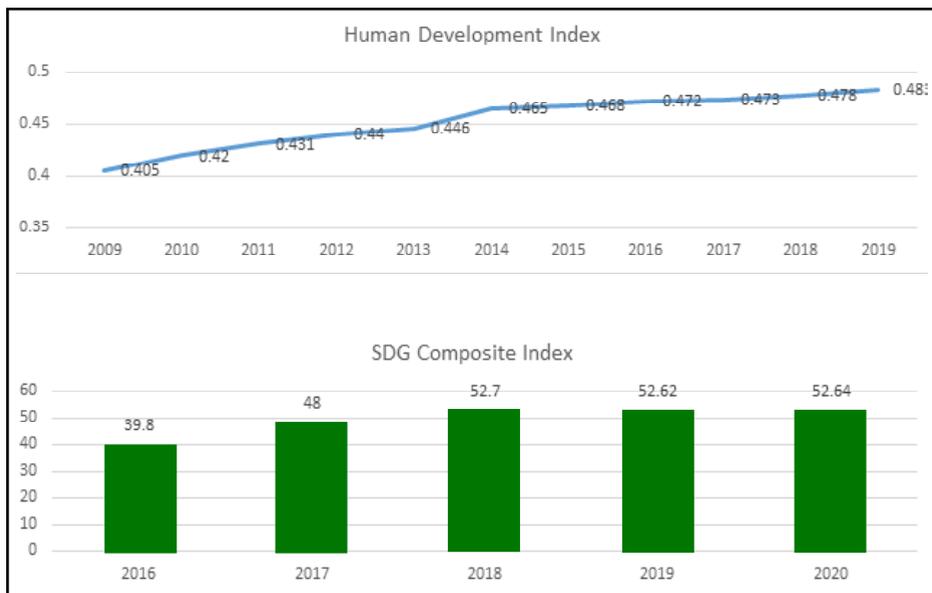
and food services sector that will experience the largest shrink in workforce (14%); followed by manufacturing (13%) and wholesale and retail trade (10%).

2.3.4 Human Development Outlook

The SDGs represent important benchmarks for human development encompassing broad areas both of human capital, such as health and educational outcomes; and physical capital, such as better water, sanitation, roads and electricity provision – all with an emphasis on sustainability and inclusiveness.⁹ Malawi has made some advances towards the attainment of SDGs, but more needs to be done to attain the *medium human development*

status. The 2020 UNDP Human Development Report indicates that Malawi is still in the low human development category, with a rank of 174 out of 189 countries and territories. When the HDI is discounted for inequality, the rank of the country drops by five places. Nevertheless, the country has registered slight improvements in its push towards attaining the SDGs, registering a SDG composite index of 52.64 in 2020 (see Figure 3, below).

Figure 3: Human Development and SDG Composite Index



Source: United Nations Development Programme and 2020 SDG Index and Dashboard Reports

However, like the rest of the world, even based on pre-COVID-19 pandemic trends, Malawi is not on track to meet

the SDGs by 2030, as it set out to do in 2015 (United Nations 2020; Gaspar and others 2019). The country still

⁹IMF (2021). A Post-Pandemic Assessment of the Sustainable Development Goals. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2021/04/27/A-Post-Pandemic-Assessment-of-the-Sustainable-Development-Goals-460076>

needs to make further progress to actualize the SDGs, a feat that has been made even more difficult with the emergence of the pandemic.

In fact, if left unchecked, besides slowing down economic development, the pandemic poses other threats such

as possible reversal of the recent gains in health and education services provision; erosion of human resources and institutional capacities; reversal of social security despite recent gains through safety nets; and reversal of trade and investment streams, whose progress has been commendable in recent years prior to the pandemic.

...besides slowing down economic development, the pandemic poses other threats such as possible reversal of the recent gains in health and education services provision...

”

3. THE SETBACKS FROM THE PANDEMIC: REVEALED VULNERABILITIES

3.1 Overview

This Section looks at the major setbacks and vulnerabilities that the COVID-19 pandemic has caused in Malawi; and motivates the strategic interventions that are to be employed to address the challenge. It considers the multidimensional nature of COVID-19 and isolates vulnerabilities in key focus areas that have emerged as consequences of the socio-economic impact of the pandemic. The impact areas identified in this Section inform the priority interventions that the SERP proposes for implementation.

3.2 Multidimensional Impact of the COVID-19 Pandemic

The advent of the COVID-19 pandemic and the response measures undertaken so far have had a multidimensional impact on the Malawian economy and its people, especially the most vulnerable members of the society. The impact has been experienced through multiple channels of influence. Firstly, the capacity of the health system has been challenged, especially in relation to the caring for the sick in health care facilities and by families, causing trauma or psychological distress among the infected and affected, heightened social insecurity, and effects of COVID-19-related deaths

among family members and communities. Secondly, public response to the disease has had multifaceted effects in terms of hygiene mandates, social interaction restrictions, social protection measures, and fiscal and monetary instruments introduced. Thirdly, household and private sector response in terms of adjustments to labour demand and supply, demand and supply of goods and services, remittances, savings, and investment have also been impacted.

The infections, deaths and income and job losses caused by COVID-19 have fed back into the broader economy, with severe consequences for all members of the society. The pandemic has had a direct and indirect impact on the country, exposing pre-existing and new systemic vulnerabilities that have for a long time gone unaddressed. The socio-economic impact of the pandemic has particularly revealed vulnerabilities in five major areas:

- (i) Healthcare system;
- (ii) Education system;
- (iii) Social protection system;
- (iv) Labour market; and
- (v) Macroeconomic policy environment.

The SERP isolates these vulnerabilities in each of the high impact areas to

inform the recovery efforts that will enable Malawi to build back better from the pandemic and chart a path that will facilitate the attainment of the country's development aspirations.

3.2.1 The Health Care System

The COVID-19 pandemic has revealed major capacity gaps in the health care system. While the health care system in Malawi has always been faced with challenges such as shortage of staff, poor infrastructure, and unavailability of drugs, COVID-19 escalated these problems as the limited resources needed for the system as a whole were shifted towards responding to COVID-19. This has had a profound effect on the provision of other health services, as, in some cases, hospitals suspended other clinical services. This neglect of provision of other health services has increased the risk of escalation of maternal and child health and preventable, chronic, and other infectious diseases, such as Diabetes,

The COVID-19 pandemic also exposed gaps in Malawi's integrated disease surveillance and response system. It was believed that COVID-19 is an urban phenomenon. ”

TB, and Cardiovascular problems. The situation is likely to prevent the country from achieving key SDG targets in health by 2030. For example, maternal and under-five mortality rates are presently estimated at 439/100,000 and 63/1,000 livebirths and have targets of 70/100,000 and 25/1,000 livebirths (Government of Malawi, 2020) to be achieved by 2030, respectively.

The healthcare system in Malawi has for a long time had insufficient preparedness for an outbreak of highly infectious diseases. This includes limited critical care infrastructure for admitting the critically ill and a weak capacity to effectively manage and control the spread of diseases, including the management of border posts. Of the 200 health centres country-wide, for example, only very few had dedicated spaces for admitting and treating COVID-19 patients. Thus, in responding to the pandemic, the Government has had to set up temporary facilities, such as in stadia, as admissions and quarantine facilities. Even then, this has been limited to the four major cities of the country, and in areas that were the pandemic's hotspots. The COVID-19 pandemic also exposed gaps in Malawi's integrated disease surveillance and response system. It was believed that COVID-19 is an urban phenomenon.

Emergency and critical care services is one of the weakest aspects of Malawi's health system with both quality and accessible constraints. In most cases where there is need to obtain such services, victims are required to



meet the cost. Aside from a few city fire departments and private ambulance services, access to professional prehospital care in Malawi is almost non-existent. Very few privately run hospitals in the two major cities of Blantyre and Lilongwe have proper ambulances with life-saving equipment on-board or an on-board paramedic. The pandemic has, therefore, demonstrated the importance of proper, available, accessible, adequate and relevant emergency services in saving lives.

Critical medical supplies needed for critical care have been in short supply. This has included drugs, oxygen, ventilators, and Personal Protective Equipment (PPEs) for health workers. Consequentially, many doctors, nurses, other medical professionals and support staff have been infected, with some of them succumbing to COVID-19.

