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# Malawi Governance and Public Finance Systems

Assessment of Domestic Resource Mobilisation, Public Finance Management, Statistical Capacity, and Anti-Corruption

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# Foreword

This report is developed under the "Framework Agreement for the provision of consultancy services for procurement of consultancy services related to Norad's Governance and Public Finance Portfolio and economic governance engagement".[1] The framework agreement between Norad and CMI includes desk-based studies covering Malawi, Mozambique, Somalia and Tanzania. The studies cover, to the extent possible given the available documentation and dialogues, the most relevant partner analyses, programs, and assistance in the following thematic areas: (1) Domestic Resource Mobilisation (DRM), (2) Public Finance Management (PFM), (3) Statistical Capacity, and (4) Anti-Corruption. The purpose of these studies is to provide contextual knowledge that informs priorities relevant to Norway as well as other partners engaged in the thematics covered in this report, as well as specifically for Norad within the portfolio of Governance and Public Finance. It establishes a foundation for tracking developments over time and identifies potential contributions from the portfolio to such developments.

CMI's study team consisted of Senior Researcher Elling Tjønneland (project leader); Senior Researcher Ingrid Hoem Sjursen (deputy project leader); Research Professor Odd-Helge Fjeldstad (main author of the Tanzania report and co-author of the Malawi report); Senior Researcher Aslak Orre (main author of the Mozambique report and co-author of the Malawi report); and Post Doctoral Fellow Gayatri Sahgal (main author of the Somalia report and co-author of the Malawi report). Rob Lloyd (ITAD) has been responsible for the quality assurance of the reports.

The study team would like to thank the staff of Norad's *Section for Governance* and *the Norwegian Embassies in Dar es Salaam, Lilongwe, Maputo, Mombasa, and Nairobi* for constructive discussions during our work and for their valuable comments on earlier drafts. The country reports do not reflect the policies or views of the Norwegian Ministry of Foreign Affairs or Norad. The opinions expressed are solely those of the authors. Responsibility for the report's content and any errors rests entirely with the study team.

Bergen, December 2025

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# Contents

Foreword ..... 2
Acronyms ..... 5
Executive summary ..... 7
1 Introduction ..... 10
1.1 A more unpredictable global context ..... 11
1.2 Domestic context ..... 12
1.3 Organisation of the report and qualitative assessments ..... 13
2 Domestic Resource Mobilisation ..... 14
2.1 Composition of domestic revenue ..... 14
2.2 Revenue administration ..... 18
2.3 Tax base and potential for broadening the revenue base ..... 19
2.4 Qualitative assessments ..... 21
2.5 The political economy of change in the DRM system ..... 23
2.6 External support to strengthening the tax system ..... 24
3 Public Finance Management ..... 24
3.1 Fiscal balance ..... 24
3.2 Strengths and weaknesses of the PFM cycle ..... 26
3.3 Ongoing reform efforts ..... 27
3.4 Qualitative assessments ..... 28
3.5 The political economy of change of the PFM system ..... 29
3.6 External support to strengthening the PFM ..... 30
4 Statistical Capacity ..... 31
4.1 Capacity of statistical offices ..... 31
4.2 Mechanisms for data sharing ..... 33
4.3 Coordination and reform efforts ongoing ..... 33
4.4 Qualitative assessment ..... 34
4.5 The political economy of change of the statistical system ..... 35
4.6 External support to strengthening the statistical system ..... 36
5 Anti-corruption Efforts ..... 36
5.1 International rankings ..... 37
5.2 Institutional set-up and capacity for anti-corruption efforts ..... 38

5.3 Coordination and reform efforts ongoing ..... 39
5.4 Qualitative assessments ..... 40
5.5 The political economy of change of the anti-corruption system ..... 42
5.6 External support to strengthening the anti-corruption system ..... 42
6 Interaction and Intersection Between the Areas ..... 43
6.1 Reinforcing linkages ..... 43
6.2 Common enablers and constraints ..... 44
6.3 Implications for reform and donor engagement ..... 44
6.4 Concluding remarks ..... 44
References ..... 45
Annex 1 Methodological Note: The A–D Assessment Scale ..... 47

# Acronyms

**ACA** – Anti-Corruption Authority
**ACB** – Anti-Corruption Bureau (Malawi)
**AfDB** – African Development Bank
**CMI** – Chr. Michelsen Institute
**CSO** – Civil Society Organisation
**DPG** – Development Partners Group
**DRM** – Domestic Resource Mobilisation
**DRMS** – Domestic Revenue Mobilisation Strategy
**EITI** – Extractive Industries Transparency Initiative
**ECF** – Extended Credit Facility (IMF)
**EU** – European Union
**FCDO** – Foreign, Commonwealth and Development Office (UK)
**FY** – Fiscal Year
**GIZ** – Deutsche Gesellschaft für Internationale Zusammenarbeit
**GoM** – Government of Malawi
**GRD** – Government Revenue Dataset (UNU-WIDER)
**HIPC** – Heavily Indebted Poor Countries Initiative
**ICT** – Information and Communication Technology
**IFMIS** – Integrated Financial Management Information System
**IMF** – International Monetary Fund
**INTOSAI** – International Organization of Supreme Audit Institutions
**LGA** – Local Government Authority
**LTU** – Large Taxpayer Unit
**MCCCI** – Malawi Confederation of Chambers of Commerce and Industry
**MDAs** – Ministries, Departments, and Agencies
**MEJN** – Malawi Economic Justice Network
**MIS** – Management Information System
**MoF / MoFEA** – Ministry of Finance and Economic Affairs
**MRA** – Malawi Revenue Authority
**MSDS** – Malawi Strategy for Development of Statistics
**MTEF** – Medium-Term Expenditure Framework
**MTRS** – Medium-Term Revenue Strategy
**NAO** – National Audit Office
**NAC** – National Anti-Corruption Commission (if applicable)
**NDP** – National Development Plan
**NGO** – Non-Governmental Organisation
**NSO** – National Statistical Office
**NSS** – National Statistical System
**ODA** – Official Development Assistance
**OECD** – Organisation for Economic Co-operation and Development
**PAC** – Public Accounts Committee (Parliament)
**PEFA** – Public Expenditure and Financial Accountability
**PFM** – Public Financial Management
**PFEM** – Public Finance and Economic Management (Reform Programme)
**PFM-IP** – Public Finance Management Improvement Project (World Bank)

**PIT** – Personal Income Tax
**PSIP** – Public Sector Investment Programme
**RBM** – Reserve Bank of Malawi
**SADC** – Southern African Development Community
**SME** – Small and Medium Enterprise
**SSA** – Sub-Saharan Africa
**SSB** – Statistics Norway
**TA** – Technical Assistance
**TADAT** – Tax Administration Diagnostic Assessment Tool
**ToC** – Theory of Change
**TPIN** – Taxpayer Identification Number
**UNDP** – United Nations Development Programme
**UNCDF** – United Nations Capital Development Fund
**UNECA** – United Nations Economic Commission for Africa
**UNICEF** – United Nations Children's Fund
**UNU-WIDER** – UN University - World Institute for Development Economics Research
**USAID** – United States Agency for International Development
**VAT** – Value Added Tax
**WB** – World Bank

# Executive summary

This report assesses Malawi's governance and public finance systems across four key areas: **Domestic Resource Mobilisation, Public Financial Management, Statistical Capacity, and Anti-Corruption**. It establishes a reference point for Norad's portfolio engagement, highlighting progress, persistent weaknesses, opportunities for reform and areas where reform momentum is most at risk.

**Context**

Malawi faces one of the most challenging macroeconomic contexts in Sub-Saharan Africa. IMF (2025) notes that Malawi's fiscal space is constrained by weak growth, rising debt, persistent inflation, repeated climate shocks, and declining donor support. The country's Extended Credit Facility (ECF) with the IMF, that had provided a reform anchor while also exposing the fragility of public finances, expired in May 2025. The September 2025 general elections added uncertainty, with risks of politically motivated fiscal expansion, revenue shortfalls, and weaker enforcement.

At the same time, the reform architecture remains in place across all four domains: the **Domestic Revenue Mobilisation Strategy (2021–2026)**, the **PFM Act (2022)**, the Malawi Strategy for Development of Statistics, and the **National Anti-Corruption Strategy II (2024–2030)**. These frameworks demonstrate continued policy intent and provide a foundation for results if matched with implementation capacity and political commitment.

**Cross-Cutting Challenges**

- Election cycles weaken fiscal discipline and enforcement.
- Debt service crowds out development spending and constrains budget flexibility.
- Donor dependence remains high across all governance domains.
- Weak institutional independence limits accountability and reform ownership.
- Digitalisation is progressing but not yet systematically integrated across systems.
- Climate vulnerability and gender disparities remain poorly reflected in fiscal and statistical planning.

**Key Findings**

The table below summarises Malawi's performance across the four thematic areas - **Domestic Resource Mobilisation (DRM)**, **Public Financial Management (PFM)**, **Statistical Capacity**, and **Anti-Corruption** - using a **four-point A–D scale**. The scale reflects both institutional strength and reform momentum (see Annex 1 for details):
**A = Strong**, **B = Moderately Strong**, **C = Moderately Adequate**, **D = Weak**.

The table presents the overall assessment, key drivers and barriers to change, and areas where Norway is currently engaged or supporting reform.

| Thematic Area | Overall Rating | Summary Assessment | Main Drivers of Change | Main Barriers to Change |
|---|---|---|---|---|
| **Domestic Resource Mobilisation (DRM)** | C - Moderately Adequate | Core reforms (DRMS 2021–26) are under way and MRA performance improving, but the tax-to-GDP ratio remains low (≈ 12–13 %), exemptions persist, and informal-sector taxation is weak. | External donor support<br>Commitment from Malawi Revenue Authority | Politicised exemptions; weak and small formal economy, large informal sector; weak enforcement; limited policy coherence. |
| **Public Financial Management (PFM)** | C - Moderately Adequate | Fiscal control and audit coverage have improved, but arrears and weak budget credibility persist; dependence on donor-financed projects is high | New PFM Act (2022); IFMIS 2 roll-out; active NAO; IMF and WB reform support. | Weak expenditure control; limited transparency; arrears; political reallocations. |
| **Statistical Capacity (NSS)** | C - Moderately Adequate | The NSO and MSDS provide a sound framework, but coordination, analytical capacity, and data sharing remain weak; heavy donor dependence. | NSO Strategic Plan (2023–27); World Bank assistance; new surveys (IHS, Census). | Limited independence; resource constraints; fragmented systems |
| **Anti-Corruption (ACA)** | C - Moderately Adequate | Comprehensive legal and institutional frameworks exist, including the National Anti-Corruption Strategy II (2024–2030), but enforcement is inconsistent and political influence remains strong. | Launch of NACS II; active ACB, NAO and FIA; establishment of specialised financial crimes courts; digitalisation (e-procurement, case management); donor engagement | Political interference in high-level cases; weak inter-agency coordination; limited investigative capacity; resource constraints; lack of whistle-blower protection. |

- All acronyms are defined in the preceding pages.

## Overall Assessment

Across all four thematic areas, Malawi's governance systems are assessed as **moderately adequate (C)**. The reform architecture is in place and several technical improvements are visible, particularly in tax administration, fiscal reporting, and audit follow-up, but implementation remains uneven. Structural weaknesses in institutional coordination, data integrity, and enforcement capacity persist, compounded by donor dependence and political sensitivity.

The **potential for progress** is substantial, especially with continued IMF and World Bank engagement, targeted technical assistance, and stronger domestic ownership. However, **risks of reform stagnation** remain high in politically sensitive areas, particularly around elections, where fiscal discipline, transparency, and enforcement often weaken.

## Conclusion

Malawi's governance and public finance systems are at a crossroads. Institutional frameworks for DRM, PFM, statistics, and anti-corruption are broadly in place and aligned with international standards. Yet their effectiveness depends on sustained implementation, stronger inter-agency coordination, and protection of institutional independence. Sustained, well-coordinated donor support and domestic political commitment will be essential to convert reform intent into lasting institutional performance.

# 1 Introduction

We begin by outlining key development parameters, followed by an analysis of the evolving global landscape and Malawi's current domestic context. This provides the foundation for examining the implications for domestic revenue mobilisation, public finance management, the statistical capacity and anti-corruption efforts in Malawi.

Malawi's capital is **Lilongwe**, located in the centre of this landlocked country. There are about 1 million inhabitants in Lilongwe. **Blantyre**, located in the south is the second largest city and the hub of financial services and commerce. The third largest city is **Mzuzu**, located in the north. These cities are each regional centres of a country that politically and administratively is divided in the North, Centre and South.

Estimates of Malawi's **population size** vary. According to the World Bank (2025c), the population was 21.7 million in 2024, with an annual **growth rate** of 2.6%. The United Nations Population Fund estimates the population at 22.2 million in late 2025,[2] while the IMF places it at 24.1 million.[3] **Poverty** remains among the highest in the world, with the country ranking 172nd on the UNDP Human Development Index, slightly above Mozambique but below Tanzania.[4] Under the World Bank's new poverty line of USD 3 per day, 66% of the population – approximately 14.4 million people - live in poverty, based on the World Bank's live population estimate of 21.7 million (World Bank 2025b). The most recent comprehensive study of multidimensional poverty, shows that 59% of the population experiences multidimensional poverty (NSO 2022, iii). Despite the country's strong agricultural focus, food insecurity remains widespread. In recent years, around 5 million people – nearly a quarter of the population - have experienced "crisis level food insecurity" (World Bank 2025b).

**GDP growth**: After several years of negative growth in the 1990s, the economy grew at an average annual rate of about 5% until 2019. Following the COVID-19 pandemic, growth slowed markedly. GDP per capita declined each year between 2020 and 2024 (World Bank 2025b). The IMF currently projects growth of 2.4% in 2025,[5] while the World Bank forecasts 1.9% - both rates below the population growth. The economy's erratic growth performance has been attributed to external shocks, such as severe climate shocks, as well as domestically generated and policy-induced macroeconomic instability.

