

Public Financial and Economic Management

German development cooperation in Malawi

The challenge

To achieve sustainable development as foreseen in the Malawi Growth and Development Strategy III (MGDS III) and the Sustainable Development Goals (SDGs), the **scarce financial resources available in Malawi need to be used properly**. An efficient management of the available public funds is a requirement for achieving food security and delivering basic levels of education and health services. Strengthening public financial and economic management is thus a high priority issue for the Malawian – German development cooperation. Repeated corruption scandals and the frequent embezzlement of funds over the past years have revealed **severe shortcomings in the management of public funds and the need for more transparency and accountability**. A key challenge, for example, is the enforcement of existing rules and regulations, and to hold those not acting in compliance with the laws accountable. The follow-up on findings of internal and external audits needs to be strengthened. Fundamental reforms of the public finance management (PFM) system, including a credible and reliable budget and functioning control of the flow of funds, are decisive to ensure that financial resources are being spent to the benefit of the people and the development of the country.

Our approach

German development cooperation with Malawi focusses on **capacity development of the key PFM institutions**, in particular the Ministry of Finance, including the Accountant General’s Department and the Central Internal Audit Unit; the National Audit Office; the Malawi Revenue Authority; and the Secretariat of the Extractive Industries Transparency Initiative (EITI). The overarching objective is the **strengthening of Malawi’s financial basis and enhancing accountability, transparency, efficiency and effectiveness**. Guided by the Government’s “PFM Rolling Plan,” which outlines and prioritizes the reform program, German technical cooperation supports PFM institutions along the entire

Funds for PFM support in Malawi	
Volume of ongoing programmes:	EUR 8.7 million + EUR 2.5 million under preparation

budget cycle, from domestic revenue mobilization to budget planning and forecasting, budget implementation, expenditure oversight and control by internal and external control bodies. Furthermore, the programme cooperates with civil society actors to strengthen the demand for accountability. Specifically, the project assists the Ministry of Finance in the **implementation of a new Integrated Financial Management Information System (IFMIS)** and the establishment of a continuous internal auditing mechanism, which are key building blocks of the reform of the PFM system. The National Audit Office is assisted in building capacity to carry out IT, procurement and forensic audits. Advice is being provided as regards the improvement of the legal framework, including the PFM Act.

The German support specifically contributes to SDG 16 (Peace, Justice, and strong institutions) and SDG 17 (Global Partnerships). By increased availability and the efficient and accountable use of public funds the program supports the Malawian Government in achieving all SDGs.

The benefits

German support aims at enabling the Malawian PFM institutions to fulfil their functions efficiently and effectively with the objective of ensuring that the budget funds are used in line with the budgetary allocations and expenditures are development oriented, in line with the MGDS III. Handling Government accounts and reforming IFMIS result in a **better management and control of government expenditures**. The Government’s cash management has already greatly improved, as a dedicated cash management unit has been established and monthly cash flow forecasts are now produced. The Government’s bank accounts are now systematically reconciled; to further improve the process auto-reconciliation is in progress.



published by:

