

**MALAWI GOVERNMENT**

**CONTRIBUTION TOWARDS ELEMENTS PAPER ON FINANCING FOR DEVELOPMENT**

**IN PREPARATION FOR**

**THE SECOND SESSION OF THE PREPARATORY COMMITTEE FOR THE FOURTH CONFERENCE ON FINANCING FOR SUSTAINABLE DEVELOPMENT FfD4**

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**Introduction:**

Malawi is one of the forty-five (45) Least Developed Countries with its economy heavily dependent on agriculture. The country is highly susceptible to climate-related shocks. In the past decade, Malawi experienced multiple weather and health-related shocks including floods, droughts, cholera and COVID-19 pandemics, and economic crises due to the ongoing geo-political tensions in the Middle East and Eastern Europe. This has severely affected the productive capacity of the economy and consequently reduced revenue generation, economic growth and development.

To cope with fiscal and structural imbalances resulting from these shocks, public debt has been growing as the government strives to cover financing gaps. In 2006, Malawi was granted the Heavily Indebted Poor Countries (HIPC) debt relief initiative. Debt to GDP ratio dropped from 130.5% in 2005 to 30.4% in 2006. Despite the debt relief, the country has not managed to grow its revenue base to satisfy its financing needs. As a result, public debt has grown over the years and reached 93% of GDP as of end March 2024. This is mainly attributed to increasing frequency and intensity of the shocks.

1. **Proposed Key Financing Policy Reforms**
2. **Global Financing Framework:**

The international community should focus on supporting resilience-building particularly in Least Developed Countries (LDCs). Malawi’s experience shows that performance of the economy is severely affected every time the country is hit by shocks which negatively affect capacity for revenue generation.

The United Nations should also focus on peace building in fragile states to minimise geo-political tensions which have negative consequences on the global economy.

1. **Action Areas:**
2. **Domestic Public Resources**

* There is need to build capacity for revenue mobilisation at country level. Partner countries particularly LDCs should be supported to improve their revenue generation potential by, among others, developing digital platforms for payments and taxation as well as implementing their domestic revenue mobilisation strategies.
* Countries should also focus on implementing necessary reforms that aim at increasing efficiency in utilization of available resources such as combating fraud and corruption as well as illicit financial flows.
* In the long term, there is need to strengthen and support economic growth and development to formalise the economies and widen the revenue base.

1. **Domestic and International Private Business and Finance**

* Partner countries need to be supported to explore new sources and instruments of financing available nationally and globally to increase financing for development. Such financing instruments include sovereign insurance, guarantees, Public Private Partnerships (PPPs) and climate funds such as green bonds and carbon credits.
* Financiers need to increase the volume of aid to partner countries to deepen impact.
* In addition, development partners and other financiers should increase support towards private sector development by supporting initiatives aimed at increasing production capacity, efficiency and commercialization in order to create jobs, improve revenue generation and economic growth.

1. **International Development Cooperation**

* Cooperating partners should adhere to the commitments made under the Global Partnership for Effective Development Cooperation (GPEDC) including the principles of country ownership, inclusive partnerships, focus on results, and transparency and accountability. Cooperating partners should not impose their ideas but finance existing development plans.
* The on-going GPEDC Monitoring exercise being undertaken from 2022 up to 2025, will provide evidence of implementation progress, lessons and recommendations which will shape the future of development cooperation. Countries need to take the monitoring exercise seriously.

1. **International Trade as an Engine for Development**

* There is need to promote aid for trade by supporting production, value addition and trade facilitation initiatives. Development partners should focus on supporting commercialization and trade through development of infrastructure and digital platforms, as well as institutional capacity necessary for trade facilitation.
* At the global level, the United Nations should continue to advocate for reforming the trade regime by, among others, removing non-tariff barriers with the aim of opening up markets for LDCs.

1. **Debt and Debt Sustainability**

* For countries that are in debt distress, the international community should put deliberate efforts to support debt cancellation to reduce the debt burden which has become unbearable in recent times.

1. **Addressing Systemic Issues**
   * LCDs should be supported to develop and implement Integrated National Financing Frameworks (INFFs) and SDG Investor Maps to guide resource mobilization and investment for sustainable growth and development of their economies.
   * LDCs need to be supported to build strong institutions to combat corruption, fraud, and illicit financial flows. On the other hand, countries need to implement financial management reforms to improve efficiency in utilization of resources.
2. **Science, Technology, Innovation and Capacity Building**
   * Technical assistance plays acritical role in building national and institutional capacities of partner countries. However, this assistance should always be demand driven and focus on knowledge transfer for sustainability.
   * Partner governments should embrace technology and innovation and deliberately invest in the youth to build necessary skills and human capacity that responds to the market and the changing world.
   * Financiers should deliberately support science, research, learning and innovation in LDCs, especially among the youth to unlock their potential and contribution to sustainable development.
3. **Emerging Issues**
   * Recently, there has been growing risks affecting the global economy and resources available for development. The world has been hit by multifaceted disasters including pandemics such as COVID-19, Ebola, MPox, and Cholera; climate-related disasters; financial crises; and geo-political tensions which significantly disrupted the global supply chain. These risks call for innovative ways of development financing and increased effort on national and global resilience and peace building.
4. **Data, monitoring and follow-up**
   * + Partner countries should be supported to develop results frameworks with measurable indicators and targets taking into account aspects of gender and age. Cooperating partners should align their support to the national results framework to ensure accountability for results.
     + Joint reviews need to be encouraged to enhance transparency and mutual accountability.
5. **Overarching reflections**
   * Development partners need to rethink their support to LDCs, especially those in debt distress. In this regard, debt cancellation would be ideal at this point.
   * Foreign Director Investment (FDI) should contribute to national development of recipient countries. Where necessary, blended finance should be provided to reduce cost of investment and increase accessibility by beneficiaries, especially, the poor.
6. **Strengthening follow-up process to ensure accountability and full implementation of commitments**

The conference should provide time for progress reporting by stakeholders. This will ensure that partners report on progress they are making in implementing commitments. If possible, a tailor-made survey should be undertaken prior to the conference as part of progress monitoring against the commitments.