**Inflation**: With the exception of a brief surge around 2010, inflation remained stable at around 10% per year between 2002 and 2021. Since then, it has risen sharply, reaching 32.2% in 2024, and is projected to remain at a similar level in 2025.[6] Inflation will therefore continue to pose a serious challenge for the government.

**Public debt**: Malawi's debt level is high and unsustainable. Following debt relief under the HIPC-initiative in 2006, external debt rose steadily from less than 10% of GDP to more than 90% by 2025. Over the same period, interest payments increased from about 1% of GDP in 2012 to around 9% in 2025.

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[2] See UNFPA, at https://www.unfpa.org/data/world-population/MW (last accessed 27 Oct 2025).
[3] See IMF, at https://www.imf.org/en/Countries/MWI (last accessed 27 Oct 2025).
[4] See the UNDP HDI, at https://hdr.undp.org/data-center/country-insights#/ranks
[5] Ibid.
[6] Ibid.

The **economy** is dominated by agriculture, which accounts for around 30% of GDP. Agricultural products – most notably tobacco – make up approximately three-quarters of the exports. The sector employs about two-thirds of the labour force (Gov't of Malawi and World Bank 2018: 22), and at least 80% of households depend on farming for subsistence to some extent. Agricultural performance therefore has a strong influence on the broader economy, including food supply and security, employment, access to foreign exchange and government revenue.

According to the **UNDP Gender Inequality Index (GII)** - where a value of zero indicates full gender equality and one indicates maximal inequality across reproductive health, empowerment and labour market dimensions - **Malawi's GII score of 0.581** reflects significant gender disparities, particularly in reproductive health outcomes and women's secondary education and political empowerment relative to men (UNDP, 2025).

## 1.1 A more unpredictable global context

Malawi's economic and governance landscape in 2025 is shaped by a highly uncertain global environment. IMF (2025) notes that declining aid flows, tighter global financial conditions, and climate-related shocks have increased macroeconomic pressures and reduced fiscal space. The ongoing effects of the 2023-24 El Niño drought, coupled with global commodity price volatility, continue to strain food security and external balances.

Official development assistance (ODA) has contracted for most bilateral partners.[7] Cuts from the United Kingdom's FCDO, USAID, and several UN agencies have reduced funding for governance, social protection, and agricultural programmes. This reduction has been only partly offset by World Bank and IMF engagement. The IMF's Extended Credit Facility (ECF), approved in late 2023 and expired in May 2025, was the cornerstone of Malawi's macroeconomic stabilisation effort. IMF (2025) notes, however, that rising debt service costs and exchange rate depreciation have intensified inflationary pressures, with inflation exceeding 30% in early 2025.

Tightened global financing conditions driven by higher interest rates in major economies, have reduced access to concessional borrowing and foreign investment across Sub-Saharan Africa. Malawi, already in debt distress, has seen limited appetite for its sovereign paper and continued pressure on foreign reserves. The depreciation of the kwacha in 2024-25 improved export competitiveness somewhat but sharply raised the cost of imports, especially fuel, fertiliser, and pharmaceuticals.

Global trade disruptions and geopolitical tensions have further complicated Malawi's position. The lingering effects of the war in Ukraine and rising tensions in the Middle East have driven up transport costs for land-locked economies. Regional conflicts in Mozambique's north and the Democratic Republic of Congo continue to unsettle cross-border trade flows through Nacala and Beira corridors - critical supply routes for Malawi's imports and exports.

Climate risks have intensified. Recurrent droughts, flash floods, and cyclones (notably Freddy in 2023) have caused severe agricultural and infrastructure damage, undermining fiscal stability and

[7] Malawi is one of the world's most aid-dependent countries, several of the larger donor countries and multilateral organisations are present in the country (Amundsen, 2017).

growth. As a predominantly agrarian economy, Malawi remains highly exposed to rainfall variability; roughly one-third of its GDP and four-fifths of employment depend on rain-fed agriculture. These shocks amplify fiscal pressures, increase demand for social spending, and weaken the state's ability to plan predictably.

Amid these challenges, the global agenda on debt sustainability, climate finance, and digital public infrastructure presents both risks and opportunities. New financing frameworks, such as the IMF's Resilience and Sustainability Facility (RSF) and the World Bank's IDA21 replenishment, offer potential resources for climate-linked and governance-based reforms. Yet access will depend on Malawi's ability to demonstrate credible implementation of macro-fiscal and governance commitments under the ECF.

In sum, the external context confronting Malawi in 2025 is one of **reduced aid, higher uncertainty, and intensified climate and debt vulnerabilities**. The country's reform trajectory will depend on balancing short-term stabilisation with long-term institution-building, and on maintaining strong partnerships with key multilateral and bilateral actors in an increasingly constrained aid environment.

## 1.2 Domestic context

Malawi's domestic landscape in 2025 is defined by deep macroeconomic stress, political uncertainty ahead of the general elections 16 September 2025, and persistent institutional fragility. Following the 2023-24 economic crisis marked by fuel shortages, severe exchange-rate depreciation, and drought-induced food insecurity, the government has embarked on a complex stabilisation programme under the **IMF's Extended Credit Facility (ECF)**. IMF (2025) notes that while the programme has supported policy coordination and external engagement, economic recovery has remained weak and uneven.

**Economic performance and fiscal pressures.** GDP growth is projected at around 2.5% in 2025, below the Sub-Saharan African average, reflecting weak agricultural output, foreign-exchange constraints, and slow recovery in manufacturing. Inflation has remained above 30 percent through mid-2025, driven by the 2024 devaluation of the kwacha and supply-side shocks to food and energy prices. The Reserve Bank of Malawi (RBM) continues to tighten monetary policy, but fiscal slippages, including unbudgeted wage increases and rising interest costs, limit overall stabilisation. Public debt has risen sharply to 88% of GDP by end 2024, placing Malawi in **debt distress**; debt service now absorbs more than a quarter of domestic revenue (IMF, 2025). Although the authorities are engaging in debt-restructuring negotiations with bilateral and commercial creditors, fiscal space remains acutely constrained.

**Political context and governance environment.** *The Economist* refers to Malawi as the 'world's poorest peaceful country',[8] although its democracy seems to be hanging in the balance at regular intervals. A key question is whether Malawi's political institutions can uphold the necessary

[8] https://www.economist.com/middle-east-and-africa/2022/09/22/malawi-has-saved-its-democracy-but-not-its-economy?utm_medium=cpc.adword.pd&utm_source=google&ppccampaignID=18151738051&ppcadID=&utm_campaign=a.22brand_pmax&utm_content=conversion.direct-response.anonymous&gad_source=1&gad_campaignid=18151761343&gbraid=0AAAADBuq3J6bUAEGnbUOIufz66hpUj_V&gclid=CjwKCAjw3f_BBhAPEiwAaA3K5OxeVY1eOwhliX8PLPf9r5bcgor7o91IgzxHKP7MbOFiyjhgzsjizRoCOdQQAvD_BwE&gclsrc=aw.ds

legitimacy of elections given a history of post-electoral turmoil in Malawi and in the neighbouring countries. The **2025 general elections** introduced renewed political tension and fiscal risks and indiscipline (IBRD 2025). The ruling coalition faced growing public dissatisfaction with inflation, unemployment, and corruption scandals. Historically, election periods in Malawi have been associated with overspending, *ad hoc* procurement, and rising arrears, patterns that could re-emerge in the current cycle. Patronage pressures are visible through politically motivated hiring and discretionary allocations to local governments. While the new **Public Finance Management Act (2022)** has strengthened legal controls, enforcement remains inconsistent.

Institutions of accountability - the **National Audit Office (NAO)**, **Parliament's Public Accounts Committee (PAC)**, and the **Anti-Corruption Bureau (ACB) -** operate with increasing professionalism, but continue to face political interference and resource constraints. The ACB has initiated high-profile investigations, yet prosecution rates and follow-up remain low. Public trust in oversight institutions is limited, and civil-society participation in budget monitoring remains sporadic.

**Social and developmental context.** Malawi remains one of the world's poorest countries, with over 70% of the population living below the international poverty line. Food insecurity persists, aggravated by climate-related shocks and high input prices. Unemployment among youth and graduates continues to rise, fueling migration pressures and social discontent. Gender disparities remain pronounced in land ownership, employment, and access to credit, despite legal reforms promoting equality.

**Climate vulnerability and public investment.** The 2023 Cyclone Freddy and recurrent droughts in 2024-25 have underscored Malawi's acute climate exposure. Agricultural production - primarily maize - declined sharply, forcing large-scale maize imports and increasing inflationary pressure. Infrastructure damage from floods has strained the national budget and highlighted weaknesses in public investment management and disaster-response systems. The government has committed to integrate climate risk management into its **Public Sector Investment Programme (PSIP)**, but financing and capacity remain major bottlenecks.

**Outlook.** While macro-stabilisation and governance reforms are advancing under IMF guidance, progress is vulnerable to political and climatic shocks. The near-term outlook depends on maintaining reform momentum, achieving debt-restructuring agreements, and sustaining donor engagement. Credible implementation of the ECF programme, improved fiscal discipline, and stronger institutional independence will be critical for restoring stability, strengthening fiscal credibility, and reducing Malawi's aid dependence.

## 1.3 Organisation of the report and qualitative assessments

The remainder of the report is structured as follows. Sections 2, 3, 4, and 5 present assessments for each of the four key areas: Domestic Resource Mobilisation (DRM), Public Finance Management (PFM), Statistical Capacity, and Anti-Corruption. Within each area, we identify key assessment dimensions to evaluate progress, which can be revisited over time. We also provide a qualitative assessment of the current status based on the available information. For this purpose, we apply
a **four-point A–D scale** aligned with international diagnostic frameworks such as **PEFA** and **TADAT** (see Annex 1 for details). The scale reflects both institutional strength and reform

momentum:
**A = Strong**, **B = Moderately Strong**, **C = Moderately Adequate**, **D = Weak**.

# 2 Domestic Resource Mobilisation

**Improved and more just revenue mobilisation is a key outcome for Norad**. Revenue performance underpins fiscal planning, and weak and politicised DRM (e.g., tax exemptions, election-related enforcement softness) directly undermines budget credibility and impacts PFM capacity. Moreover, DRM is the foundation of state capacity to fulfil other priorities, including building statistical capacity and implementing anti-corruption efforts. The following section takes stock of Malawi's record on DRM, assesses the nature of the tax system, systems of revenue administration and evaluates the potential for broadening the tax base. The ongoing reform initiatives for strengthening external support are next discussed along with some evaluative assessments to help summarise the gaps for designing future programming efforts in the country. The statistics on domestic revenue mobilisation, including the tax-to-GDP ratio for Malawi, vary substantially between different sources, and these discrepancies are highlighted throughout the section.

## 2.1 Composition of domestic revenue

**The share of non-tax revenue has been, and continues to be, marginal (see Figure 1).** According to OECD (2024a; 2024b), in 2022, Malawi's non-tax revenues accounted for 2.0% of its GDP, which was substantially lower than the average non-tax revenues in the SSA region (6.2% of GDP). The UNU-WIDER Government Revenue Database reports a substantially smaller number for the same year for both Malawi (0.5%) and the SSA region (3%). Grants represented the largest share of non-tax revenues in Malawi in 2022, amounting to 1.3% of GDP and 63% of non-tax revenues (OECD 2024a; 2024b).

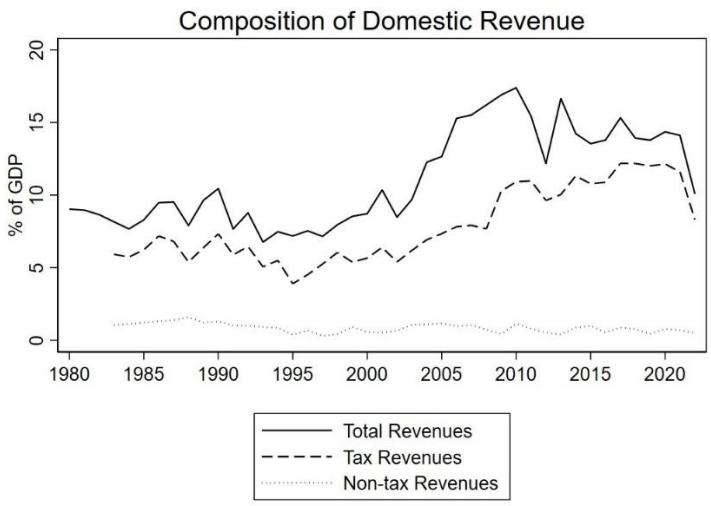


**Figure 1: Composition of Domestic Revenue in Malawi 1980-2022 (UNU-WIDER, 2023)[9]**

**Malawi's DRM is lower than that of its regional peers**. According to OECD (2024b) and the IMF (2025), Malawi's tax-to-GDP ratio was 12.5% in 2022. This is significantly lower than the Sub-Saharan Africa average, which stood at 16% during the same period (OECD 2024b). According to the World Bank (2024), Malawi's tax-to-GDP was higher – 13.5% – the same year, whereas the number in the UNU-WIDER Government Revenue Database (UNU-WIDER, 2023) is substantially lower: 8.3%. However, up until 2021, both OECD (2024b) and UNU-WIDER (2023), tax-to-GDP has been increasing slowly since 2005 (see Figure 2 for UNU-WIDER statistics). Figure 2 shows that compared to neighbouring countries Malawi's tax-to-GDP ratio had consistently been among the lowest. During the 2024/2025 fiscal year, Malawi Revenue Authority collected MK 3.06 trillion in revenue against its MK 3.26 trillion target, translating to 94% achievement (Maravi Express, 2025).

[9] Numbers for Total Revenues and Tax Revenues exclude social contributions (compulsory and voluntary social insurance contributions from employers, employees, and the self-employed), see details in Oppel, McNabb and Chachu (2021).

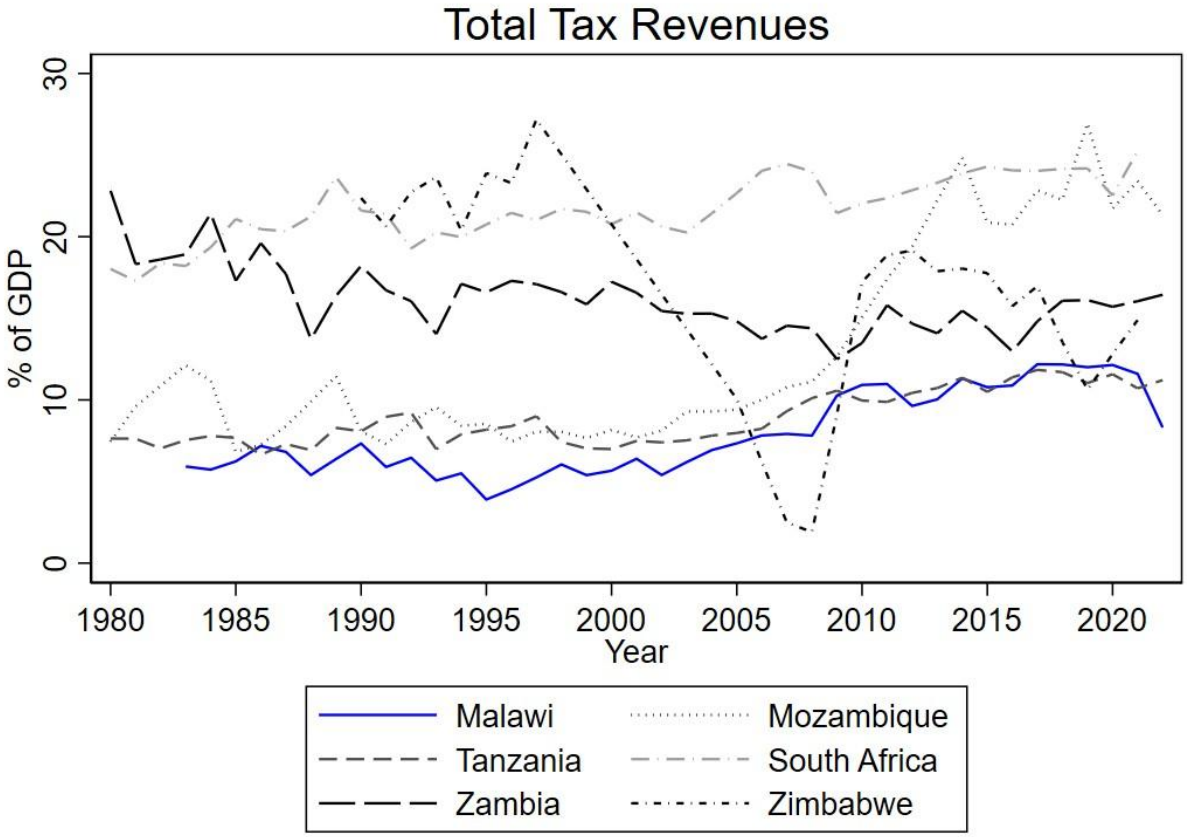


**Figure 2: Tax-GDP-ratio in Malawi and Neighbouring Countries (UNU-WIDER, 2023)[10]**

**Taxes on goods and services are the primary source, but revenues from direct taxes are significant.** The revenues from indirect taxes account for 55% of total tax revenues in 2022, which was higher than the SSA average (51%). The share of income taxes, profits and capital gains taxes, in comparison, was 45% in 2022 (OECD 2024a; 2024b). The level of direct tax collection in Malawi is well above the SSA average (39%) but slightly below that of high-income and OECD countries, which collect a little over 50 per cent of their tax revenue from direct taxes (Ligomeka 2019). Figure 3 illustrates the development of tax revenues, disaggregated by indirect taxes (collected by another entity in the supply chain, such as taxes on consumption, sales and trade) than direct taxes (such as personal and corporate income tax and property tax), as reported in the UNU-WIDER Government Revenue Database. It shows that direct taxes, particularly personal income tax and corporate income taxes have increased in importance the last two decades.

**Taxes from VAT are the single largest source of revenue**. Similar to other countries in the region, Malawi relies heavily on revenues from VAT[11], which alone accounted for over 30% of total tax revenues. Over the period 2006-2018, VAT revenue increased from 2.8% to 3.8% of GDP but has

[10] Total tax revenues excluding social contributions (compulsory and voluntary social insurance contributions from employers, employees, and the self-employed), see details in Oppel, McNabb and Chachu (2021).
[11] The average for the region was 27%.

since remained around 3.6% of GDP (IMF 2025). The UNU-WIDER Government Revenues database reports a VAT-to-GDP ratio of 3.4% in 2021 (UNU-WIDER, 2023).[12]

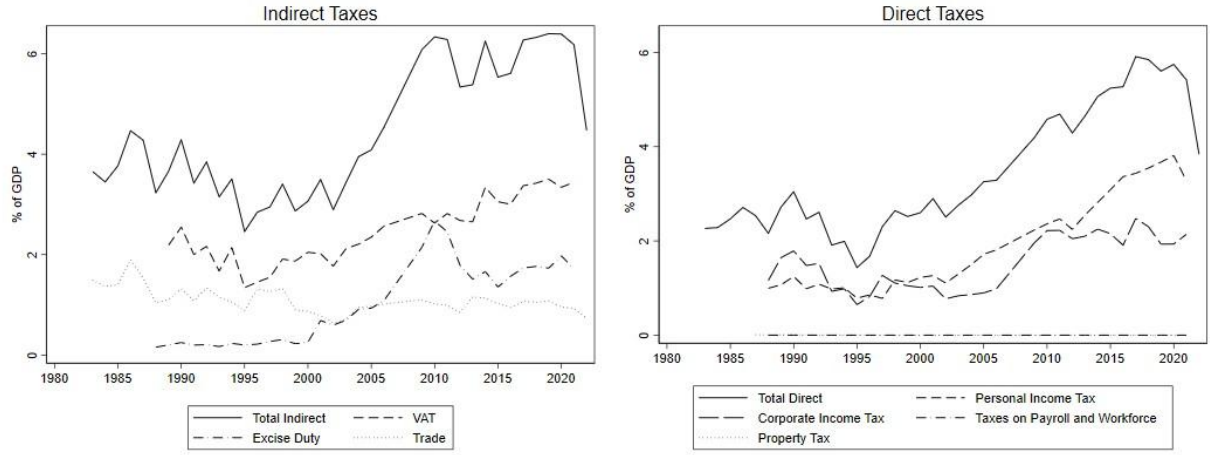


**Figure 3: Revenue from indirect (left panel) and direct (right panel) taxes in % of GDP 1980-2022 (UNU-WIDER, 2023)[13]**

**Malawi's Corporate Income Tax (CIT) revenue has been rising** from 2.0% of GDP in FY2019/20 to 3.2% of GDP in FY2023/24. However, the CIT revenue is suppressed by several factors, including liberal tax incentives and exemptions that narrow the tax base, as well as the generous interest deductibles that allow for corporate tax base erosion (IMF 2025).

**Excise revenues have remained low, averaging at 1.8% of GDP, over the past decade**. This level potentially reflects the smuggling of excisable goods from neighbouring countries and their rate structure. Except for cigarettes, all of Malawi's excise taxes are ad valorem (AV) instead of specific. While AV excises help maintain revenue during inflation without requiring legislative updates, they often result in less stable collections, particularly for volatile goods like petroleum, and are more vulnerable to under-invoicing and rent-seeking (IMF 2025).

**The revenues are not sufficient to fund development priorities**. The country's low revenues allow less fiscal space to support development objectives. Much of the budget is dedicated to debt servicing and paying the interest bill, leaving very little room for priority spending, including human capital and social protection through measures such as in-kind transfers and expanding the social registry. The withdrawal of USAID programs places additional pressure on the public budget and can only be realistically accommodated with a comprehensive, medium-term revenue generation strategy and a reduction in the interest bill (IMF 2025).

[12] In personal communication to the authors , the Norwegian SSB reports a VAT-to-GDP ratio of 3,8 per cent in 2021 in its database, further emphasising uncertainty around key figures.

[13] **Total Indirect:** comprise the sum of taxes on goods and services, international trade and transactions, and other taxes, and excludes social contributions. **Total Direct:** Includes taxes on income, profits and capital gains, taxes on payroll and workforce as well as taxes on property, and excludes social contributions. See details in Oppel, McNabb and Chachu (2021).

## 2.2 Revenue administration

**The Malawi Revenue Authority (MRA) is the main tax-collecting authority.** The MRA is responsible for administering and collecting national taxes, including Value Added Tax (VAT), Personal Income Tax (PIT), Corporate Income Tax (CIT), excise duties, and customs duties.

**The MRA is a semi-autonomous body**. The MRA was established in 2000 and is one of Africa's more than twenty semi-autonomous revenue authorities. Like its regional peers, it is an agency established to collect revenue from taxes, customs, and other sources, equipped with sufficient resources and autonomy to relieve it from direct political control. It has two operating divisions, one for domestic taxes and one for Customs and Excise. Domestic taxes division administers all local taxes which include Pay-As-You-Earn (PAYE) tax, corporate taxes, fringe benefit taxes, excise duties levied on prescribed local goods and services as well as value added taxes (VAT) on taxable supplies. The Customs and Excise division handles import duties, import excise, import value added tax on goods and services (PEFA 2018).

**Malawi's administrative capacity has been improving.** The TADAT assessment from 2023,[14] underscores many improvements in Malawi since the last evaluation in 2015, with advancements in 12 indicators, stability in 11, and declines in 3 (IMF, 2023). However, critical challenges that undermine the efficiency and effectiveness of the tax administration still exist regarding a) taxpayer identification, b) VAT refunds, c) customs enforcement, d) accountability and transparency.

**The country has a dedicated office to mobilise revenues from large taxpayers**. A special department known as the Large Taxpayer Unit (LTU) within the Domestic Revenue Department manages large taxpayers. The LTU is among the most efficient departments. The high CIT tax revenue collection in Malawi can largely be attributed to the effectiveness and efficiency of the LTU in undertaking its functions (Ligomeka 2019).

**Taxpayer education has been a priority**. The MRA disseminates tax information to the public in a number of ways, though primarily through brochures, press releases, magazine articles, radio and television slots, and content on the MRA website. The MRA also conducts seminars and workshops for taxpayers, and awareness programmes in schools. In addition, every year, the MRA publishes on its website a list of tax policy changes made by Parliament. The taxpayer education services are expansive and cover different types of taxes. The primary limitation of the taxpayer education service provided by the MRA is that the publicly available resources and activities do not, in most cases, explain in detail the taxpayer's technical obligations and the rules that apply to them (Ligomeka 2019).

**Institutional reforms are underway to meet existing gaps and improve tax administration**. Various institutional reforms and modernisation efforts are underway within the Malawi Revenue Authority (MRA). These include "the rollout of the Msonkho Online tax administration system to

[14] TADAT is a standardised approach to diagnosing tax administration performance that pinpoints the relative strengths and weaknesses of a country's tax administration (TADAT Assessments). TADAT focuses on nine key performance outcome areas (POAs), which cover most of the functions, processes, and institutions of tax administration (Ligomeka 2019).

enhance digital service delivery and taxpayer identification, restructuring of the Domestic Taxes Division (DTD) to align with international best practices, promoting cultural transformation within the institution to improve performance, cleaning and updating the taxpayer register to ensure data accuracy, integrating the administration of various taxes into a harmonized legal framework, upgrading the call centre for improved taxpayer engagement, implementing a block management system nationwide, and developing a comprehensive risk management framework alongside capacity building in key functional areas" (IMF 2025: 52).

**Local councils are also responsible for revenue collection.** Local Councils comprise of 7 Urban Councils (city, municipal and town councils) and 28 District Councils. Their mandate is to provide services in a broad range of policy areas, such as housing and land management, local road networks, public lighting, solid waste disposal, water supply and sanitation systems, as well as health and education. Local Councils are financed by own revenue from various user fees, and proceeds from the sale of local assets such as real estate, in principle supplemented by central government transfers. In practice, however, transfers from central government constitutes the bulk of resources, with a few exceptions such as Blantyre City Council. However, revenues are often insufficient to meet their service delivery mandates and financial obligations (PEFA 2018).

## 2.3 Tax base and potential for broadening the revenue base

**The country has also formulated a Domestic Revenue Mobilisation Strategy (DRMS)** to strengthen revenue collection and administration. The six-year Domestic Revenue Mobilisation Strategy (DRMS) (2021-2026) was prepared with support from the IMF CD and other development partners to improve revenue performance by broadening the tax base, enhancing efficiency and equity in tax collection, and increasing non-tax revenues.

**The strategy outlines several targeted reforms to increase the revenue-to-GDP ratio by 5% points**: rationalizing tax incentives, reducing widespread VAT exemptions, improving the structure and enforcement of excise taxes (including expanding coverage to passenger vehicles), increasing the productivity and resilience of income taxes (especially the CIT), enhancing taxation and administration of small and medium-sized enterprises (SMEs), and implementing a modern and cost-effective recurrent property taxes. The authorities have begun to implement some of these measures such as introducing an import withholding tax in the FY 2021/22 Budget and increasing the tax-free threshold in the PIT. However, there is scope for additional reforms and for improving implementation.

**Improving the collection of taxes from the informal sector.** The large informal sector limits the tax base, making revenue collection a significant challenge. In Malawi, only 1.3 per cent of businesses are estimated to be formal. According to the 2013 Malawi Labour Force Survey, 88.7% of the labour force is in the informal sector. Of the informal businesses, 74% operate in rural areas, which involve excessive administration and compliance costs. Malawi's current tax structure for the informal sector includes multiple instruments aimed at formalizing micro, small, and medium-sized enterprises (MSMEs) by charging a presumptive tax, for turnover which falls between MWK 2 million and MWK 6 million, applies lump-sum rates (from MWK 0 to 225,000) based on deemed turnover determined by tax officials rather than actual financial records using indicators like electricity usage or shop size. However, this tax regime, remains slightly regressive for lower earners and raises concerns of business splitting to evade higher tax brackets. IMF (2025: 52) notes

that Malawi's presumptive tax regime creates incentives for firms to remain informal, discouraging formalisation as businesses expand. To address these issues, it is critical that the presumptive tax as a minimum tax for all active MSMEs and provide credit for the presumptive tax where businesses submit turnover tax or income tax returns in excess of the presumptive tax (IMF 2025).

**VAT has significant untapped revenue potential.** The VAT system performs poorly, with substantial compliance and policy gaps estimated at 4.8% and 5% of GDP, respectively, and an effective standard rate of only 7.9%, well below the statutory rate of 16.5% (IMF 2025: 49-50). There is a potential to increase the revenue from VAT by repealing all exemptions and zero-rating of business inputs; ensuring that non-resident online vendors and platforms charge and remit VAT on their sales of cross-border services to Malawi consumers and unregistered businesses; repealing the preferential VAT treatment of supplies of motor vehicles provided under the Cu toms Codes; limit the exemption for food to a narrower list disproportionately consumed by the lowest income quintiles; align the upper turnover tax threshold for the presumptive income tax regime (currently at MWK 12.5 million) with the VAT registration threshold of MWK 25 million (IMF 2025).

**There is a need to reduce tax exemptions, which are poorly targeted and inefficient.** Malawi provides various tax holidays, preferential tax rates, and allowances, which are aimed at attracting investment, but frequently result in substantial revenue losses without significantly boosting economic activity. These measures reduce the tax base and create loopholes for tax evasion and avoidance, allowing importers to exploit provisions to reduce their tax liabilities (IMF 2025). In particular, it is important to broaden the corporate income tax base by eliminating discretionary and overly generous tax incentives, restricting excessive interest deductions (e.g., capping them at 30 percent of EBITDA), and rationalizing existing tax preferences (such as export and investment allowances).

**Reducing Withholding Tax**: While the WHT can be an effective measure to reduce tax losses from the informal economy, its revenue potential is curtailed by exemption certificates granted to registered taxpayers, government ministries and departments, and tax-exempt persons. Additionally, certain imports under specific customs procedure codes and transactions with duty-free status are also exempt.

**Enhancing excise taxation by refining excises and improving border control in Malawi.** Excise revenues can be improved by retaining the excises on gaming, gambling and lotteries, airtime/data, and jewellery, improving enforcement against smuggling and the sales of illicit goods by introducing pre-paid tax stamps and continuously monitoring the market penetration of illicit goods. Further, it is also important to strengthen excise policy by shifting from ad valorem to specific excises on goods with negative externalities (alcohol, tobacco, and vehicles) and aligning rates, especially on beer and spirits, with the regional average to protect the domestic beer industry and reduce smuggling.

**Expanding the collection of revenues from the extractive sector**. The extractive sector does not account for a significant proportion of the country's GDP; mining accounts for less than 1% of the national GDP in 2021. However, the government plans to scale up the sector's contribution to between 10 and 15% by 2030, in line with Malawi Vision 2063. Reports by the Extractive Industry Transparency Initiative (2025) indicate that the existing legislative framework is insufficient to mobilise revenues, and the government may, in fact, be losing revenue due to shortcomings in control and monitoring that could lead to tax evasion. To improve revenue collections, the report suggests that there is a need to review the current level of fees being paid and assess whether there

is a room for adjustment for such fees, Malawi Revenue Authority should work with Ministry of Mining and the Registrar of Companies to facilitate the provision of Taxpayer Identification Numbers (TPINs) for all licensed projects, the Department of Mines should also inquire about non-payment of royalties on active licenses (EITI 2025).

**Many Malawians believe that others avoid taxes, and the perceived legitimacy of the tax authorities is low.** Afrobarometer regularly collects information on citizens' perceptions of a wide range of issues, including tax compliance and enforcement, from a representative sample of Malawians. Data from the 2020/21 survey show that citizens perceive tax avoidance to be quite prevalent in Malawi. As many as 39% of the respondents believe that people in the country avoid tax often or always - a substantial increase from 21% in 2012 (see left panel, Figure 4). The 2020/21 survey furthermore shows that only 36% of agree or strongly agree that the tax authorities have the right to enforce taxes (right panel, Figure 4).

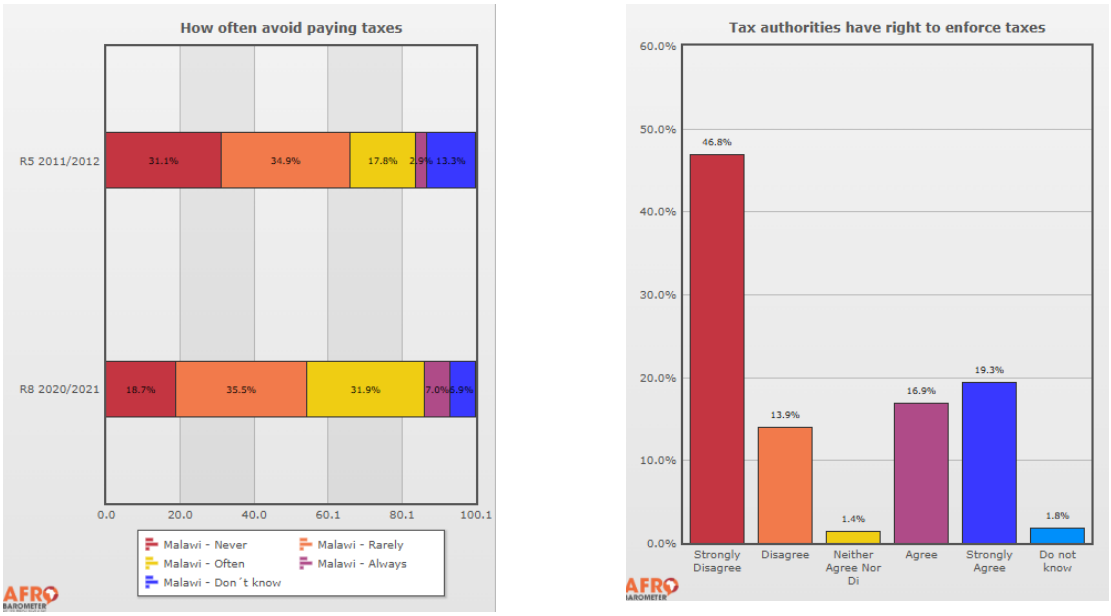


**Figure 4: Perceived tax avoidance (left) and right to enforce taxes (right) (Afrobarometer, 2012; 2020)**

## 2.4 Qualitative assessments

In this section, we summarise the status of the DRM system in Malawi and provide an overall qualitative assessment of its strengths and weaknesses. Table 1 presents an evaluative summary of the DRM thematic area based on available data and analysis from preceding sections.

| Assessment Area | Short Summary/Justification | Qualitative Rating |
|---|---|---|
| Revenue Collection | Tax-to-GDP ratio remains low (12–13%), below the Sub-Saharan Africa average. Recent stagnation despite reforms indicates structural weakness. Limited fiscal space constrains priority spending. | D |

| Assessment Area | Short Summary/Justification | Qualitative Rating |
|---|---|---|
| Revenue Target Performance | MRA achieved 94% of its FY 2024/25 revenue target, indicating improved forecasting and compliance enforcement. | B |
| Revenue Composition | Strong reliance on VAT and consumption taxes; however, a relatively high share of direct taxes compared to peers is a strength. | B |
| Progress on Tax Base Expansion | Implementation of the DRM Strategy (2021–2026) has begun, but progress remains uneven and below target. | C |
| Informal Sector Taxation Strategy | The informal sector (≈ 88% of labour force) remains largely untaxed; presumptive taxes are poorly designed and weakly enforced. | D |
| Exemption Reform | Tax exemptions and investment incentives are extensive, discretionary, and poorly targeted, leading to large revenue losses. Reform is politically sensitive. | D |
| Administrative Capacity | Adm. capacity is moderate and has been improving. The TADAT assessment (IMF, 2023) highlights many improvements since the last evaluation in 2015, with advancements in 12 indicators, stability in 11, and declines in 3. Ongoing digitalisation (Msonkho Online) strengthens taxpayer services. | B |

**Table 1: Summary of qualitative assessments for DRM**

The strengths and weaknesses of the DRM system can be summarized as follows.

- **Strengths**: Expanding administrative capacity within the MRA; enhanced use of digital systems; presence of a coherent reform strategy (DRMS 2021–2026) that aligns with IMF and World Bank recommendations; growing technical capacity and engagement from development partners in areas such as compliance, risk management, and IT systems.
- **Adequacy**: Revenue collection efficiency has improved but remains insufficient to support fiscal sustainability; administrative capacity is moderate, with notable progress in data management and taxpayer services.
- **Weaknesses**: Low tax-to-GDP ratio relative to the SSA average; pervasive exemptions; limited taxation of the informal sector; political interference in enforcement; weak local government revenue mobilisation.
- **Potential vs. Risk:** There is considerable potential to increase revenues through continued DRMS implementation and rationalisation of exemptions. However, structural weaknesses in policy coherence and enforcement persist. Political cycles, vested interests, and macroeconomic instability pose significant risks to sustained reform momentum. Progress depends on sustained political will, enforcement consistency, and fiscal discipline during election cycles.

The qualitative ratings reflect a DRM system with improving administrative capacity but persistent structural weaknesses. Malawi's revenue performance has stabilised, and the MRA has shown measurable progress in efficiency and digitalisation. However, the overall tax-to-GDP ratio remains among the lowest in the region, reflecting limited tax base expansion, weak enforcement, and overreliance on consumption taxes. Exemptions continue to erode the base, and informal sector taxation remains largely ineffective. While the Domestic Revenue Mobilisation Strategy provides a coherent framework for reform, progress has been uneven. Overall, DRM performance is **moderately adequate (C)**, with clear potential but high political and institutional risks. Broader reforms in tax policy coherence, enforcement consistency, and transparency will be essential to elevate performance to a *Strong* level.

## 2.5 The political economy of change in the DRM system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the DRM domain.

***Drivers of Change:***

- **President and the Executive**: The administration's engagement with the IMF and the launch of the Domestic Revenue Mobilisation Strategy (2021–2026) signal political intent to strengthen fiscal sustainability and reduce aid dependency.
- **Malawi Revenue Authority (MRA)**: As a semi-autonomous revenue authority, the MRA is the central driver of tax reform. Institutional upgrades - digitalisation, risk-based audits, and improved taxpayer registration - show growing professionalisation.
- **External donor support**: The IMF, World Bank, and some bilateral donor agencies provide financial and technical assistance
- **Private sector platforms**: The Malawi Confederation of Chambers of Commerce and Industry (MCCCI) and other business associations engage government on tax policy predictability and simplification.
- **Civil Society and Research Institutions:** Organisations such as the Malawi Economic Justice Network (MEJN) and external academic institutions (e.g. UNU-WIDER) contribute to debate on tax fairness, exemptions, and accountability.

***Opposition to Change:***

- **Political elites and campaign financiers**: Tax exemptions and policy privileges are frequently used to reward political support, particularly during election cycles, eroding neutrality and compliance.
- **Business lobbies**: Beneficiaries of investment incentives and discretionary exemptions resist reforms that would broaden the tax base or tighten enforcement.
- **Informal sector**: Efforts to tax small traders or micro-enterprises often trigger resistance, as enforcement is perceived as regressive or punitive in a context of high poverty and limited service delivery.

- **Within MRA**: Rent-seeking, weak internal accountability, and corruption risks persist, especially in customs operations and VAT refund management.
- **Inter-agency fragmentation:** Coordination gaps between the MoFEA, MRA, and local councils weaken consistency and follow-through on reforms.

### 2.6 External support to strengthening the tax system

Development agencies, both bilateral and multilateral, have given support to improve the tax system in Malawi. The IMF, World Bank, the UK's FCDO and other donor partners provide financial support and technical assistance.

Norwegian support is limited to country-related components in Norad's support to global, regional and multi-country initiatives. These include: African Tax Administration Forum (ATAF), IMF (AFRITAC East), and World Bank's *Global Tax Programme*

## 3 Public Finance Management

**Norad seeks to support countries in improving PFM that supports equity**. PFM is closely interlinked with the other three areas of intervention. The inability to spend resources in alignment with budget priorities and meet the needs of taxpayers can reduce tax compliance, and weak financial controls can also increase corruption. Furthermore, the low capacity for economic modelling can also undermine the need to strengthen statistical capacity. This section describes and assesses the current state of Malawi's public finance management (PFM), with a focus on fiscal balance, system strengths and weaknesses, ongoing reforms, and the role of external support.

### 3.1 Fiscal balance

**The GDP growth rates have been declining.** The real GDP growth rate declined from 1.9% (2023) to 1.8% in 2024 due to lower-than-expected agricultural output, high inflation and critical foreign exchange shortages (IMF 2025). The World Bank has also downgraded the overall GDP forecast to 2.4%, from 4.2% projected at the end of 2024, accounting for the suspension of some bilateral foreign assistance and the continued difficulties faced by the private sector in importing critical inputs. Continued economic stagnation will impede efforts to reduce poverty (World Bank 2025a).