COVID-19 social restrictions and other measures affected people's

mental wellbeing, resulting in depression and stress among other things. However, Malawi's capacity to manage mental health is limited. Currently, mental health services such as counselling and associated support are not readily available and accessible to the majority of Malawians.

Lack of support in research, digital technology and innovation is observed. When COVID-19 began, innovators responded to the pandemic by developing local solutions for personal protection equipment and other technologies for the fight against the pandemic. Notably, the Polytechnic and Malawi University of Science and Technology (MUST) provided students and faculty with access to 3D printers, laser cutters, supplies, and resources required to help them innovate, design, prototype and deploy new technologies. Among other things, they produced face shields and ventilators as a way of responding to the problem of inadequate ventilators needed for the acute respiratory distress syndrome experienced by COVID-19 patients.

While Government and development partners provided support, there is need to scale up investment in research and development; digital and green technology; and innovation and development, to address various current and future development challenges in Malawi

These challenges call for the country to build the resilience of its people by increasing the availability and accessibility of quality and universal healthcare services. A strengthened and fully operational health care system is required, capable of withstanding the pressure brought about by the COVID-19 pandemic and any future pandemics; as well as continuing to deliver other life-saving services to the population. This calls for significant investments in healthcare facilities, scaling up financing, skilling human resources, and advanced skills in most aspects of healthcare delivery. Further, it requires the country to reinforce its disease preparedness and responsiveness, with communication channels that can easily reach the general public with adequate and accurate information regarding actions needed to fight pandemics.

3.2.2 The Education System

The population of students affected by the closure of schools and other education institutions in March 2020, as a part of the Government's COVID-19 preventive measures, was 9 million which was about 50% of the population. Some 2.01 million children were in

Early Childhood Education; 5.3 million were in primary education; 1.452 million in secondary school; and 34,924 students were at the university and college level. Schools remained closed until September 2020. Using cost benefit analysis (CBA), the National Planning Commission (NPC) estimated the social cost of closing schools for up to nine months at around \$5.2 billion over the next 50 years.⁸

The closure of schools has had negative consequences at several levels. For instance, few schools have been able to make alternative learning arrangements for their students while the burden of keeping children at home has fallen disproportionately on women. Even for the privileged few that could access online learning, there was need for the presence of an adult to provide guidance and supervision, especially for the lower primary students; and such support was not always available for the learners. Households with children with disabilities or needing regular medical treatment have also been seriously affected by the disruptions of their already complicated routines. Significantly, a large number of girls became pregnant and assumed early parental responsibilities. In fact, child marriage still remains a challenge to the country despite the significant milestone achieved in 2017 in relation to the amendment of the Constitution of the Republic of Malawi to raise the age of marriage to 18, for both boys and girls.

⁸Malawi Priorities Project. <https://npc.mw/malawi-priorities-2/>



source: www.shutterstock.com

The statistics show that about 46% of girls are married before the age of 18, and 9% before the age of 15.¹⁰ There is, therefore, a high likelihood that this could be further exacerbated due to the adverse impact of the COVID-19 pandemic on the education system.

Most private schools, including those run by religious institutions, have had difficulties retaining their staff, especially teachers, because they depend on school fees, the payment of which stopped from March 2020 when schools and higher education institutions were closed due to the COVID-19 pandemic. The closure of schools, as a preventive measure, lasted longer than many school administrators had anticipated. This resulted in a sharp drop in school fees payments on which many private schools depend to finance operations. In many cases, school administrators were forced to borrow

from the banks and other lenders at high interest rates to at least ensure that some teachers were retained, in anticipation of schools re-opening. However, financing from the banks has been short-term and some teachers have had to be laid off. Since many of the teachers have no access to social protection programmes, their situation and that of their households became tenuous.

The re-opening of schools amidst a raging pandemic has required strict adherence to COVID-19 preventive measures, which extends to the procurement and provision of PPEs (buckets, disinfectants, sanitisers, face masks, etc.) for staff and students. ***This has accentuated the financing problem, especially for private schools, as it has not been easy to include these extra costs into the fees structure or else risk closure.*** With a large student population and a

¹⁰ UNICEF Malawi 2017: Child Marriage in Malawi
<https://www.unicef.org/malawi/media/526/file/Child%20Marriage%20Factsheet%202018.pdf>

limited number of schools to absorb it, the Government has had to ensure that schools, even those in the private sector, continue to provide quality education services, while also observing the necessary health protocols in order to safeguard the right to education.

The closure of schools due to the COVID-19 pandemic reveals a fundamental weakness in the education system, especially in relation to the absence of the use of digital technology in the sector at all levels and at a larger scale. The face to face delivery of education and training needs to be significantly complemented with an extensive use of available and accessible digital technology. The existing digital divide, therefore, needs to be addressed as a matter of urgency; particularly for learners who cannot afford the technologies, including those in rural areas, from poor households in the urban areas, children with disabilities and other vulnerable children. In this regard, the Government will introduce a digital transformation system in the education sector that effectively and efficiently facilitates the use of available and accessible learning in person and/or on digital platforms such as e-learning and e-teaching technologies.

3.2.3 The Social Protection System

Social protection is meant to address chronic poverty; reduce social exclusion and inequality; increase food and nutrition security; and enhance the livelihoods of the poor and vulnerable

from shocks and stresses throughout their lives. With the rapid spread of the COVID-19 pandemic, Malawi, like many other countries, scaled up its social safety nets to mitigate the negative impact of the COVID-19 pandemic on the most vulnerable groups and the people most at risk; and build and enhance community resilience. The incidence of COVID-19 has made it necessary to expand the coverage of safety nets, thereby supporting the poor and vulnerable groups during the crisis to effectively fight poverty and hunger and increase their resilience against shocks caused by the pandemic and other pre-existing conditions. ***However, the safety net support system needs to be a well-established and properly coordinated mechanism that can be scaled-up with ease when necessary.***

The experience of implementing social protection programs in Malawi during COVID-19 pandemic has shown that various vulnerable groups are affected differently by a crisis. Owing to their unique situation, women have disproportionately borne the brunt of the socio-economic impact of the pandemic. Culturally, they are expected to lead in caring for the sick, and have, therefore, faced increased risk of exposure to the pandemic. Additionally, poverty is a gendered phenomenon; hence, female-headed households are more likely to be amongst the poorest and are disproportionately represented in the lowest quartile of income distribution.

Malawi is also no exception to the reality of violence against women and girls, a situation that was exacerbated during the COVID-19 pandemic (Ministry of Gender, Child Development and Community Development, 2020).

Children are also amongst the most vulnerable groups, in the context of widespread poverty levels in Malawi, based on the incidence and severity of poverty and related deprivations. The global Multidimensional Poverty Index (MPI) 2020 Report highlights that children are disproportionately disadvantaged as half of multidimensionally poor people (644 million) across the world are children under the age of 18; and one in three children is poor compared with one in six adults (UNDP, 2020). The Report estimates that the impact of COVID-19, under a conservative scenario for school attendance and a moderate scenario of the impact on nutrition, the increase in deprivations, because of COVID-19, may set poverty levels back by close to 10 years; with an additional 490 million people falling into multidimensional poverty. In the context of Malawi, the National Statistical Office (NSO) and the Ministry of Economic Planning and Development and Public Sector Reforms (MoEPD&PSR) conducted the second multidimensional child poverty assessment in 2018 with support from United Nations International Children's Emergency Fund (UNICEF). The Assessment looked at the overlapping deprivations that children experience in their lifetime using data from the Fourth Integrated Household Survey of Malawi (2016/17). The analysis showed that for a multidimensional poverty threshold of

two (2) deprivations or more, 60.5% of children in Malawi aged 0-17 years are multidimensionally poor, a slight decline from 63% in 2011 (National Statistical Office, 2018). With the little progress made by the country in reducing child poverty, the COVID-19 pandemic could further make the situation worse, thus prompting the need for a robust social protection programme that caters for the needs of children and other vulnerable groups.

The closure of schools is likely to have a significant impact on children, especially girls, due to increased risk of sexual activity; which may result in early pregnancy and marriages. ”

There are also other implications due to the closure of schools, especially for adolescent girls and boys who are sexually active. The closure of schools is likely to have a significant impact on children, especially girls, due to increased risk of sexual activity; which may result in early pregnancy and marriages. According to the results of the Malawi COVID-19 Rapid Gender Analysis undertaken in 2020 by the Ministry of Gender, Child Development and Community Development, it was believed that by the time schools would reopen, many adolescent girls would likely not be returning to school as a result of being pregnant or having been married early due to traditional and cultural practices; a situation that has the potential to reverse the gains

already made in education, particularly for girls, if the closure of schools is prolonged.

