

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

1.2 Summary of the Action

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

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

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

2 RATIONALE

2.1 Context

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