**Public spending remains high.** Domestic primary expenditure for FY 2024-25 was 2.2% points of GDP, higher than the mid-year budget estimate. Higher than expected expenditures were driven by overruns in development spending, statutory obligations, and election-related expenditures (IMF 2025). The 2025/26 budget is poised to maintain a trajectory of high spending. The approved budget anticipates a deficit of 9.2% of GDP, driven by high spending and based on optimistic macroeconomic assumptions (3.4% GDP growth and 22.3% inflation for FY 2025/26). However, several economic challenges may impact these assumptions, including ongoing shortages for critical inputs, a fragile agricultural recovery, and reduced external assistance. The World Bank forecasts GDP growth at 2% for 2025 and inflation to remain elevated, and forecasts that if expenditures are not kept at 30% of GDP, then the fiscal deficit target may surpass 10% of GDP (World Bank 2025a).

**Inflationary pressures have contributed to trade imbalances**. The real effective exchange rate (at the official rate) appreciated by 16.0 percent in 2024, resulting in loss of external

competitiveness. The appreciation was driven by high domestic inflation, and by a nominal exchange rate fixed at a level that overvalued the kwacha. This adversely affected Malawi's trade balance by making imported goods more attractive for those with access to foreign exchange at the official rate, while discouraging exports.

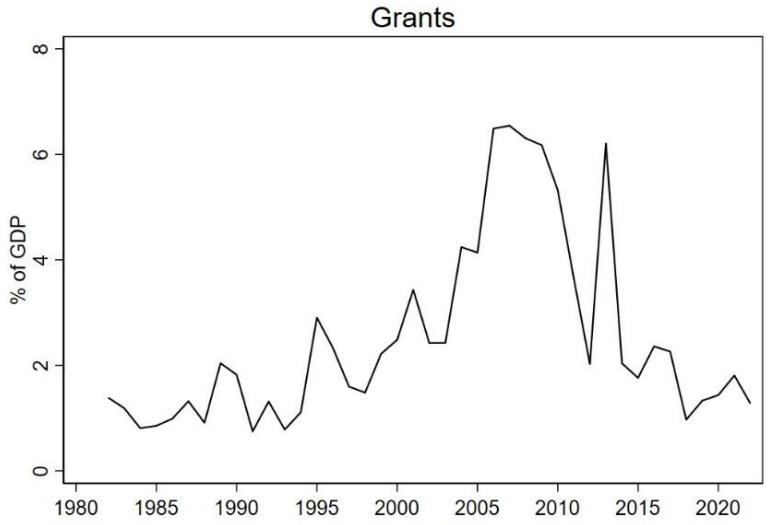


**Figure 5: Grants-to-GDP ratio in Malawi 1980-2022 (UNU-WIDER, 2023)[15]**

**Thus, the current account balance has worsened substantially**. Malawi's current account deficit expanded to almost 22% of GDP in 2024, from 17% the year before, with higher goods imports offsetting a strong rebound in tobacco exports. Malawi's imports totalled USD 3.3 billion in 2024, while exports amounted to USD 0.9 billion (World Bank 2025a).

**Malawi's external and overall debt are in distress, and public debt dynamics are unsustainable** (IBRD 2025:33)**.** Despite making some progress in reprofiling official bilateral debt, Malawi is in arrears to its external commercial creditors (USD 669 million at end-2024), and there are large and protracted breaches of external debt burden thresholds. With limited recourse to external financing, persistent fiscal deficits have caused domestic public debt to rise sharply, bringing total public debt to 88% of GDP as of the end of 2024 (IMF 2025). While during the last decade external debt tripled as a share of GDP, domestic debt quadrupled. Since 2022, domestic debt has overtaken external debt as the largest part of its debt portfolio, and now stands at 50.2 per cent of GDP. When the government borrows at very high interest rates, it contributes to a generally high-interest rate level (IBRD 2025:33). As interest rate payment reached 56 per cent of government revenue in 2024, it crowds out much needed spending on other priorities in the social sectors and infrastructure (ibid:34).

[15] Grants include transfers from other government units (foreign) and international organisations. See details in Oppel, McNabb and Chachu (2021).

According to the IMF (2025:5), 70 per cent of external debt is multilateral and highly concessional, mainly the WB/IMF and AfDB. By comparison, debt to China only represents about 2 per cent of GDP. About a quarter of the external debt remains commercial creditors.

**The withdrawal of USAID programs places additional pressure on the public budget,** particularly for education and health services (IMF 2025). The government currently lacks the fiscal space to make up the difference, but it hopes to support the most vital of these projects over time by delaying new domestic investment projects.

## 3.2 Strengths and weaknesses of the PFM cycle

In the section below, we describe some of the strengths and weaknesses of the PFM cycle.

**Strengths**

**Budget classification systems are robust.** According to the last PEFA assessment (2018), the country follows a robust and comprehensive system of classification consistent with international standards.[16] The budget classification is based on administrative, economic and program classification, which supports aggregate fiscal discipline, and enables the allocation of resources to strategic priorities and efficient service delivery (PEFA 2018).

**Budget accounting procedures are adequate**. Monthly consolidated reports on all of the central government revenues are prepared by MRA, showing revenue breakdowns by time, and submitted to the Ministry of Finance. Revenue collections are also transferred daily to the Treasury Accounts, and there is complete reconciliation on assessments, collection and arrears, and transfers to the treasury by MRA every month, and quarterly reports are also prepared (PEFA 2018).

**The transparency of the budgetary process is good.** Malawi's record in terms of budget documentation has been moderate, and as per the last PEFA assessment, the country earned an overall B score. A clear and comprehensive budget calendar exists, but is implemented with significant delays, which leave MDAs with only about three weeks combined to prepare their budget proposals and estimates after receipt of the respective ceilings (PEFA 2018).

**Weaknesses**

**Budget reliability has been a concern in recent years**. While in the past, Malawi did relatively well in ensuring that expenditures did not deviate substantially from the initially approved aggregate expenditures, in recent years, fiscal outturns reflect a persistent pattern of budgetary overruns. Expenditures exceeded the approved level of 29% of GDP by 1.6 % points (MWK 330.2 billion), primarily driven by above-target development spending and rigid expenditures, especially wages. Consequently, the budget deficit widened to 10.5% of GDP, 3.5% points (MWK 720.4 billion) above the approved level of 7% of GDP (World Bank 2025a).

**Macroeconomic and fiscal forecasting is poor**. As per the last PEFA assessment (2018: 74), "macro-economic forecasts are prepared and updated twice annually but cover only the

[16] The last PEFA assessment for Malawi was completed in 2018. The next assessment has not yet been scheduled, but the country has been engaged in several other technical assessments during 2024 and 2025, including a data quality assessment of public sector debt in early 2025.

forthcoming budget year and the following fiscal year". Explanations of the underlying assumptions are also incomplete, and there is no comparison to the previous year's forecasts. There was "no evidence of macro-fiscal sensitivity analysis having taken place during the past three fiscal years" (PEFA, 2018: 74).

**Malawi's public debt levels have risen significantly over the past two decades.** The stock of domestic public debt has risen sharply in recent years and is projected to continue rising. Elevated debt levels represent a source of fragility in the context of a shifting geopolitical landscape and Malawi's vulnerability to shocks. The joint World Bank/IMF 2025 DSA classifies Malawi's external and overall public debt as "in distress," as it did in late 2025 (IBRD 2025). Thus, even with an external debt restructuring, reducing risks to public debt sustainability will require a sustained medium-term macroeconomic adjustment and steps to substantially reduce the domestic interest bill, including through a sustained fiscal adjustment and new external concessional financing (World Bank 2025a; IMF 2025).

**Inefficient public investment and widening fiscal deficits have done little to boost economic growth**. Public spending has done little to support economic growth, as many public investments were inadequately screened and implemented with resources thinly spread across a large number of projects. Moreover, most spending has been channelled to recurrent expenditures (World Bank 2025a).

**There is a need to control the wage bill spending**. The IMF and World Bank recommend that the authorities should activate the Human Resources module in IFMIS in order to help manage the wage bill and improve efficiency, as well as address expenditure enforcement and procurement gaps (IMF 2025).

**The procurement system is complex and faces challenges:** The public procurement system is complex and faces challenges in terms of compliance, integration into IFMIS and budget processes, competition, and availability of procurement expertise. The planned government-to-government (G2G) fuel purchase regime could present new risks (IMF 2025).

## 3.3 Ongoing reform efforts

The Malawian government has made several efforts to improve public financial management**.**

**The government is continuing to increase the efficiency of public investment.** Progress has been made to improve project appraisals. All public projects are mandated to enter the Public Sector Investment Program (PSIP) under the updated Public Finance Management Act. To enhance transparency, the authorities should further strengthen the oversight and monitoring of investment projects, including multiyear projects, by expanding the information covered in the budget document and improving the PSIP platform.

**Enhancing budget credibility and reporting:** While several advances have been made to reduce the magnitude of the IFMIS data gaps, there is a need to ramp up implementation of the new IFMIS, cash management and fiscal reporting. Spending envelopes in the budget are not adhered to, largely due to statutory commitments and unexpected spending needs not accounted for during the initial budget process, resulting in mid-year adjustments and rising fiscal deficits during the year. The credibility of annual budgets could be improved by holding to hard spending constraints at the MDAs, including a contingency buffer, and basing the spending envelope on more realistic

revenue assumptions. To help establish credibility, the authorities should publicly report budget execution from IFMIS 2 on a monthly basis, following Government Financial Statistics Manual 2014 standards, continue efforts on automated bank reconciliation, and avoid the incurrence of new arrears.

**The authorities are making efforts to strengthen public debt management and statistics.** Malawian authorities have been taking steps to implement IMF recommendations on improving public debt statistics, including publishing quarterly debt data on a timely basis.

## 3.4 Qualitative assessments

In this section, we summarise the status of the different areas of the PFM system and provide an overall qualitative assessment. Table 2 presents an evaluative summary of the PFM thematic area.

| Assessment Area | Short Summary/Justification | Qualitative Rating |
|---|---|---|
| Fiscal Balance and Macroeconomic Stability | Persistent fiscal deficits averaging 8-9% of GDP reflect weak expenditure control and optimistic revenue assumptions. Inflationary pressures and exchange rate instability have further eroded fiscal space. | D |
| Public Debt Sustainability | Debt distress is high, with total public debt to 88% of GDP by end 2024 (IMF, 2025). The government is engaging with the IMF on debt restructuring and improved reporting. | C |
| Revenue Forecasting and Budget Credibility | Budget execution remains volatile due to revenue shortfalls and mid-year reallocations. The credibility of fiscal forecasts has improved marginally with the new IFMIS but remains weak. | C |
| Budget Transparency and Accountability | Budget documentation and audit reports are published, but timeliness and accessibility are inconsistent. Parliamentary scrutiny remains limited in practice. | C |
| PEFA Indicator Scores | The 2018 PEFA assessment points to moderate progress in fiscal reporting and internal audit, but persistent weaknesses in budget credibility and control of arrears. | C |
| Implementation of DRMS | The DRMS (2021–2026) is being operationalised and has improved alignment between DRM and expenditure planning. | B |
| External Support and Coordination | Multiple donor-supported reform projects exist with some coordination – mainly through information sharing - taking taking place through the thematic donor group in PFM, ; coordination mechanisms through MoF's reform secretariat are evolving. | C |

**Table 2: Summary of qualitative assessments for PFM**

Strengths and weaknesses of the PFM system can be summarized as follows:

- **Strengths**: Legal framework largely in place (GoM, 2022); progress in digitalisation (IFMIS 2); improved debt data transparency; external audit coverage expanding.
- **Adequacy**: Institutions function but unevenly; progress is slow and dependent on external financing and donor technical assistance.
- **Weaknesses**: Chronic fiscal indiscipline, low budget credibility, and weak internal control. Oversight bodies are under-resourced and subject to political interference.
- **Potential vs. Risk**: Moderate potential for improvement with ongoing reforms and IMF engagement, but high risk from macroeconomic instability and political cycles.

Malawi's Public Financial Management system can be characterised as *functioning but fragile*. The legal and institutional architecture is largely in place, and reform frameworks such as the 2022 PFM Act, the Debt Management Strategy, and the IFMIS 2 roll-out demonstrate clear policy intent and external engagement. Fiscal reporting has improved, and the publication of audit reports has become more regular, signalling progress toward transparency and accountability. The National Audit Office operates with growing professionalism, and collaboration with the Public Accounts Committee has contributed to some degree of follow-up on misuse of funds (NAO, 2024).

However, these achievements are offset by persistent weaknesses in budget credibility, expenditure control, and arrears management. Recurrent supplementary budgets, politically motivated reallocations, and weak cash forecasting undermine fiscal discipline. The integration between planning, budgeting, and procurement remains limited, resulting in fragmented decision-making and inefficient use of scarce resources. Internal audit functions exist but are under-resourced and lack independence. Local government financial management continues to lag behind central government systems, constraining service delivery and widening accountability gaps.

In practice, Malawi's PFM reforms are often externally driven, reliant on donor financing and IMF oversight. While technical reforms have yielded measurable outputs—such as new systems and procedures—the underlying incentives for discipline, transparency, and enforcement remain weak. The system performs adequately under external scrutiny but tends to relapse when external pressure wanes. This asymmetry between formal rules and actual practice is a central reason **the PFM system overall is rated C (Moderately Adequate)**: it meets minimum functional requirements, with clear areas of progress, but its sustainability and effectiveness remain uncertain without continued political commitment and institutional strengthening.

## 3.5 The political economy of change of the PFM system

Analysing the political economy of PFM reform in Malawi reveals a complex mix of technical, institutional, and political factors shaping reform outcomes.

***Drivers of Change:***

- **Ministry of Finance and Economic Affairs (MoFEA):** Central to reform implementation and IMF coordination; drives debt management and IFMIS rollout, though reform continuity is vulnerable to leadership turnover.

- **National Audit Office (NAO):** Increasingly assertive in exposing misuse of funds and providing evidence for parliamentary oversight.
- **External donor support:** Multilateral institutions – the IMF, World Bank and EU, are important forces behind reform momentum through dialogue, conditionalities, financial and technical support; IMF's Extended Credit Facility has been pivotal in aligning fiscal reforms.
- **Parliamentary Public Accounts Committee (PAC)**: Provides some accountability leverage through NAO reports, though follow-up remains weak.

***Opposition to Change:***

- **Political patronage networks**: Budget allocations and procurement decisions often shaped by electoral or factional interests, undermining fiscal discipline.
- **Weak enforcement**: Audit recommendations and internal control violations are seldom followed up, and sanctions are rare.
- **Local Government Authorities (LGAs)**: Chronic underfunding, weak capacity, and politicised appointments limit transparency in subnational PFM.
- **Resistance from vested bureaucratic interests**: Resistance to automation and procurement transparency persists due to rent-seeking opportunities.

Reform momentum is externally driven and technocratically managed, but political commitment is episodic. Sustained change will depend on domestic commitment, strengthening accountability mechanisms, empowering oversight bodies, and depoliticising fiscal management processes.

## 3.6 External support to strengthening the PFM

Several development agencies support PFM reforms in Malawi. The main partners include the IMF, World Bank, EU, UNDP/UNCDF, and GIZ.

- **IMF:** Through the *Extended Credit Facility (ECF)* and trust funds the IMF anchors fiscal consolidation, debt management, and macroeconomic stabilisation.
- **World Bank:** Supports i.a. the *Public Finance Management Improvement Project (PFM-IP)* and provides advisory services on IFMIS, procurement reform, and fiscal transparency.
- **EU:** Provides general budget support and PFM capacity building, with a focus on transparency and audit follow-up.
- **UNDP:** Support local government financial management and fiscal decentralisation.
- **GIZ:** Provides technical assistance to the NAO and MoFEA in audit follow-up and PFM reform coordination.

**Norwegian support** is modest and limited to Norad support to global and multi-country programmes with Malawi component. This includes PEFA, IMF AFRITAC South, and Afrosai.

Donor coordination is facilitated through the thematic donor group in PFM and through the **Public Finance and Economic Management (PFEM) Reform Secretariat**, but fragmentation remains

a challenge. Overall, external assistance remains crucial for reform continuity and capacity building, but greater domestic ownership is required to ensure sustainability.

# 4 Statistical Capacity

## 4.1 Capacity of statistical offices

**The National Statistical Office (NSO) of Malawi is the principal statistical body.** It is the main government department responsible for the collection and dissemination of official statistics (NSO, 2023). The NSO is governed by the 2013 Statistics Act, which established the National Statistical System (NSS) and the National Statistical Office (NSO), to mandate the collection, analysis, and dissemination of official statistics in Malawi. This Act provides a legal basis for data quality, confidentiality, and timely reporting. The Act empowers the NSO to coordinate statistical activities, ensure the use of international standards, and promote the use of statistics for evidence-based policymaking and decision-making (GoM, 2013).

**NSO has sufficient physical infrastructural capacity**. NSO is headquartered in Zomba and has regional offices in major urban centres of Lilongwe, Mzuzu, and Blantyre. There are three principal departments of the NSO: the Economics Division, which produces statistics on foreign trade, national accounts, balance of payments, business activities and employment, poverty indices derived from the DHS, and industrial production. Major censuses and surveys include the Annual Economic Survey, the 5-yearly Integrated Household Survey, and Small and Medium Scale business surveys. The Demography Division is responsible for the population census, conducted every ten years, and various other demographic and social surveys, such as the Demographic and Health Survey (DHS). Lastly, the Agriculture Division conducts agricultural surveys, like the National Census of Agriculture and Livestock and the Welfare Monitoring Survey.

**NSO faces significant challenges due to limited human and technical capacity.** According to a 2023 review of Malawi's NSO and NSS strategy conducted by Statistics Norway (SSB) and the UK Office for National Statistics (ONS), approximately 40% of positions at the NSO were vacant. The vacancy rate in the statistics divisions and sections - excluding National Accounts (NA) and Balance of Payments (BoP) - is nearly 50%, while in Administration, Finance, Planning, and Coordination units it is around 32%. In addition, the NSO has a low proportion of professional staff (such as economists and statisticians) compared to administrative staff. Within the statistics divisions and sections, only about 30% of employees are classified as professional staff, with particularly low ratios observed in parts of the economic statistics area.[17] The SSB reports that since 2023, the recruitment of around 30 new statisticians has reduced the overall vacancy levels.[18]

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[17] The staffing figures are drawn from *Statistics Norway (SSB), the UK Office for National Statistics (ONS) and National Statistical Office (NSO) of Malawi (2023), Review of the National Statistical System (NSS) and NSO Strategy, Malawi* (internal evaluation report, not publicly available). This joint review - conducted by SSB and ONS at the request of the NSO in 2023 - is confirmed in Statistics Norway's *International Development Cooperation: Annual Report 2023* (SSB, 2023: 7–10) and in the UK's Office for National Statistics blog post *"Working across four continents to prepare ourselves for another pandemic"* (Rourke, 2024), both of which note the Malawi assessment but do not include the detailed staffing data cited here.

[18] Personal communication to the authors by SSB, 10 November, 2025.

**Financial resources are challenging and there is heavy dependency on donors for financial and technical assistance**. There is a lack of sustainable and predictable funds for all activities, including data processing, storage, dissemination, management, and administrative areas, as well as inadequate technical capacity (lack of computers, software, servers, Local Area Networks, and internet connectivity).

**The capacity to produce reliable statistics remains a concern**. Improvements in data quality and availability of timelines and coherent statistics over time are required in several areas to help support policy development and surveillance. The IMF notes several shortcomings in data collection and reporting, including the publication of annual national accounts data and the construction of quarterly national accounts series (IMF, 2025).

| NSO's strategic plan outlines five strategic goals |
|---|
| 1. Enhanced production and dissemination of official statistical information |
| 2. Well-coordinated and harmonized National Statistical System |
| 3. Enhanced usage of statistical data and information/evidence by stakeholders for policy formulation and evidence-based decision making |
| 4. Improved awareness and knowledge by the public on the importance and role of statistical information |
| 5. Strengthened institutional capacity for efficient and effective implementation of the NSO's programs |

**Table 3: The NSO's strategic goals**

### Data collection, processing and dissemination

Data collection by the MDAs has generally improved over the past 5 years. However, there are still issues concerning reliability. In some MDAs, data collection is still manual and largely paper based, especially at district level. Data from censuses and surveys is more reliable although the censuses and surveys are mostly dependent on financial resources from Development Partners.

Processing of data in MDAs is mostly done by non-statistical staff such as economists due to the absence of statistical staff. There is regular publication of statistics especially by NSO and some MDAs. However, there are significant problems in the provision of up-to-date statistics, and access to published statistics by users is also not satisfactory: there is limited access through websites or intranet in the MDAs. Table 4 gives an overview of some domestic and international providers of data and statistics.

| Domestic providers | International providers |
|---|---|
| • The National Statistical Office of Malawi is organised under the Ministry of Finance and Economic Affairs.<br>• Ministry of Finance and Economic Affairs. It has a section on revenue returns that has not been updated since 2020.<br>• Reserve Bank of Malawi is Malawi's minting institution (central bank). It appears to be a good source of economic/fiscal statistics, and has a separate 'statistics' section, although a few of the key statistics do not seem to have been updated with 2024 data (yet).<br>• Malawi Revenue Authority (if/when website is operative)<br>• Sector ministries (e.g. Ministry of Health, Ministry of Education, Ministry of Mineral Resources and Energy, Ministry of Transport and Logistics, Ministry of State Administration and Public Services), Ministry of Agriculture, Irrigation and Water Development. | • IMF-Malawi<br>• The World Bank in Malawi<br>• OECD Global Revenue Statistics Database<br>• United Nations UN Statistics Division<br>• UNU-WIDER Government Revenue Dataset<br>• GTED Global Tax Expenditures Database<br>• EU Tax Observatory<br>• The Atlas of the Offshore World |

**Table 4: Domestic and international providers of statistics and data**

## 4.2 Mechanisms for data sharing

The National Statistics Act (GoM, 2013) provides the legal framework for coordination and data sharing within Malawi's National Statistical System (NSS), led by the National Statistical Office (NSO). In practice, data sharing between institutions such as the NSO, the Reserve Bank of Malawi (RBM), and the Ministry of Finance and Economic Affairs (MoFEA) occurs on an *ad hoc* basis. Formal mechanisms exist through inter-agency committees and memoranda of understanding, but implementation remains weak, often constrained by capacity gaps and institutional silos.

There is no Malawi-based centralised data warehouse or common platform linking key producers of fiscal, financial, and sectoral statistics. The plan is that with time, the MDAs shall share updated statistics at a joint portal, at the Open Data for Africa site, but it is currently not operative. Limited interoperability of Management Information Systems (MIS) across ministries further reduces efficiency and consistency. While the RBM and NSO have taken steps toward closer collaboration, including sharing monetary and debt data, the exchange remains irregular and dependent on individual leadership rather than institutionalised practice. Strengthening legal enforcement and technical interoperability is therefore crucial for more systematic data exchange. Finally, there must be strengthening of data protection and security routines so that the various data owners can be confident when sharing data.

## 4.3 Coordination and reform efforts ongoing

The NSO coordinates Malawi's NSS through the Malawi Strategy for Development of Statistics **(MSDS)**, which defines the roles of public institutions involved in data production and dissemination (GoM, 2013). The system encompasses government ministries, departments, agencies, local authorities, and non-state actors contributing to statistical development. Despite

this structure, coordination challenges persist due to weak institutional linkages, limited financial resources, and overlapping mandates.

Reform efforts under the **MSDS Strategic Plan** and the evaluation supported by Statistics Norway (2023) aim to address these weaknesses. Recent progress includes the development of a national **Management Information System (MIS)** to enhance data harmonisation, and the initiation of major surveys such as the **2024/25 Integrated Household Survey** and the **forthcoming Population and Housing Census**. According to the review conducted by the Statistics Norway (SSB) and the UK's Office for National Statistics in 2023, the introduction of the Management Information System has improved the capability of MDAs to produce reliable statistics.[19] However, the sustainability of these initiatives depends on predictable funding and political prioritisation of statistics.

Efforts are underway to **align the MSDS with Malawi's Vision 2063** and the national monitoring and evaluation framework. Donor-supported initiatives, including those from the World Bank, IMF, and Statistics Norway, continue to provide technical and financial inputs, and there are efforts to coordinate between them and the domestic actors.

## 4.4 Qualitative assessment

In this section, we summarise the status of the statistical system and provide an overall assessment of its strengths and weaknesses. Table 5 presents an evaluative summary of the status of the statistical capacity/the statistical system.

| Assessment Area | Short Summary/Justification | Qualitative Rating |
|---|---|---|
| Availability of DRM and PFM-related Data | Core fiscal and macroeconomic data are available but often delayed; NSO and RBM data are published irregularly. | B |
| Quality and Consistency of Revenue Data | Weak cross-agency harmonisation and inconsistent updates from MoFEA and MRA undermine reliability. | D |
| Statistical and Econometric Capacity | Capacity within NSO is fair, but analytical and modelling skills in MDAs remain limited. | C |
| Independence and Credibility of Statistics | NSO operates under MoFEA, limiting autonomy; political influence on sensitive data remains a risk. | C |
| Legal Framework for Data Sharing | Provisions exist under the Statistics Act, but enforcement and interoperability are weak. | B |
| NSS Coordination and Integration | Fragmented institutional collaboration and parallel data systems persist despite the NSS framework. | C |
| NSO Reform Strategy (2023-2027) | Strategic plan identifies clear priorities for harmonisation, capacity building, and data use. | A |
| External Support and Technical Assistance | Strong donor engagement (World Bank, IMF, SSB), but sustainability depends on domestic funding. | B |

**Table 5: Summary of qualitative assessments for statistical capacity**

[19] Internal report, not publicly available. See note 16 above.

The strengths and weaknesses of statistical capacity can be summarized as follows:

- **Strengths**: A clear legal framework under the Statistics Act (2013) and a defined coordination role for the National Statistical Office (NSO); growing technical collaboration with the Reserve Bank of Malawi (RBM), MoFEA, and other MDAs; improved data quality in population and household surveys; active donor-supported reform agenda, especially through Statistics Norway, the World Bank, and IMF; and increasing use of digital tools for survey management and dissemination.
- **Adequacy**: The statistical system produces core macroeconomic, demographic, and sectoral data, and reform efforts are underway to strengthen harmonisation and professional standards. However, capacity and data use vary widely across MDAs, and the NSO's institutional independence remains limited.
- **Weaknesses**: Data sharing and coordination remain fragmented across the NSS; analytical and econometric capacity within ministries is weak; funding is unpredictable and heavily donor-dependent; and there are persistent delays in publishing key datasets (national accounts, poverty and price statistics). Political influence and limited autonomy of the NSO further constrain transparency and timeliness.
- **Potential vs. Risk**: With continued technical assistance and sustained leadership at the NSO, Malawi's statistical system has strong potential for consolidation and modernisation. However, progress is at risk if donor dependence persists, domestic funding remains low, or political sensitivities continue to limit data transparency and institutional independence.

Malawi's statistical system performs key functions and has a coherent reform plan, but data fragmentation, limited analytical capacity, and dependency on external support constrain performance. **Overall, the statistical system is rated C (Moderately Adequate).** Progress depends on sustained implementation of the NSSS and greater institutional independence for the NSO.