For women and girls, the impact from COVID-19 can be much higher due to the increased risk of exposure to gender-based violence (GBV). The Malawi COVID-19 Rapid Gender Analysis found that while 45% of women experience GBV irrespective of the pandemic, 65% of them said that they would not be able to access GBV services while all Government workers were working from home. Of these, 31% were unaware of any hotlines or mobile GBV services.

Consequently, despite the Government's efforts to scale up existing social safety nets, the pandemic has exposed the lack of innovation in most social protection programs to adequately address the unique circumstances that ascribe to certain vulnerable groups.

3.2.4 The Economy and Labour Market

The Malawi Confederation of Chambers of Commerce and Industry (MCCCI) reported that the private sector was affected by COVID-19. Many businesses have been unable to pay bills and have requested for indefinite postponement. For some businesses, turnaround times became longer (owing to border checks or closures) and there have been difficulties with issuing letters of credit and associated guarantees. As such, several firms were forced to close temporarily or scale down their business operations due to the unpredictability of supply lines. The

MCCCI estimated that some 52.7% of its members were operating under 50% capacity in August 2020, compared to only 10.5% under-capacity at the beginning of 2020. It further estimated that roughly 30% – 40 % of businesses would be lost directly or indirectly as a result of COVID-19. This had the effect of disrupting the production and marketing of goods and services across the country, especially in urban areas. ***SMEs and informal sector operators also lost their markets as a result of the COVID-19 restrictions due to over-reliance on face-to-face transactions and cash-payment systems.*** The Malawi Digital Economy Strategy estimates that only 190,000 Malawians use the internet to buy goods online; and few businesses offer e-commerce distribution channels. There is, therefore, need to promote e-commerce, e-trade, and e-payment systems so as to avoid such business disruptions during crises and shocks. Overall, there is a need to scale up investment in digital transformation and its application in all sectors of the economy; as well as investment in innovation and youth entrepreneurship to help spur sustainable economic growth, create green jobs and wealth, and contribute to poverty eradication and the fight against inequality and exclusion.

Some sectors suffered more from COVID-19 than others. For example, the tourism and education sectors (especially private schools) laid off more than half of their employees without compensation. Relatedly, a significant number of those in the diaspora lost their jobs and businesses, affecting remittances. Cross-border trade was also heavily impacted resulting in loss of livelihoods.

An assessment by ECAM and ILO on the impact of COVID-19 on employment in Malawi found that although the rate of infections has been relatively low, the economic fallout caused by the pandemic would significantly affect the labour market in 2021. The analysis showed that as a result of COVID-19, a substantial amount of jobs would be lost and labour incomes would decrease significantly, **mostly in the agricultural sector as it is the largest sector in the economy and employs more than 60 percent of the total workforce** (ECAM and ILO, 2020).

In the agricultural sector, COVID-19 related contact restrictions have exposed the weaknesses of the extension services system in terms of its over-reliance on face-to-face contact and the serious shortage of extension services staff. The first wave of COVID-19 occurred in April 2020 after most agricultural activities had been undertaken. This moderated the impact of COVID-19 on the sector. However, in a research project in rural Malawi, the Agriculture Policy Research in Africa (APRA) found that in the same year, smallholder farmers' access to extension services declined for 86% of its respondents.¹¹ Due to COVID-19, field days where extension workers showcase appropriate technologies (like planting, spacing and manure application) for farmers to adopt were cancelled. This was due to the restrictions on face-to-face contact during the pandemic.

Prior to COVID-19, extension services workers used to meet as many as 150 farmers at once; but with COVID-19, only 10 farmers were allowed per extension services worker. This reduced the number of farmers reached quite significantly with negative effects on farmers' potential yields. The shortage of extension services staff is reflected in the difference between the recommended ratio of one extension worker per 700 farmers and the actual ratio of one extension worker per 3,000 farmers. The introduction of e-technologies in the agricultural extension system will, therefore, be key to reducing the system's over-reliance on face-to-face techniques as well as increasing the coverage of the extension system so as to boost agricultural production and productivity.

In the agricultural sector, COVID-19-related contact restrictions have exposed the weaknesses of the extension services system in terms of its over-reliance on face-to-face contact and the serious shortage of extension services staff.



¹¹ Malita, M. and C. Chimombo (2020) Impact of COVID-19 on Food Systems and Rural Livelihoods in Malawi, Round 2-December 2020, APRA COVID-19 Country Report. Brighton: Future Agricultures Consortium.

The emergence of COVID-19 in Malawi has also revealed the weakness in the marketing process of agricultural produce in terms of its over-dependence on physical contact between produce buyers and farmers due to a limited application of e-trading and e-commerce technologies. The research conducted in Malawi by APRA in 2020 also found that the COVID-19 restrictions reduced farmers' access to profitable produce markets because fewer traders visited the rural areas to purchase farm produce at competitive prices. The study found that the ability to sell produce at local markets and farm gates declined for 50% of the sampled respondents, thus reducing incomes earned by the farmers. To overcome the over-reliance on face-to-face produce marketing, the SERP advocates for enhanced support to the application of e-trading and e-commerce technologies, which can be used even during crises such as COVID-19 and any other shocks. This will also help to reduce transaction costs in the marketing of agricultural produce.

3.2.5 The Macroeconomic Policy Environment

The health of the economy has gotten worse due to the impact of the COVID-19 pandemic. Recent efforts to diversify the economy into other sectors such as industry, mining and tourism have achieved little due to a combination of regulatory, policy, institutional and infrastructure constraints. As a result, the contributions of other sectors to GDP have only increased marginally

Recent efforts to diversify the economy into other sectors such as industry, mining and tourism have achieved little due to a combination of regulatory, policy, institutional and infrastructure constraints. ”

over the past years, with the advent of the COVID-19 pandemic now reversing some of these marginal gains. Using the Social Accounting Matrix Model developed for Malawi in 2014, which contains 63 productive activities, 65 commodities, and 15 represented household groups, the International Food Policy Research Institute (IFPRI) in June 2020 assessed the short-run impact of the pandemic arising from two shocks to the Malawi economy, including external shocks affecting exports, trade, and remittances and policy measures arising from public health interventions implemented to stop the spread of the COVID-19 pandemic. The results show GDP losses of 11.6% when two months social distancing measures are enforced and 22.3% under a hypothetical 21-day urban lockdown. These losses during the two periods when the preventive measures are enforced equate to approximately US\$26 million and US\$49 million per week, respectively; with an estimated number of people between 1.1 and 2.2

million temporarily falling into poverty under the two scenarios (IFPRI, 2020). **The effect of COVID-19 on the economy revealed the urgency for economic diversification.**

In macroeconomic terms, one of COVID-19's most visible negative impact has been on Government revenue owing to reduced economic activity. The Malawi Revenue Authority (MRA) recorded sharp declines in tax collections during the first half of 2020, even when seasonal fluctuations are accounted for. However, collections subsequently picked up as the initial business disruptions were contained. While revenue collection declined due to the pandemic, Government expenditure did not. The pandemic itself required Government to spend more on the healthcare system to treat the patients and provide other related essential services more than it would under normal circumstances.

Although public finance management remains a Government priority, it has been brought into sharp focus during the COVID-19 crisis, which has revealed the various governance challenges that the country faces. Government has intensified demand for budgetary accountability and responsibility on controlling officers, with a stipulation that they will bear the consequences of any fiscal indiscipline.

Although public finance management remains a Government priority, it has been brought into sharp focus during the COVID-19 crisis, which has revealed the various governance challenges that the country faces.



Controlling officers have been urged to recognize “the national budget as law” hence the need for strict compliance, linking this thrust to results-based



management and performance contracting in the civil service. The Government has sent the clearest signal to date that public financial misappropriation would no longer be tolerated by suspending a large number of senior civil servants. This included those overseeing the Department of Disaster Management Affairs (DoDMA), with direct responsibility over the coordination of the COVID-19 pandemic funds amounting to K6.2 billion. The Government will continue with this aspect of fiscal discipline so as to realise cost-savings on the expenditure side of its budget. It will also curtail wastage of public funds in any form, including areas of conspicuous consumption and allowances. These savings will go a long way in reducing the Government's domestic borrowing and its indebtedness, thereby enhancing the financing of its development priorities.

