



REPUBLIC OF MALAWI

INTERVENTION TO BE DELIVERED BY

HONOURABLE FELIX MLUSU,

MINISTER OF FINANCE,

**DURING SESSION FOUR OF THE AFRICA REGIONAL
REVIEW MEETING OF THE LEAST DEVELOPED
COUNTRIES HELD ON THE THEME “*MOBILIZING
RESOURCES FOR SUSTAINABLE DEVELOPMENT IN
AFRICAN LDCs*”**

24th FEBRUARY, 2021

MINISTRY OF FOREIGN AFFAIRS

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Honourable Ministers;
Distinguished Delegates;
Ladies and Gentlemen;

Inadequate finances are one of the major challenges that most LDCs' are faced with. In most cases, our tax base is lean due to the huge proportion of the market operating in the tough-to-register informal sector. Access to the international financial markets is costly, non-existent or limited due to unavailability or un-qualifying sovereign credit ratings. Furthermore, some of our countries that are on economic programs such as the Extended Credit Facility (ECF) with the International Monetary Fund (IMF) are prohibited from accessing non-concessional financing even when concessional financing is not available for mega projects with impact in our economies.

It is, therefore, paramount for LDCs to develop innovative ways of mobilizing resources for sustainable development. In the new Domestic Revenue Mobilisation Strategy for Malawi, emphasis is on incentivizing the informal sector to bring them into the formal sector for tax purposes. For instance, Government established credit-financing facilities

that could be accessed through associations or cooperatives. Establishment of these cooperatives is one way of formalizing most SMEs through which Government will be able to track all operators for tax purposes.

A good collaboration with the private sector constitutes another form of innovative finance. This is not only limited to Public Private Partnerships (PPPs) as direct financing of Government projects, even those in the social sector without any future cash flow is possible. The Malawi Government is working on a number of projects that will be fully financed by the private sector through issuance of a long term bond. Government is also in discussion with local financial institutions to consider direct financing of some Government projects including roads with tollgates as these will assist Government in repaying back the loan.

The Malawi Government is also focusing on enhancement of its internal processes and abilities to leverage and take full advantage of international support. For instance, emphasis is on effective use of development resources by aligning them to our national development plans.

Further, public finance and financial sector reforms are also key. This includes the development of adequate financial and national payment infrastructure; the new Malawi Integrated Financial Management Information System (IFMIS), which will be fully rolled, out on 1st July, 2021, is integral to this process.

In an environment characterized by fiscal risks emanating from natural disasters, we are investing in risk transfer financing instruments, including sovereign insurance. Nevertheless, since most disasters transcend borders, risk pooling mechanisms are needed which will ensure lower premiums.

I thank you for your attention