## 4.5 The political economy of change of the statistical system

Reform in Malawi's statistical sector is shaped by both institutional incentives and political sensitivities surrounding data transparency. The NSO's legal mandate under the 2013 Statistics Act positions it as the central coordinator, but its subordination to the Ministry of Finance affects its operational independence.

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the statistical domain.

***Drivers of Change:***

- **NSO Leadership and Reform Strategy:** The NSO's Strategic Plan and NSSS provide a clear vision for strengthening statistical capacity and coordination.
- **Development Partners**: Statistics Norway, the World Bank, and the IMF continue to drive system-level reforms through capacity building and financial support.

- **Regional and Global Commitments:** Malawi's participation in initiatives such as the IMF's General Data Dissemination System (GDDS) and AfDB's statistical capacity programmes reinforces reform momentum.
- **Civil Society and Academia:** Organisations such as MEJN and the University of Malawi increasingly advocate for open data and evidence-based policy debate. An increasing general demand for up-to-date and accurate, available statistics online, from civil society, academia and media will in itself be a driver.

***Opposition to Change:***

- **Political Sensitivities:** Data on poverty, inflation, and public finances can be politically contentious, discouraging transparent publication.
- **Institutional Rivalry:** MDAs often protect data as proprietary, resisting NSO coordination.
- **Resource Dependence:** Donor-funded surveys dominate, creating uneven priorities and limiting domestic ownership.
- **Limited Accountability:** The absence of a strong parliamentary or media demand for statistical integrity weakens incentives for transparency.

Overall, reform potential is moderate. With sustained donor engagement and leadership continuity at the NSO, gradual institutional strengthening is likely, though full independence remains politically constrained.

### 4.6 External support to strengthening the statistical system

Malawi's statistical development has long relied on substantial donor assistance. The **World Bank** supports the improvement of data production and dissemination through the *Malawi National Statistics System Strengthening Project*. The **IMF** provides technical assistance under its data dissemination and national accounts programmes.

**UN agencies** (UNDP, UNICEF, and UNFPA) contribute by funding sectoral data initiatives, particularly in health, education, and population statistics. The **EU** supports survey financing and national accounts improvements, while **Norad's** support to Statistics Norway includes a strong Malawi-component with institutional cooperation between the statistical agencies in the two countries.

Despite the breadth of external engagement, coordination among partners remains limited outside thematic donor coordination forums. There is no donor coordination through NSS or other domestic fora.

# 5 Anti-corruption Efforts

This section assesses strengths and weaknesses in Malawi's anti-corruption system, including the institutional and legal frameworks, coordination mechanisms, reform progress, and challenges affecting enforcement and accountability.

## 5.1 International rankings

International governance indices continue to reflect Malawi's persistent challenges in curbing corruption, strengthening rule of law, and ensuring institutional independence. Although the government has introduced new policy frameworks - most notably the **National Anti-Corruption Strategy II (2024–2030)** - the country's relative position on major international indicators remains low compared with regional peers.

**Transparency International (TI) – Corruption Perceptions Index (CPI).** In the **2024 CPI**, Malawi scored **34 out of 100**, ranking **107 of 180 countries**, broadly unchanged from 2023 (Transparency International, 2024). The score places Malawi close to the **Sub-Saharan Africa average (33)** but ahead of several regional comparators such as Mozambique (25) and Zimbabwe (21). The main perceived drivers of corruption include procurement-related irregularities, political patronage in appointments, and weak enforcement of high-level cases.

**Varieties of Democracy (V-Dem).** The **V-Dem 2024** dataset classifies Malawi as an **"electoral democracy"** with declining scores on "judicial independence" and "absence of corruption" since 2021 (V-Dem, 2024). The country's **Clean Elections Index** remains relatively strong (0.6 on a 0–1 scale).

**Freedom House – Freedom in the World.** In **Freedom House 2025**, Malawi maintained a rating of **"Partly Free"**, with a composite score of **65/100**. Political rights are rated 28/40 and civil liberties 37/60 (Freedom House, 2025). While Malawi continues to hold competitive elections and maintain a vibrant civil society, corruption, clientelism, and weak judicial accountability constrain effective checks on executive power.

**Fraser Institute – Economic Freedom of the World.** The **2024 Fraser Index** ranked Malawi **139 of 165 countries**, with an overall score of **5.68/10** (Fraser Institute, 2024). The weakest components remain "size of government" and "freedom of trade", reflecting fiscal dominance, regulatory unpredictability, and low trust in judicial enforcement of contracts.

**World Bank – Worldwide Governance Indicators (WGI).** The **2024 WGI** (World Bank, 2024) shows mixed trends:

- Control of Corruption: percentile rank ≈ 30 (improvement since 2018; lower than in 2013).
- Rule of Law: 46 percentile rank (improvement since 2018, but lower than in 2013).
- Government Effectiveness: 28 percentile rank (lower than in 2018; substantially lower than in 2013).
- Voice and Accountability: 50 percentile rank (improvement since 2013).

Malawi's governance profile is better than the Sub-Saharan African average in some areas but has significant challenges compared to low-income countries. It scores higher than the African average in overall governance, but its capacity for public administration and budget discipline is weak.

Malawi outperforms many of its SSA peers on freedom of speech, voice and accountability, meaning its citizens have comparatively better (though still modest) participation rights, such as freedom of expression and media freedom. According to the WGI, the biggest governance gaps for Malawi are in government effectiveness, regulatory quality, rule of law, and control of corruption. While Malawi is doing *better* than many in the region on citizen participation and accountability, it is still well behind global best-performers. And on some core state-capacity and

regulatory governance Malawi lags strongly, even by the standards of SSA. Weak regulatory quality, enforcement of rules of law, and poor corruption control hamper private-sector development, public service delivery, investment climate, and trust in institutions. These appear to be among the main constraints to stronger governance-driven development in Malawi.

## 5.2 Institutional set-up and capacity for anti-corruption efforts

The anti-corruption agenda in Malawi is both longstanding and politically sensitive. Despite a robust legal framework and the presence of multiple oversight institutions, implementation remains uneven, and enforcement outcomes have been inconsistent. The period 2023–2025 has been marked by renewed public concern over high-profile corruption scandals, donor pressure for accountability, and the launch of the **National Anti-Corruption Strategy II (NACS II, 2024–2030)** - a key policy framework that seeks to strengthen integrity systems, promote institutional coordination, and rebuild public trust (GoM, 2024).

Malawi's institutional set-up for combating corruption is led by the **Anti-Corruption Bureau (ACB)**, supported by the **Directorate of Public Prosecutions (DPP)**, the **National Audit Office (NAO)**, the **Financial Intelligence Authority (FIA)**, and the **Parliament's Public Accounts Committee (PAC)**.[20] Civil society organisations (notably the **Malawi Economic Justice Network** and **Centre for Social Accountability and Transparency**) and the media continue to play an important watchdog role. However, limited investigative capacity, political interference, and weak inter-agency cooperation undermine effectiveness.

Public perception of corruption remains high. Transparency International's *Corruption Perceptions Index (CPI)* ranks Malawi below the Sub-Saharan African average, and Afrobarometer surveys indicate that corruption is seen as pervasive across key sectors — especially procurement, licensing, and law enforcement. Recent enforcement actions, including prosecutions of senior officials and recovery of misused funds, have improved visibility but not yet confidence in institutional impartiality.

The NACS II (2024–2030) strategy represents a renewed attempt to consolidate fragmented efforts and promote a whole-of-government approach. Its priority pillars include (i) prevention through institutional integrity systems, (ii) improved investigation and prosecution, (iii) enforcement of asset declaration and illicit enrichment laws, (iv) stronger coordination among oversight bodies, and (v) enhanced public participation and transparency. The implementation of NACS II is supported by development partners, including the EU, UNDP, USAID, and GIZ, with complementary technical assistance in digital monitoring, case management, and financial transparency.

While Malawi has made strides in establishing frameworks and partnerships, progress depends on high-level political commitment, predictable financing, and protection of institutional independence. The next sections assess international rankings, institutional capacity, coordination mechanisms, and reform progress in greater detail, before analysing qualitative assessments, political economy drivers, and donor engagement.

[20] For an overview, see Camacho and Jenkins (2022).

Malawi's anti-corruption system is anchored in a broad institutional and legal framework but suffers from weak coordination, limited enforcement, and recurring political interference. The principal agency is the **Anti-Corruption Bureau (ACB)**, established under the **Corrupt Practices Act (1995)** and mandated to prevent, investigate, and prosecute corruption. The ACB operates under the general direction of the **Minister of Justice**, which formally links it to the executive branch and limits its operational independence. Insiders complain that the fact that the ACB is formally organised "under the Office of the President and Cabinet" does not inspire much confidence.

Complementary oversight and accountability institutions include the **Directorate of Public Prosecutions (DPP)**, the **Financial Intelligence Authority (FIA)**, the **National Audit Office (NAO)**, the **Office of the Ombudsman**, and the **Public Accounts Committee (PAC)** of Parliament. Civil-society organisations, faith-based bodies, and investigative journalists, such as the **Malawi Economic Justice Network (MEJN)** and the **Centre for Social Accountability and Transparency (CSAT)**, play an active monitoring role.

Despite this relatively dense architecture, institutional fragmentation undermines effectiveness. Case referrals between ACB, DPP, and the police are often delayed, and overlapping mandates contribute to duplication. The FIA and NAO lack real-time access to case information, constraining financial-tracking and audit follow-up. Coordination is expected to improve under the **National Anti-Corruption Strategy II (2024–2030)** (NACS II), which establishes an **Inter-Agency Task Force on Anti-Corruption** chaired by the Office of the President and Cabinet. The task force is still at an early stage of operationalisation.

Institutional capacity remains limited. As of mid-2025, the ACB employed approximately 400 staff - far below its authorised establishment - and its regional offices lack adequate investigation equipment and digital forensic tools. Delays in funding releases and salary disparities with other law-enforcement bodies hinder retention of skilled investigators and prosecutors. One diplomatic staff member emphasised the problem that the ACB is now losing staff to the civil service, such as the Revenue Authority, where wages are better. In addition, the officers don't have tenure security, and their contracts are vulnerable to changes of political masters. The Bureau's investigative capacity remains rather weak, and the conviction rate due to its work remains modest: between 2020 and 2024, only 29% of cases completed in court resulted in conviction, compared with 41% a decade earlier.

Recent initiatives have sought to strengthen capacity and professionalism. The ACB has introduced an **Electronic Case Management System**, upgraded its complaints-handling portal, and expanded ethics training for public-sector institutions. The FIA has enhanced its suspicious-transaction-reporting platform in cooperation with the Reserve Bank of Malawi (FIA, 2024). Yet, resource gaps and political sensitivities around high-profile investigations continue to constrain results.

## 5.3 Coordination and reform efforts ongoing

The **National Anti-Corruption Strategy II (2024–2030)** serves as the overarching reform framework. It builds on lessons from the first strategy (2009–2014) and aligns with the objectives of the Malawi 2063 Vision and the Public Sector Reform Programme. NACS II identifies five strategic pillars:

1. Integrity mainstreaming in the public sector.
2. Effective enforcement, investigation, and prosecution.
3. Transparency in public procurement and resource management.
4. Citizen engagement and access to information.
5. Strengthened inter-agency coordination and monitoring.

Implementation responsibility rests with the ACB, supported by the **National Integrity Committee (NIC)** and thematic sub-committees on procurement, justice, finance, and local governance. The strategy envisions performance reporting through annual integrity reviews, coordinated by the Department of Human Resource Management and Development (DHRMD).

Several reforms are under way:

- **Legal framework.** Draft amendments to the Corrupt Practices Act seek to enhance the ACB's prosecutorial autonomy and introduce asset-recovery provisions in line with the UN Convention Against Corruption (UNCAC).
- **Asset declaration.** The Public Officers (Declaration of Assets, Liabilities and Business Interests) Act (2013) is under review to strengthen verification mechanisms and sanctions for non-compliance. As of June 2025, compliance among Cabinet-level officials stood at 74%, with limited public disclosure.
- **Procurement transparency.** The Public Procurement and Disposal of Assets Authority (PPDA) has rolled out an **e-procurement system (e-GP)** across 31 ministries and 27 local councils, though integration with ACB's monitoring unit remains partial.
- **Judicial efficiency.** The Judiciary, with support from UNDP and the EU, has established dedicated **financial-crime and corruption courts**, aiming to accelerate case handling and reduce backlog.

Donor coordination has improved modestly. The **Development Partners Group on Governance (DPG-G)** now convenes quarterly with ACB, NAO, and the Ministry of Justice to track progress under NACS II and identify technical-assistance needs.[21] Nonetheless, donor support remains fragmented across multiple small-scale initiatives.