COVID-19 exposed the country's limited fiscal space and high dependence on donors in financing the health sector.



COVID-19 exposed the country's limited fiscal space and high dependence on donors in financing the health sector. For example, the COVID-19 vaccine, Astrazeneca, was

wholly procured and transported by development partners. Even basic needs like PPEs were largely provided by non-state actors.

In the past decade, Malawi has, according to the International Monetary Fund (IMF), only displayed a moderate risk of debt distress, with a Debt/GDP ratio of 61.2% as at the end of 2019. However, due to increased financing needs, IMF reports that debt to GDP ratio has increased to 76.8% in 2021 and is estimated to increase to 79.9% in 2022 (IMF, 2021), which has the potential to heighten vulnerabilities. From a macroeconomic perspective, the growing debt levels, in addition to revenues drop, will significantly reduce fiscal space for social spending, which is essential for the progressive realization of economic, social and cultural rights and attainment of the SDGs. More so, growth contraction caused by the COVID-19 pandemic has resulted in a serious dissipation of the country's finances. The emergency operations that have been necessary to combat the pandemic required financing, which must have exacerbated Malawi's debt stock. ***The debt distress will not ease until drastic measures are taken to control unnecessary public expenditure as part of the SERP, as well as adopting effective and efficient measures to increase domestic and international public and private finance.***

4. FOCUS AREAS OF THE MALAWI SERP 2021-2023

4.1 Overview

Against the backdrop of the information provided in Section 3, five focus areas and associated strategic interventions defined to support Malawi to recover and build back better from the COVID-19 pandemic; and facilitate the transition of the country towards its development aspirations. The total cost of implementing the interventions is estimated at K580.83billion.

4.2 Focus Area 1: Building A Resilient and Sustainable Health System

The COVID-19 pandemic has exposed critical capacity and service delivery gaps in Malawi's health care system; and exacerbated existing vulnerabilities, particularly during the second wave of the disease. Due to decades of inadequate financing; limited health care infrastructure; and a steady erosion of skilled health care staff in the sector, the system has lacked capacity to provide and maintain essential life-saving health services. These failures in capacity include gaps in the provision of specialized high-quality facilities capable of dealing with highly infectious diseases, such as COVID-19, and lack of modern equipment and laboratory facilities at both the national and local Government level. This has led to a situation where the health care needs of the country and its people have exceeded available health services and resources by far, including in terms of available hospital

bed-space; capacity in testing and diagnosis of diseases; qualified health personnel to handle infectious diseases; and hospital equipment. As such, when the pandemic hit the country, the health care system quickly became overwhelmed, thereby seriously disrupting access to and the provision of a wide-range of essential medical services. The system grappled with the need to maintain essential life-saving services, while at the same time providing COVID-19 healthcare services. Therefore, to build a resilient and sustainable health system, the Government will implement the following strategic interventions:

Strategic Intervention 1.1: Enhance capacity in the healthcare system to maintain essential life-saving health services while handling COVID-19 and future pandemics.

- 1.1.1 Build four specialised Infectious Disease Treatment Centres in strategic locations of the country's four regions to manage outbreaks of infectious diseases.
- 1.1.2 Train and recruit additional staff to handle COVID-19 and ensure continuity in the provision of other essential healthcare services.
- 1.1.3 Construct health posts across the country to improve access to primary health care.

- 1.1.4 Initiate the development of diagnostic support applications for primary and community healthcare workers.
- 1.1.5 Establish a sustainable emergency services system (such as ambulance, fire department, police) that can effectively respond to emergencies.
- 1.1.6 Procure and distribute adequate drugs and other essential medical supplies and equipment (PPEs, oxygen, high-capacity freezers or cold rooms to store vaccines and other supplies) to all referral and district hospitals.
- 1.1.7 Digitalize healthcare, including scaling-up the digital mobile health-care service "chipatala cha pa phone" where people can be assisted remotely and access information pertaining to basic management of some ailments and prevention measures.
- 1.1.8 Develop technologies and innovations for forecasting the emergence of infectious diseases and undertaking health surveillance.
- 1.1.9 Train and recruit mental health specialists for district and central hospitals.

Strategic Intervention 1.2: Upscale COVID-19 Vaccine acquisition and administration

- 1.2.1 Procure, distribute, and administer adequate COVID-19 vaccines as recommended by the Malawi Immunization Technical Advisory Group (MAITAG).
- 1.2.2 Strengthen risk communication and community engagement around COVID-19 vaccination.

Strategic Intervention 1.3: Improve the control and management of infectious diseases at border posts

- 1.3.1 Install permanent facilities at all border entry points for screening, treating and holding entrants into the country with suspected relevant contagious or infectious diseases. *Facilities to be used to provide other healthcare services to surrounding communities during periods of underutilisation.*
- 1.3.2 Recruit health staff to manage infectious diseases at all points of entry.

Focus Area 1- Building A Resilient and Sustainable Health System

Strategic Intervention 1.1: Enhance Capacity in the healthcare system to maintain essential life-saving health services while handling COVID-19 and other future pandemics.

Activity	Time	Budget (K)
1.1.1 Build four specialised Infectious Disease Treatment Centres in strategic locations of the country's four regions to manage outbreaks of infectious diseases	2021-2023	20,000,000,000
1.1.2 Train and recruit additional staff to handle COVID-19 and ensure continuity in the provision of essential healthcare services	2021-2023	550,000,000
1.1.3 Construct ¹² WASH ¹³ facilities and health posts and decent community health workers houses across the country to improve access to primary health care	2021-2023	60,000,000,000
1.1.4 Initiate the development of diagnostic support applications for primary and community healthcare workers	2021-2023	4,000,000,000
1.1.5 Establish a sustainable emergency services system (such as ambulance, fire department, police) that can timely respond to emergencies	2021-2023	2,000,000,000
1.1.6 Procure and adequate drugs and other essential medical supplies and equipment (PPEs, oxygen, high-capacity freezers or cold rooms to store vaccines and other supplies) to all referral and district hospitals	2021-2022	35,000,000,000
1.1.7 Digitalize healthcare, including scaling-up the digital mobile health-care service "chipatala cha pa phone"	2021-2023	1,000,000,000
1.1.8 Develop technologies and innovations for forecasting the emergence of infectious diseases and undertaking health surveillance	2021-2023	2,000,000,000
1.1.9 Train and recruit mental health specialists for district and central hospitals	2021-2022	10,000,000,000
Sub total		134,550,000,000

¹² Full cost for the WASH are in the MIP-1 while full costs of the health posts and decent community health workers houses are in the National Acceleration Community Health Roadmap.

¹³ Water, Sanitation and Hygiene.

Strategic Intervention 1.2: Upscale COVID-19 Vaccine acquisition and administration

Activity	Time frame	Budget (K)
1.2.1 Procure, distribute, and administer adequate COVID-19 vaccines 2021-2023	2021-2023	252,000,000,000
1.2.2 Strengthen risk communication and community engagement around COVID-19 vaccinations 2021-2023	2021-2023	250,000,000
Sub total		252,250,000,000

Strategic Intervention 1.3: Improve the control and management of infectious diseases at border posts

Activity	Time frame	Budget (K)
1.3.1 Install permanent facilities at all border entry points for screening, treating and holding entrants into the country with suspected contagious or infectious diseases	2021-2023	6,000,000,000
1.3.2 Recruit health staff to manage infectious diseases at all points of entry	2021-2022	5,000,000,000
Sub total		11,000,000,000
Focus Areas 1 sub total		397,800,000,000

4.3 Focus Area 2: Building a Resilient and Sustainable Education System

As observed during the pandemic, fundamental weaknesses were seen in the education system, mainly due to its over-reliance on face-to-face learning and limited application of e-teaching and e-learning technologies in educational institutions; which, had

it been available, could have been deployed to minimize the disruption of teaching and learning when institutions were closed. In view of this, the Government will implement and support the building of a resilient and sustainable education system that is capable of withstanding any future global or national shocks. This will be done through the following strategic interventions:



Strategic Intervention 2.1: Enhance capacity of the education system through innovation and digital transformation technology to facilitate e-learning and e-teaching, and other distance learning initiatives.

- 2.1.1 Reduce internet costs to promote e-learning at all levels of learning by phasing out the 10% of excise on data and text package purchases.
- 2.1.2 Improve device access by implementing zero rate device taxes, lowering VAT on devices to 10%, and eliminate the private copy levy.
- 2.1.3 Provide pedagogical training to primary and secondary school teachers in e-learning provision.
- 2.1.4 Front-loading of education infrastructure such as building of additional classrooms to decongest schools.
- 2.1.5 Recruit more teachers to reduce teacher-pupil ratio.
- 2.1.6 Scale-up radio and TV broadcast education programs.
- 2.1.7 Procure and distribute enough learning materials for self-studying.

Focus Area 2 - Building a Resilient and Sustainable Education System

Strategic Intervention 2.1: Enhanced capacity of the education system through innovation and digital transformation technology to facilitate e-learning and -teaching, as well as other distance learning initiatives.

Activity	Time Frame	Budget (K)
2.1.1 Reduce internet costs to promote e-learning at all levels of learning by phasing out the 10% of excise on data and text package purchases	2021-2022	200,000,000
2.1.2 Improve device access by implementing zero rate device taxes, lowering VAT on devices to 10%, and eliminating the private copy levy	2021-2023	200,000,000
2.1.3 Provide pedagogical training to primary and secondary school teachers in e-learning provision	2021-2023	5,000,000,000
2.1.4 Front-loading of education infrastructure such as building of additional classrooms to decongest schools	2021-2023	20,000,000,000
2.1.5 Recruit more teachers to reduce teacher-pupil ratio	2021-2023	10,000,000,000
2.1.6 Scale-up radio and TV broadcast education programs	2021-2023	1,200,000,000
2.1.7. Procure and distribute enough learning materials for self-studying	2021-2023	20,000,000,000
Pillar 2 sub total		56,600,000,000

4.4 Focus Area 3: Building a Resilient and Sustainable Social Protection System

The COVID-19 pandemic has revealed some of the policy, institutional, and operational weaknesses in the areas of social protection and the provision of basic services to the population, especially the most vulnerable members of the society. Currently, there is lack of a comprehensive shock-sensitive social

protection system to support various vulnerable groups during crises; which can be scaled up or down depending on the nature and severity of the crises. Further, there is need for improved coordination between key institutions operating in the social protection arena, as well as a holistic and multidimensional approach guided by a coherent and well-coordinated policy framework. The Government will, therefore, build a resilient and sustainable social protection system

that is better coordinated and financed to support the resilience of most vulnerable groups in society against shocks. This will be achieved through following strategic interventions:

Strategic Intervention 3.1: Establish a comprehensive shock-sensitive social protection system to support vulnerable groups (particularly women, children and people with disabilities) recover from the impact of COVID-19.

3.1.1 Strengthen the grievance redress mechanisms (GRM) and case management to address GBV and other human rights violations.

3.1.2 Develop an integrated social

protection programme with psycho-social and counselling support services for victims of community-based conflicts and/or crises and GBV and other human rights violations.

3.1.3 Develop digital and other innovative ways of administering social safety nets.

3.1.4 Establish a social employment fund to support community driven work (such as war on deforestation).

3.1.5 Increase awareness of GBV, including harmful cultural practices and mechanisms for redress, accompanied by strong legal instruments.

Focus Area 3: Building a Resilient and Sustainable Social Protection System

Strategic Intervention 3.1: Establish a comprehensive shock-sensitive social protection system to support vulnerable groups (particularly women, children & people with disabilities) recover from the impact of COVID-19.

Activity	Time Frame	Budget (K)
3.1.1 Strengthen the grievance redress mechanisms (GRM) and case management to address GBV and other human rights violations	2021-2023	500,000,000
3.1.2 Develop an integrated social protection programme with psycho-social and counselling support services for victims of community-based conflicts and/or crises and GBV and other human rights violations	2021-2022	1,000,000,000
3.1.3 Develop digital and other innovative ways of administering social safety nets	2021-2023	200,000,000
3.1.4 Efficient administration of agriculture input subsidies to ensure that people are food-secure	2021-2023	2,000,000,000
3.1.5 Establish a social employment fund to support community driven work (such as war on deforestation)	2021-2023	5,000,000,000
3.1.6 Increase awareness of GBV, including harmful cultural practices and mechanisms for redress, accompanied by strong legal instruments.	2021-2023	800,000,000
Focus Area 3 sub total		9,500,000,000

4.5 Focus Area 4: Building a Resilient Economy and Labour Market

As already alluded to in previous Sections, the Malawi economy and Malawians have been affected by serious losses in business, jobs and livelihoods due to the disruption in the labour market in terms of distorted supply and demand in key sectors such as accommodation and food services, transport and storage, wholesale and retail, and manufacturing. These are sectors with huge involvement of MSMEs, with some value chain links to the informal sector. Similar impact has been felt within the agricultural sector, especially with agricultural extension services that could not provide regular services to their clients, the smallholder farmers. This prompted the use of digital platforms like mobile communication to reach clients, which was not very effective due to the fact that farmers did not have access to such technology. Therefore, the application of digital transformation and green growth technology (like e-trade, e-payment, e-commerce, and reducing risks of negative shocks to growth) in the economy, especially to enhance key services and economic activities of MSMEs and workers in the informal sector, cannot be overemphasized. The Government will, therefore, focus on reviving key vulnerable economic sectors especially those with huge involvement of SMEs, workers in the informal sector, and extension services in the agricultural sector, all with great

potential to alleviate poverty and create wealth, contribute significantly to private sector development, reduce inequality and fight against exclusion, and create decent and sustainable green jobs; especially for the poor, the most vulnerable, and skilled and unskilled workers. This will be achieved by implementing the following strategic interventions:

Strategic Intervention 4.1: Enhance the support provided to the revival of vulnerable economic sectors, SMEs and the informal sector in the economy, with particular focus on skills development and the application of digital transformation and green growth production methods to enhance their contributions to the economy and private sector development.

- 4.1.1 Expand digital financial platforms that are convenient, available and accessible to everyone, especially those in remote areas (e-commerce, e-trading, e-payment).
- 4.1.2 Develop legislation on data protection with small business exemptions.
- 4.1.3 Expedite implementation of the national addressing systems to support e-trade.
- 4.1.4 Restructure and recapitalize financing instruments for SMEs, especially through a re-invigorated cooperatives mechanism.

4.1.5 Expedite automation of licenses and permit systems to allow interoperability among designating authorities.

4.1.6 Provide fiscal incentives to cushion and spur the affected economic sectors/populations in the economy, especially the hospitality industry; Creative Arts; manufacturing; wholesale and retailing; transport and storage; logistics; private schools; and agriculture.

Strategic Intervention 4.2: Increase smallholder farmers' access to agricultural extension services and support to agro-processing value chains and cross-border trade (engaged in by women and youth) by accelerating the adoption of digital technologies in extension and innovative technologies in prioritised value chains and overall engagement in regional and continental trade to enhance income and employment opportunities.

4.2.1 Develop and rollout public sector delivered mobile applications for digital extension services that support USSD and voice functionality for increased uptake by farmers.

- These digital platforms can be upscaled and be useful

in connecting businesses and economic actors in the informal sector and the SMEs, as well as agri-businesses along with the relevant value chains to information, finance and markets. In this case, effort will be made to harness the dividend of innovative green technologies and markets for enterprise creation amongst MSMEs; while, at the same time, addressing the adverse impact of environmental challenges and climate change on the creation of decent jobs and livelihoods for youth, women and persons with disabilities.

4.2.2 Develop and implement an open repository of common extension content and farmer feedback to support demand driven innovations and practices.

4.2.3 Provide Government extension workers with digital gadgets (mobile devices, tablets, etc.) to use and promote the adoption of digital technology support applications.

4.2.4 Expedite deployment of the electronic single window with a focus on process automation and border agency integration.

4.2.5 Provide targeted growth support to Business Process Outsourcing (BPO) to be used as case studies to attract foreign investments.