## 5.4 Qualitative assessments

This section summarizes the status of the anti-corruption system/efforts and provides an overall assessment of its strengths and weaknesses. Table 6 presents an evaluative summary of the status of Anti-corruption efforts.

| Assessment Area | Short summary/justification | Qualitative Rating |
|---|---|---|
| Legal and Strategic Framework | Comprehensive legislation in place (Corrupt Practices Act, Asset Declaration Act), but enforcement inconsistent. | B |
| Institutional Capacity | ACB professional staff improving, but severe funding and staffing shortages persist. | C |

[21] See Malawi | Global Partnership for Effective Development Co-operation.

| Assessment Area | Short summary/justification | Qualitative Rating |
|---|---|---|
| Inter-agency coordination | NACS II framework exists; task force not yet fully functional. | C |
| Political independence | Formal autonomy constrained by executive oversight; high-level case interference reported. | D |
| Transparency and public engagement | e-procurement and open-data portals expanding; access-to-information enforcement weak. | C |
| Judicial effectiveness | Specialised courts established; case backlog and delayed prosecutions remain. | C |
| Donor support coordination | DPG-G platform revived, but aid remains fragmented. | C |

**Table 6: Summary of qualitative assessments for anti-corruption efforts**

The strengths and weaknesses of anti-corruption efforts can be summarised as follows:

- **Strengths**: Malawi has established a comprehensive legal and institutional framework for addressing corruption, including a functioning Anti-Corruption Bureau (ACB), dedicated financial-crime courts, and a second-generation national strategy (NACS II 2024–2030) that promotes coordination across sectors. Civil society and the media remain active watchdogs, and recent digital initiatives, such as e-procurement and the electronic case-management system, represent important steps toward transparency.
- **Adequacy**: Institutional systems and procedures are in place, and the reform agenda is conceptually sound. The ACB and oversight institutions demonstrate growing professionalism and are increasingly aligned with international standards. However, implementation capacity, inter-agency coordination, and political backing remain inconsistent, leading to uneven enforcement and limited deterrence.
- **Weaknesses**: Operational independence is constrained by political influence and budgetary uncertainty. Prosecution and conviction rates remain low, and investigative capacity, particularly at regional level, is under-resourced. Coordination between ACB, DPP, FIA, and NAO is fragmented, while weak protection for whistle-blowers and witnesses discourages reporting. Public procurement and asset-declaration systems are improving but not yet fully credible. Too often political interference takes the form of competition between the ACB, the police, or the Auditor General. Finally, the ACB's formal subjection to the President's office undermines its perceived and real independence from the executive.
- **Potential vs. Risk**: There is significant potential for progress if the NACS II is implemented with sustained political commitment and adequate resourcing. Continued IMF, EU, and World Bank engagement provides external incentives for reform. Yet, without stronger autonomy for the ACB and consistent enforcement of high-level cases, reform momentum could stall, particularly around election cycles, when patronage pressures and fiscal discretion typically intensify.

Malawi's anti-corruption architecture demonstrates significant formal progress but limited practical impact. The combination of strong legal provisions, improved investigative tools, and ongoing donor engagement provides a credible foundation. However, sustained political commitment, predictable financing, and effective inter-agency coordination are essential to convert this framework into results. The system's overall rating is assessed as **C – Moderately Adequate**.

## 5.5 The political economy of change of the anti-corruption system

The political economy of anti-corruption reform in Malawi is shaped by entrenched patronage networks, fiscal dependence on donors, and cyclical political incentives tied to elections. Anti-corruption rhetoric often intensifies before or during IMF-supported programmes, only to lose momentum once fiscal conditions stabilise. Reform champions inside government, particularly within the ACB and NAO, face the dual challenge of limited resources and selective political backing.

Patronage dynamics continue to influence appointments within oversight bodies and state-owned enterprises. High-profile investigations, such as those involving procurement of fuel, fertiliser, or COVID-19 relief funds, tend to stall when they approach senior political figures. This selective enforcement reinforces public perceptions of impunity. At the same time, competition among factions within the ruling coalition occasionally opens short-term "windows of opportunity" for accountability, as rival elites expose corruption cases for political leverage.

Civil-society activism and media investigations have proven pivotal in sustaining pressure for reform. Public mobilisation following the "Cashgate" scandal (2013–2015) and subsequent exposés prompted incremental institutional improvements, including enhanced audit follow-up and donor conditionalities on budget support (Chiwala, 2018). However, persistent fear of retaliation and the absence of a comprehensive whistle-blower-protection law discourage reporting.

International engagement remains an important external driver. The IMF's Extended Credit Facility (ECF) conditions emphasise fiscal transparency, procurement control, and corruption-risk management. World Bank and EU governance programmes link disbursements to audit performance and asset-declaration compliance. Such conditionalities, though sometimes criticised as externally driven, have helped keep governance reform on the policy agenda.

Overall, the sustainability of Malawi's anti-corruption reforms depends on three interrelated factors:

1. Political will and credible sanctioning of high-level offenders.
2. Enhanced independence and resourcing of oversight bodies.
3. Continued donor alignment and support to systemic, not episodic, reforms.

Without progress on these fronts, anti-corruption initiatives risk remaining primarily procedural rather than transformative.

## 5.6 External support to strengthening the anti-corruption system

Norwegian support is limited to Norad's support to global, regional and multi-country programmes which includes Malawi-related components:

- **Basel Institute on Governance / ICAR (2025–2028):** This seeks to build Malawi's capacity to investigate and recover stolen assets and prosecute corruption and financial crimes. ICAR's technical support seeks to contribute to convictions and confiscations.
- **UNODC & Open Ownership (2022–2027):** This seeks to support countries in implementing Beneficial Ownership Transparency (BOT) reforms, legislative improvements, and partnerships under the Open Government Partnership (UNODC, 2023).

- **EITI:** Malawi became an Extractive Industries Transparency Initiative (EITI) international member country in 2015 and so far has produced 6 EITI Reports. The Malawi Chapter of EITI seeks to contribute to corruption risk reduction and transparency in extractive revenues in selected countries.

# 6 Interaction and Intersection Between the Areas

The four governance domains assessed in this study - **Domestic Resource Mobilisation (DRM)**, **Public Financial Management (PFM)**, **Statistical Capacity**, and **Anti-Corruption -** are closely interdependent. Progress or weaknesses in one area directly shape performance in the others. Effective fiscal governance therefore depends on recognising and managing these intersections through coherent reform strategies and coordinated donor engagement.

## 6.1 Reinforcing linkages

**DRM and PFM:** Strong domestic revenue mobilisation provides the fiscal foundation for credible public financial management. When revenue administration is predictable and rule-based, budget formulation and execution can be more realistic and transparent. Conversely, weak revenue performance—exacerbated by exemptions, informal-sector leakages, and political interference—undermines budget credibility and increases reliance on external financing. The IMF-supported Extended Credit Facility (ECF) has been a central platform linking revenue and expenditure reforms, yet coordination between the Malawi Revenue Authority (MRA) and the Ministry of Finance and Economic Affairs (MoFEA) remains essential to sustain fiscal discipline and improve debt sustainability.

**PFM and Anti-Corruption:** Sound public financial management systems—particularly in procurement, internal audit, and cash management—are the first line of defence against corruption. Weak expenditure control and opaque procurement practices create opportunities for rent-seeking. Reforms such as the new **PFM Act (2022)**, IFMIS 2 roll-out, and the e-Government Procurement (e-GP) system directly support the implementation of the **National Anti-Corruption Strategy II (NACS II, 2024–2030)**. Equally, effective anti-corruption enforcement enhances fiscal credibility by deterring misuse of funds and strengthening public trust in government spending.

**Statistical Capacity and PFM/DRM:** Reliable data are indispensable for tax policy, fiscal planning, and budget monitoring. Weak coordination between the **National Statistical Office (NSO)**, the **MRA**, and MoFEA limits evidence-based decision-making and undermines policy coherence. Improved data sharing under the **National Statistics System Strategy (NSSS),** for example linking business registries, trade data, and tax records, could strengthen revenue forecasting, expenditure monitoring, and debt management. Investment in statistical capacity thus amplifies efficiency gains in both revenue mobilisation and expenditure control.

**Statistical Capacity and Anti-Corruption:** Transparency and access to credible data are critical tools in detecting corruption and strengthening accountability. High-quality statistics on procurement, public investment, and service delivery create opportunities for independent verification by oversight institutions, civil society, and the media. Conversely, data gaps and inconsistencies obscure accountability lines and weaken enforcement. Integrating open-data

principles into the NSSS and linking datasets across ministries could significantly enhance the ACB's ability to detect irregularities and monitor integrity risks.

## 6.2 Common enablers and constraints

Across all four domains, three systemic enablers stand out:

1. **Political commitment and institutional independence**, essential for credible implementation of reforms and enforcement of rules.
2. **Digitalisation and data integration**, offering opportunities to increase efficiency, transparency, and cross-institutional coordination.
3. **Donor alignment and predictable financing**, particularly through programmatic rather than fragmented project support.

At the same time, common constraints persist:

- **Election-related fiscal pressures** weaken enforcement and encourage *ad hoc* policy decisions.
- **Limited human and technical capacity** constrains reform execution.
- **High donor dependence** creates volatility in funding and priorities.
- **Coordination gaps** between institutions hinder coherent implementation and monitoring.

## 6.3 Implications for reform and donor engagement

The intersection of DRM, PFM, statistical capacity, and anti-corruption points to the need for **integrated, system-wide approaches** rather than isolated interventions. Efforts to strengthen revenue administration, for instance, must be accompanied by improvements in expenditure control, procurement transparency, and data integrity. Similarly, anti-corruption strategies are most effective when embedded in broader fiscal and governance reforms rather than treated as standalone initiatives.

For development partners this underscores the value of **coordinated, multi-sectoral engagement**, leveraging comparative advantages across technical assistance, research collaboration, and support for integrity institutions. Aligning support with national frameworks such as the DRMS (2021–2026), PFM Act (2022), NSSS, and NACS II (2024–2030) can help reinforce coherence, reduce duplication, and enhance reform sustainability.

Ultimately, progress in any single domain depends on systemic improvement across the others. Building capable, transparent, and data-driven public institutions will therefore require an integrated reform agenda that simultaneously strengthens fiscal resilience, evidence-based decision-making, and integrity in public service delivery.

## 6.4 Concluding remarks

Malawi's governance systems form an interconnected web in which progress in one area reinforces others. Strengthening these linkages - particularly between fiscal management, statistical integrity, and anti-corruption enforcement - will be key to achieving durable improvements in accountability and fiscal resilience. For development partners, the challenge and opportunity lie in supporting reform coalitions that work *across* systems, not within silos: linking technical assistance on revenue and expenditure management with efforts to improve data quality, transparency, and

institutional independence. Sustained, coordinated engagement across these intersections will be essential to translate Malawi's reform intent into measurable and lasting governance outcomes.

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# Annex 1 Methodological Note: The A–D Assessment Scale

The study applies a four-point **A–D qualitative assessment scale** to evaluate each of the four case countries' governance performance across four thematic areas: Domestic Resource Mobilisation (DRM), Public Financial Management (PFM), Statistical Capacity, and Anti-Corruption. The purpose of the scale is to provide a **simple, transparent, and repeatable** method for assessing institutional strength, reform momentum, and vulnerability to political economy constraints. The scale is **inspired by** international diagnostic tools such as PEFA and TADAT but is **not a replication** of their scoring systems.

### 1. Purpose and Rationale of the Scale

The A–D scale serves four main methodological purposes:

1. **Comparability across sectors:** It provides a common language for assessing four governance areas that differ in mandates, institutional setups, and maturity levels.
2. **Analytical clarity:** It avoids false precision and recognises that governance performance cannot be reduced to exact numerical scores.
3. **Focus on reform dynamics:** The methodology captures both *current institutional performance* and *direction of change*, including momentum, sustainability, and political constraints.
4. **Repeatability over time:** The scale can be applied in future studies to track reform progress and setbacks.

### 2. What the Scale Measures

Each rating reflects a **holistic judgement** drawing on quantitative data, institutional diagnostics, political economy analysis, and expert assessment. It focuses on:

- **Institutional strength** (legal framework, systems, procedures, capacities, enforcement)
- **Operational performance** (execution, service delivery, compliance, audit follow-up)
- **Governance and independence** (autonomy, transparency, resistance to political interference)
- **Reform momentum** (ongoing reforms, donor alignment, leadership commitment)
- **Risks and vulnerabilities** (political cycles, fragmentation, implementation gaps)

The assessments are **area-level ratings**, not a compilation of indicator scores.

## 3. Definition of the Four Rating Categories

**A – Strong**
Institutions function reliably and largely in line with good international practice. Processes are clear and consistently applied. Political interference is limited, and reform momentum is strong and sustained. Performance is robust even under stress.
*Used sparingly; denotes a high level of maturity.*

**B – Moderately Strong**
Core systems are well established and generally effective, but performance varies across sub-areas. Reform momentum is present but implementation may be uneven or dependent on external support. Risks exist but do not fundamentally undermine system performance.

*Indicates a system that works, but not yet reliably or comprehensively.*

**C – Moderately Adequate**
Basic institutional elements are in place, and the system meets minimum functional requirements. However, weaknesses are significant - such as inconsistent implementation, coordination failures, limited independence, or slow reforms. Performance is vulnerable to political cycles and capacity constraints.
*This category also captures systems with strong potential but weak implementation.*

**D – Weak**
Key system elements are missing, non-functional, or severely constrained. Political interference, low capacity, or governance shortcomings undermine credibility and performance. Reform momentum is low, stalled, or purely formal.
*Denotes structural problems rather than temporary setbacks.*

## 4. How Judgements Are Formed

Ratings are based on triangulation of:

- official statistics and administrative data;
- published assessments (CAG, PEFA, TADAT, IMF, WB, Afrobarometer);
- interviews and secondary literature;
- institutional and political economy analysis;
- evidence of reform progress or stagnation.

The rating process prioritises **narrative justification** over the letter grade itself. Each rating is accompanied by a concise explanation summarising the evidence and rationale.

### 5. Distinction from PEFA, TADAT, and Other Formal Diagnostics

While the A–D categories mirror the logic of international tools, this methodology differs in key ways:

- It is **not** a compliance audit.
- It does **not** score indicators or use weighted formulas.
- It incorporates **political economy**, which PEFA/TADAT do not.
- It allows **cross-sector comparison** across DRM, PFM, Statistics, and Anti-Corruption.
- It is designed for **portfolio monitoring**, not formal ratings of government performance.

### 6. Future Application

The scale is intended to be used in subsequent monitoring reports to:

- track changes in institutional performance;
- identify reform windows or emerging risks;
- inform Norad's strategic engagement and portfolio adjustments;
- support dialogue with government and foreign donor agencies/development partners.

The simplicity and transparency of the scale ensure that future assessments remain comparable even if conducted by different teams.