Focus Area 4: Building a Resilient Economy and Labour Market

Strategic Intervention 4.1: Enhanced support provided to the revival of SMEs and the informal sector in the economy, with particular focus on self-sufficiency, skills development and the application of green growth production methods to enhance their contributions to the economy and private sector development

Activity	Time Frame	Budget (K)
4.1.1 Expand digital financial platforms that are convenient , available and accessible to everyone, especially those in remote areas (e-commerce, e-trading, e-payment)	2021-2022	1,218,000,000
4.1.2 Develop legislation on data protection with small business exemptions	2021-2023	100,000,000
4.1.3 Expedite implementation of the national addressing systems to support e-trade	2021-2023	2,000,000,000
4.1.4 Restructure and recapitalize financing instruments for SMEs, especially through a re-invigorated cooperatives mechanism	2021-2023	2,000,000,000
4.1.5 Expedite automation of licenses and permit systems to allow inter-operability among designating authorities	2021-2023	4,000,000,000
4.1.6 Provide fiscal incentives to cushion and spur the affected economic sectors/ populations in the economy, especially the hospitality industry; Creative Arts; manufacturing; wholesale and retailing; transport and storage; logistics; private schools; and agriculture	2021-2023	90,000,000,000
Sub total		99,318,000,000

Priority Intervention 4.2: Increase smallholder farmers' access to agricultural extension services and support to agro-processing value chains and cross-border trade (largely engaged in by women and youth) by accelerating the adoption of digital technologies in extension and innovative technologies in prioritised value chains and overall engagement in regional and continental trade to create income and employment opportunities

Activity	Time Frame	Budget (K)
4.2.1 Develop and roll out public sector delivered mobile applications for digital extension services that support USSD and voice functionality for increased uptake by farmers	2021 - 2022	500,000,000
4.2.2 Develop and implement an open repository of common extension content and farmer feedback to support demand-driven innovation and practices	2021 - 2022	150,000,000
4.2.3 Provide Government extension workers with digital gadgets (mobile devices, tablets, etc.) to use and promote adoption of digital technology support applications	2021 - 2022	700,000,000
4.2.4 Expedite deployment of the electronic single window with a focus on process automation and border agency integration	2021 - 2023	500,000,000
4.2.5 Provide targeted growth support to Business Process Outsourcing (BPO) to be used as case studies to attract foreign investments		280,000,000
Sub total		2,130,000,000
Focus Area 4 sub total		101,448,000,000

4.6 Focus Area 5: Building an Enabling Macroeconomic Policy Environment

The COVID-19 pandemic has exacerbated macroeconomic challenges, thus enhancing the vulnerability of the Malawian economy.

In particular, the pandemic has been a severe shock to the economy. This has significantly worsened the fiscal situation with huge public revenue shortfalls and the growing budgetary deficits, financed largely through increasing domestic borrowing and accumulation of domestic payment arrears.



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This has resulted in a large public sector debt, which started growing a few years before the pandemic. Revenue enhancement options have, therefore, become limited. Nonetheless, there are possibilities of realising savings through expenditure or cost control measures and the application of efficiency in public spending in the public sector. This is within the means of the Government, which has put in place measures to reduce the growth of the debt stock and domestic borrowing; while, at the same time, increasing private sector access to finance and enhancing its growth.

As defined in the MW2063, the Government seeks to diversify the economy; promote a knowledge-based economy; and diversify its revenue generating capacity beyond traditional sources. The public finance management (PFM) reforms on the expenditure side will, therefore, be key

to gaining macroeconomic stability; stimulating economic activity; and inducing recovery. Cost-savings realised from such reforms will be used to finance priority programmes, including those under the SERP. In addition, it will be important to diversify development financing revenue by tapping into various sources of finance clearly articulated in the Addis Ababa Action Agenda and leveraging the benefits from the African Continental Free Trade Area (CfCFTA) agreement and other global and regional trade initiatives. The adoption and application of the digital transformation and green growth measures in the economy cannot be overemphasized, especially if Malawi is to become a knowledge-based and industrialized economy to effectively achieve its development aspirations by 2063. Therefore, as part of the transition to achieving the same during this recovery period, the Government will implement the following strategic interventions:

Focus Area 5: Adopt and implement sound policy measures that will support the generation of green and sustainable economic growth, structural transformation, and prudent fiscal management within the economy.

- 5.1 Maintain a current account balance of not more than negative 3 percent of GDP in line with SADC macroeconomic convergence targets.
- 5.2 Manage the monetary policy to stabilize interest rates, exchange rates and inflation.
- 5.3 Fast-track the completion of minimum strategic economic infrastructure¹⁴ needs, especially in energy, transport and ICT (includes Mpatamanga Energy plant, NACALA Railway connectivity and fibre backbone from Nacala to Lilongwe; fast-tracking irrigation infrastructure; and front-loading the local-bonds infrastructure projects).
- 5.4 Domesticcate and simplify the CfCFTA agreement for the benefits to be leveraged by the private sector, with enormous benefits to SMEs and workers in the informal sector through various value chains.

¹⁴ Full cost for the economic infrasture needs are in the MIP-1.

Focus Area 5: Building an Enabling Macroeconomic Policy Environment

Focus Area 5: Adopt and implement sound policy measures that will support the generation of green and sustainable economic growth, structural transformation, and prudent fiscal management within the economy.

Activity	Time Frame	Budget (K)
5.1 Maintain a current account balance of not more than negative 3 % of GDP in line with SADC macroeconomic convergence targets	2021- 2023	250,000,000
5.2 Manage the monetary policy to stabilize interest rates, exchange rates and inflation	2021 - 2022	200,000,000
5.3 Fast-track the completion of minimum infrastructure ¹⁵ needs in energy, transport and ICT (Mpatamanga Energy plant, NACALA Railway connectivity, fibre backbone from Nacala to Lilongwe; fast-tracking irrigation infrastructure; and front-loading the local-bonds infrastructure projects)	2021 - 2023	15,000,000,000
5.4 Domesticating and simplify the ACFTA agreement for the benefits to be leveraged by the private sector, with enormous benefits to SMEs and workers in the informal sector through various value chains	2021 - 2022	30,000,000
Focus Area 5 sub total		15,480,000,000
GRAND TOTAL		578,828,000,000

¹⁵ These costs largely relate to the coordination and front-loading and kick-starting costs. But full range of the costs for these economic infrastructure projects, most of which are flagships, are in the MIP-1.

5. SOURCES OF DEVELOPMENT FINANCING

5.1 Overview

This Section outlines sources of development financing that the Government will leverage to support the implementation of the SERP and ultimately the MIP-1.

5.2 Potential sources of development finance

Tax revenue: Tax revenue is one of the main sources of development financing. As such, effort will be made to effectively leverage and enhance tax revenue through appropriate policy measures such as digitalizing tax administration and collection processes; and the appropriate introduction of a progressive tax system informed by the relevant evidence in terms of value addition to the development and transformation of the economy. These measures will include efforts to eradicate tax evasion and tax avoidance; and address other structural issues hindering the efficient collection and utilization of tax revenue. Policy measures will also be adopted and implemented to fight against corruption, illicit financial flows, and inefficiency in public spending to minimise waste and predatory behaviour in the public sector; while, at the same, increasing fiscal space, promoting efficiency in public spending, and enhancing transparency and accountability across all levels of Government. In short, the Government will diversify its tax revenue generating

capacity, thus making tax revenue to serve as a key source of development financing.

External public finance: According to the World Bank Group (2019), total net official development assistance (ODA) received by Malawi in current US\$ value in 1964 was around US\$32.5 million. However, by 2019, that amount reached US\$1.2 billion, a significant increase since independence. This indicates that ODA continues to remain a key source of development finance for the country and this will continue to be the case for some considerable time, especially as Malawi endeavours to wean itself of donor support by 2063. Until then, it is important that the country's development partners work hand in hand with the Government to strengthen human and institutional capacity across all levels of Government to ably, effectively and efficiently lead its own development agenda as reflected in the Paris Declaration for Aid Effectiveness (2005); Accra Action Agenda (2008); Busan High Level Forum on Aid Effectiveness (2011); and Nairobi High Level Meeting (2016). The ownership and leadership of development processes, as well as alignment and harmonization, coordination and mutual accountability, and the application of the global partnership for effective development cooperation continue to remain paramount to achieving the institutional capacity development at all levels of Government, in and across all sectors, at the national and sub-national level



to enable Malawians take ownership and leadership of their own development process.

Debt and debt sustainability: The fiscal position of Malawi continues to remain under significant stress, with huge domestic debt and other economic governance issues being major contributing factors to the slow pace of sustainable development in the country. The situation is contributing to high real interest rates, something that is further increasing the debt crisis and harming the growth and development of the private sector. It is, therefore, important for the Government to exercise fiscal constraint to help reduce domestic borrowing and thereby increase the role of the private sector in the economy to generate sustainable growth and green jobs, as well as wealth creation for the fast-paced growing population of the country, the bulk of whom are young

The fiscal position of Malawi continues to remain under significant stress, with huge domestic debt and other economic governance issues being major contributing factors to the slow pace of sustainable development in the country.



people. In this regard, the Government will develop a comprehensive fiscal consolidation plan to increase fiscal constraint across all levels of Government. It will also explore options of borrowing from the capital market, including leveraging the benefits of green and social bonds, blended finance, and public-private partnerships.

Trade: The Government will work with the private sector to improve the business environment with the aim of achieving export development and economic diversification to support the creation of green growth and sustainable jobs and wealth creation. The Government will also work to enhance the competitiveness of the country and its private sector, as well as leverage the benefits of its membership in global, continental, and regional trade initiatives, including the World Trade Organization (WTO), AfCFTA agreement, African Growth and Opportunity Act (AGO), Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC), as well as all other trade initiatives.

Corporate social responsibility: Another potential source of development finance is corporate social responsibility (CSR), of which corporate social investment (CSI) is a

part. CSR encompasses projects that are external to the normal business activities of a company and not directly for purposes of increasing the profit of the company. These projects have a strong developmental approach and utilise company resources to benefit and uplift communities and are not primarily driven as marketing initiatives. CSR will, therefore, be considered as an important development finance source that can help to support the development priorities of Malawi, especially in poor communities.

Foreign Direct Investment: Foreign direct investment (FDI) is considered one of the most important sources of investment; and a key source for external financing for most developing countries.

It is also important for the transfer of technology to countries; enhancement of production and export capacities; boost to economic growth and creation of jobs; and helping local firms to access international markets. But to achieve the same will mean creating an enabling business environment that will attract FDI. This will entail putting in place the necessary legislation and policies; investing in infrastructure; providing basic utilities (water and electricity); and investing in the rule of law. The Government will, therefore, endeavour to make the country a destination for FDI by putting the necessary enabling measures in place to facilitate the process.

South-South Cooperation and North - South Cooperation: Building on the enormous potential of South-South Cooperation and North - South

Cooperation through the exchange of knowledge and best practices can be leveraged from the Global South and Global North to facilitate capacity development and advance the development process of Malawi. Through the exchange of knowledge and best practices from the Global South, the country can benefit from technical knowledge and expertise in areas of technology adoption and application; irrigation adoption and application; horticulture; livestock development; agriculture and agro-processing; agroforestry; agricultural mechanization, machinery manufacturing and marketing of products; crop production; and adoption and application of green technology and renewable energy. From the Global North, the country can benefit from advanced technologies and innovations relevant for Malawi.

Remittances and diaspora funding: A growing consensus is emerging that remittances constitute a significant source of external financing whose availability, if managed through appropriate policies, could be particularly valuable for capital-scarce developing countries. Therefore, an enabling environment will be created to facilitate citizens in the diaspora to support personal development projects at home for themselves and/or family members. Further, diaspora bonds are also an important source of development finance which can be used to undertake infrastructure projects or support crisis relief. Such development financing source can be leveraged to support key development priorities in country.

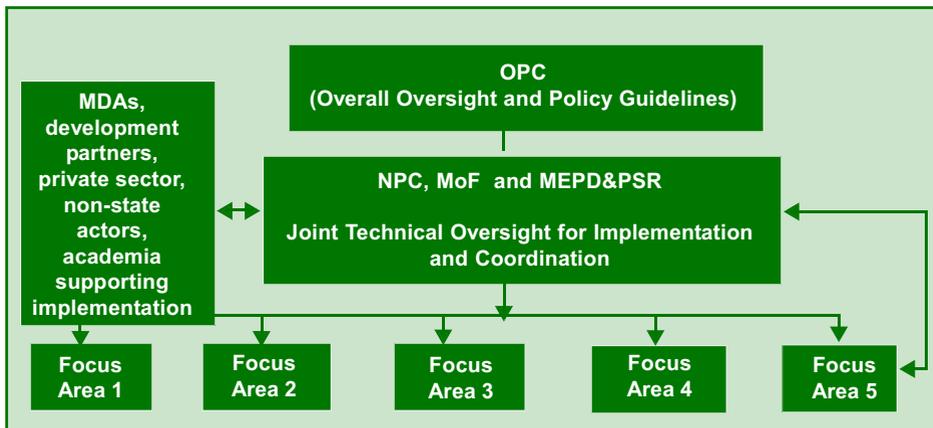
6 IMPLEMENTATION, COORDINATION, MONITORING & EVALUATION

6.1 Overview

The effective implementation and coordination of the SERP is critical for the realization of the strategic interventions that have been articulated herein; and will require the involvement of all relevant stakeholders and development actors. Therefore, the Government, through NPC as technical lead and with oversight and policy guidance from the Office of the President and Cabinet (OPC), will intensify collaboration and forge strategic partnerships at the global, national, sectoral, district, community, and household level. This will be done to enhance effective development

cooperation and accountability for the realisation of development results during the implementation of the SERP, which will be upscaled to support the effective coordination and implementation of the MIP-1. This will be achieved through an established institutional structure at the policy and technical level to facilitate and coordinate the implementation of the SERP (See figure 4 below). The roles and responsibilities of the different stakeholders and development actors during the implementation of the SERP are presented in this Section.

Figure 4: SERP Institutional Structure



6.2 Implementation and coordination roles and responsibilities

The SERP has been formulated as a catalytic initiative which will help to facilitate the transition of the country to the effective implementation of the MIP-1. Its implementation framework, therefore, to a large extent mirrors the one for the MIP-1. In view of this, the following institutional roles and responsibilities have been defined:

6.2.1 Government

OPC: The OPC will have the role of providing oversight and policy guidance for the implementation of all strategic interventions defined in the SERP.

- **NPC, MoF and MEPD&PSR:** The three institutions, drawing on their mandates, will be responsible for leading and coordinating the implementation of the SERP in collaboration with sector leads and in partnership with other development actors, including the development partners, private sector, academia, non-governmental organisations, civil society organisations and local administrations. The three will be responsible for facilitating the monitoring and evaluation of the SERP and its key strategic interventions at the national, sectoral, district and community level; with the primary objective of achieving results-based

management and accountability for results. This will also entail reporting progress on the implementation of the SERP, carrying out mid-term review, and a final evaluation to document lessons learnt that can be applied to the implementation of the rest of the MIP-1 interventions. Specifically, the Ministry of Finance in consultation with the NPC, MoEPD&PRS and Strategic Intervention Leads, will be responsible for providing financial resources through budgetary allocation to support the implementation of the strategic interventions.

- **Local Government Councils and Communities:** In line with the National Decentralisation Policy and principles of subsidiarity, Malawi's 35 urban and rural councils will play a critical role in the implementation of the SERP, especially at the local level, relative to its five strategic interventions.
- **Strategic intervention leads:** The implementation of the strategic interventions and priority areas of the SERP will be the responsibility of the sector leads that will be formally designated by the Office of the President and Cabinet, on the recommendation of the National Planning Commission. These leads will ensure that key relevant institutions, stakeholders and beneficiaries are not left out during the consultation and implementation process.

Progress of implementation under each strategic intervention and priority areas will be reviewed at quarterly and annual meetings of these actors.

These institutions can co-opt other institutions and experts to assist with the implementation and review of priority actions or activities. As indicated in Mw 2063, these periodic reviews will be linked to the budget preparation and execution processes to ensure that priority activities are implemented with adequate financial resources.

- **Beneficiaries:** Every effort will be made under the SERP to consult and involve the beneficiaries linked to each strategic intervention and priority areas, so to ensure that no one is left behind and that their views are integrated in the planning,

The implementation of the SERP will require the participation of development partners, the private sector, civil society organizations and academia.



implementation, monitoring, reporting and evaluation processes.

6.2.2 Development Partners, Private Sector, Civil Society, and Academia

The implementation of the SERP will require the participation of development partners, the private sector, civil society organizations and academia as they will play critical role in providing technical and policy advisory support, as well as financial support to the implementation of the SERP. They will also play a critical role in the monitoring, reporting, and evaluation of the SERP and using the findings to adjust their own strategic engagement with the development process of the country.

The United Nations in Malawi will take lead in coordinating development partner support (technical and financial) towards the SERP.

6.3 Monitoring and evaluation

Monitoring and evaluation is an integral part of the SERP, under which a comprehensive monitoring and evaluation framework has been defined. The framework will support the tracking of progress; facilitate reporting on the progress being made; undertake a mid-term review of the SERP; and carry out a final evaluation to document the lessons learned that can be applied to the implementation of the rest of the MIP-1 interventions. The framework will also ensure the accountability of results by all actors participating in the implementation of the SERP.

ANNEX 1: MONITORING AND EVALUATION MATRIX OF THE SERP

Strategic Objectives	Performance Indicators	Base lines (2020)	Targets			Data Source	Institution Responsible
			2021	2022	2023		
Focus Area 1: Building a Resilient and Sustainable Health System							
Enhance capacity in the healthcare system to maintain essential life-saving health services while handling COVID-19 as well as other future pandemics	Number of medical personnel recruited to handle COVID-19 and other pandemics (by cadre)	1380 ¹⁶	TBD	TBD	TBD	Administrative data	Ministry responsible for health
	Medical doctors	TBD	TBD	TBD	TBD		
	Nurses	TBD	TBD	TBD	TBD		
	Stock-outs ¹⁷ of essential drugs in hospitals	75 ¹⁸ % (2011)	10%	0%	0%	Central Media Store Trust Report	Ministry responsible for health
	Stock-outs of PPEs in hospitals	TBD	0%	0%	0%	Administrative data	Ministry responsible for health
	Number of specialised Infections Disease Treatment centres built	0	0	2	2	Administrative data	Ministry responsible for health
	Number of health posts constructed	0	0	50	100	Administrative data	Ministry responsible for health
	Number of decent community health workers houses constructed	0	0	50	100	Administrative data	Ministry responsible for health
	Number of WASH facilities constructed	0	0	50	100	Administrative data	Ministry responsible for water, sanitation and hygiene

¹⁶ Data is not disaggregated. The figure includes all health workers recruited in response to Covid-19 pandemic.

¹⁷ Stock-out is defined as complete absence of specified drug(s) on the day of interview.

¹⁸ There is no recent data.

Strategic Objectives	Performance Indicators	Baselines (2020)	Targets			Data Source	Institution Responsible
			2021	2022	2023		
	Number of diagnostic support applications developed	0	0	TBD	TBD	Administrative data	Ministry responsible for health
	Number of mental health specialists	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for health
	Number of people accessing essential (non-COVID-19 related) health services, disaggregated by sex, age group and at-risk populations	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for health
	Percentage of facilities able to deliver essential health services	70% (2019) ¹⁹	100%	TBD	TBD	HMIS	Ministry responsible for health
	Number and proportion of health facilities supported with lifesaving pharmaceuticals, medical devices and supplies as part of COVID-19 response	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for health
	Number of people (by sex and type of service) accessing safe mobile health services	3000 calls/month (2018) ²⁰	5,000 calls/month	7,500 calls/month	10,000 calls/month	Village Reach data	Ministry responsible for health
Upscale COVID-19 Vaccine acquisition and administration	Proportion of the eligible ²¹ population vaccinated by sex and age groups	0	20%	80%	80%	Administrative data	Ministry responsible for health

¹⁹ There is no recent data.

²⁰ There is no recent data.

²¹ Eligible are those aged 18 and above, estimated at 8.7 m illen in 2018census.

Strategic Objectives	Performance Indicators	Baselines (2020)	Targets			Data Source	Institution Responsible
			2021	2022	2023		
Improve COVID-19 management of borders.	Proportion of entrants screened at the border	TBD	100%	100%	100%	Administrative data	MOH, Ministry responsible for homeland security
	Number of border management officials trained in management of infectious diseases	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for health
	Number of health staff managing infectious diseases at entry points	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for health
Focus Area 2 - Building a Resilient and Sustainable Education System							
Enhanced capacity of the education system through innovation and digital transformation technology to facilitate e-learning and e-teaching, as well as other distance learning initiatives	Proportion of schools delivering some lessons through e-learning methods					Administrative data	Ministry responsible for education
	Secondary	TBD	TBD	TBD	TBD		
	Primary	TBD	TBD	TBD	TBD		
	Proportion of teachers trained in digital education technology						
	Secondary	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for education
	Primary	TBD	TBD	TBD	TBD		
	Number of children supported with self-studying materials, disaggregated by sex, Number, Total	TBD	TBD	TBD	TBD		
	Number of schools constructed	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for education
	Number of classrooms constructed	TBD	TBD	TBD	TBD		
	Number of new teachers recruited	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for education

Strategic Objectives	Performance Indicators	Baselines (2020)	Targets			Data source	Institution Responsible
			2021	2022	2023		
Focus Area 3: Building a Resilient and Sustainable Social Protection System							
Establish a comprehensive shock-sensitive social protection system to support vulnerable groups (particularly women and children) recover from the impact of COVID-19	Percentage of social protection resources funded by donors	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for economic planning and development
	Number of beneficiaries of social protection schemes and services related to the COVID-19 pandemic, disaggregated by type of programme, territory (rural/urban), sex, age group and at-risk population,	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for economic planning and development
	Proportion of the social protection beneficiaries graduating from the scheme	0.16	0.17	0.30	0.37	Administrative data	Ministry responsible for social welfare
	Social protection management system operationalized	Management system not in place	Operationalized	Operationalized	Operationalized	Administrative data	Ministry responsible for economic planning and development
	Social employment fund established	Fund not in place	Fund not in place	Established	Established	Administrative data	Ministry responsible for economic planning and development
	Population that is food-insecure (million)	1.49 (2020/21)	1.2	0.9	0.6	MVAC	Ministry responsible for economic planning and development

Strategic Objectives	Performance Indicators	Baselines (2020)	Targets			Data Source	Institution Responsible
			2021	2022	2023		
	Proportion of gender-based violence victims provided with psycho-social and counselling support services	TBD	TBD	TBD	TBD	Administrative data	Malawi Police Service
Focus Area 4: Building A Resilient Labour Market							
Enhanced support provided to the revival of SMEs and the informal sector in the economy, with particular focus on skills development and the application of digital transformation and green growth production methods	Mobilemoney transactions (as % of total transaction)	TBD	TBD	TBD	TBD	Economic Reports	Reserve Bank of Malawi
	Whether the country adopting fiscal, monetary and legislative stimulus packages for COVID-19 economic response and recovery that are, Yes/No.	No	Yes	Yes	Yes	Annual Economic report	Ministry responsible for economic planning
	Data protection legislation exempting small businesses developed	No	No	Yes	Yes	Administrative data	Ministry responsible for trade
	National Addressing System operationalized to support e-trade	No	Yes	Yes	Yes	Administrative data	Ministry responsible for information
	Licenses and permit system for inter-operability operationalised	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for trade
	Digital mobile application for agriculture extension services operationalized	System not in place	System operationalized	System operationalized	System operationalized	Administrative data	Ministry responsible for agriculture, MACRA
Increasing smallholder farmers' access to agricultural extension services and support to agro-processing value chains by accelerating the adoption of digital technologies	Proportion of farmers with access to extension services	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for agriculture

Strategic Objectives	Performance Indicators	Baselines (2020)	Targets			Data source	Institution Responsible
			2021	2022	2023		
	Electronic single window with process automation and border agency integration deployed	TBD	TBD	TBD	TBD	Administrative data	Ministry responsible for trade and Department of Immigration
Focus Area 5: Building an Enabling Macroeconomic Policy Environment							
Adopt and implement sound policy measures that will support the generation of green and sustainable economic growth, structural transformation, and prudent fiscal management within the economy	Current account balance consistent with SADC macroeconomic convergence	TBD	TBD	TBD	TBD	Annual Economic Report	Ministry responsible for finance
	Number of economic infrastructure projects such as irrigation, energy, transport and ICT in progress or completed	TBD	TBD	TBD	TBD	TBD	Ministries responsible for irrigation, energy, transport, and ICT
	Percentage of export growth	-37.7% (2020)	-35%	-32%	-25%	Trade Statistics	National Statistical Office
	Number of MIP-1 flagships and local bond infrastructure kick-started	TBD	TBD	TBD	TBD	Annual Economic report	Ministry responsible for economic planning
	Number of existing businesses closed down due to pandemic	TBD	TBD	TBD	TBD	Registered Businesses	MIRA

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