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Socio-Economic Effects of El Niño in Malawi

and Implications for Recovery and
Long-Term Resilience Building



JULY 2024



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Views and opinions are solely those of the authors.

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Contents

	Executive Summary	4
1	Introduction	8
2	El Niño and the socio-economic context	10
3	Humanitarian Situation Assessment and Response	12
4	Socio-Economic Effects of the Drought and Floods	14
5	Outlook and Future Challenges	26
6	Policies, Implications and Recommendations	28

Executive Summary



The Government has revised projected economic growth downwards to 2.3 per cent from an initial estimate of 3.2 per cent, mainly reflecting the effects of El Niño on agriculture production and spillovers to the rest of the economy.

Like other countries in Southern Africa, El Niño weather conditions have affected Malawi, which has impacted the 2023/24 agriculture season. The worst dry spell in the region in 100 years caused a reduction in the production of various crops in Malawi, such as maize, which registered a decrease of 16 per cent, from 3,509,837 metric tons registered in 2022/23 to 2,926,190 metric tons in 2023/24 season (and a 14 per cent decrease compared to the 5-year average) against a national requirement of 3.8 million metric tons with the deficit being 900,000 metric tons. According to the IPC Acute Food Insecurity Analysis¹, in comparison with the past five years, the year 2024 has the highest number of acute food insecure people (5,692,122), followed by the 2023/24 consumption period (4,402,000), the 2022/23 consumption year (3,818,554) and the 2020/21 consumption year (2,617,986). The country is experiencing a sustained upward trend in food insecurity due largely to the impacts of climatic shocks.

Beyond the immediate losses in water-dependent sectors like agriculture, secondary impacts manifest through other industries, such as food processing. Consequent impacts would be felt through changes in aggregate output, inflationary pressures, employment contraction and worsening poverty. The Government has revised projected economic growth downwards to 2.3 per cent from an initial estimate of 3.2 per cent, mainly reflecting the effects of El Niño on agriculture production and spillovers to the rest of the economy. Based on the most plausible scenario, household poverty would increase by 2.6 per cent between 2023 and 2024. Social impacts would manifest through elevated health risks and negative coping mechanisms, leading to high absenteeism and low attendance in schools, as well as increased child labour.

The adverse effects of El Niño also come on the back of already high inflation, particularly food inflation, and the cumulative impacts of shocks in 2022 and 2023. In 2023, Tropical Cyclone Freddy hit the country causing loss of life, livelihoods, infrastructure damage and a total economic cost estimated at 0.5 percent of GDP.² The cyclone also hit the country on the heels of Tropical Storm Ana and Cyclone Gombe (2022). Total damage for the latter alone was estimated to be between 1.5 to 2.7 per cent of GDP³ and ripple effects, including on power generation, continued to impact industries and residents negatively. According to the National Statistics Office (NSO) Survey on the Impact of Multiple Shocks on the Most Vulnerable in Malawi, ultra-poverty worsened by 2.6 percentage points between 2019 and 2023, largely reflecting the impact of shocks.⁴ Therefore, the socioeconomic conditions of the households were already dire even before the El Niño-induced drought.

1. Malawi Vulnerability Assessment Committee (MVAC) Integrated Food Security Phase Classification, May 2024 to March 2025, published 5 July 2024.
 2. Government of Malawi. 2023. Malawi 2023 Tropical Cyclone Freddy Post-Disaster Needs Assessment. Lilongwe: Government of Malawi.
 3. World Bank. Malawi Economic Monitor. December 2002.
 4. National Statistic Office, M (2023). Survey on the Impact of Multiple Shocks on the Most Vulnerable in Malawi between 2019 and 2023 (forthcoming).

Climate change will significantly affect Malawi's economy, mainly because of the country's dependence on climate-sensitive economic sectors, predominantly agriculture, and low capacity to take adaptation measures due to pre-existing macroeconomic vulnerabilities.

Future scenarios suggest climate change will significantly affect Malawi's economy, mainly because of the country's dependence on climate-sensitive economic sectors, predominantly agriculture, and low capacity to take adaptation measures due to pre-existing macroeconomic vulnerabilities. Malawi will, therefore, need to bolster efforts to build climate and economic resilience against future shocks. It is in this context that the key priorities for addressing climate change and future-proofing Malawi against shocks should include:

- i. **Accelerating the development of multi-hazard early warning systems and comprehensive multi-hazard crisis mitigation:** Increased investment is required in strengthening Multi-Hazard Early Warning systems, specifically focusing on the capacity to better observe, monitor and forecast hazards, and the ability of the last mile actors to better prepare and take anticipatory action based on the relevant data and tailored information.
- ii. **Prioritising Anticipatory Action for multiple hazards as a key element in early action and response, mainstreaming it into the national, as well as local Disaster Risk Management (DRM) system.** Anticipatory action must be institutionalised and anchored in national and local DRM frameworks and strategies to increase sustainability and scalability.
- iii. **Increasing investment in disaster risk reduction and resilience-building:** Community-led disaster risk reduction projects will strengthen disaster preparedness in the long run while investments in initiatives such as climate-smart agriculture and water security will not only address food and nutrition security but also significantly contribute to sustainable livelihoods and economic growth in the face of climate related disasters.
- iv. **Strengthening social protection systems:** The government is encouraged to develop a comprehensive social protection framework, addressing risks across the life cycle. This should include a shock-sensitive social protection strategy to guide critical actions by social protection actors to build resilience and, when necessary, shield vulnerable populations from food insecurity and other shocks. Further, to enhance efforts to increase adequacy and coverage social protection, for example, the Social Cash Transfer Programme (SCTP) (from 10 per cent to 15 per cent of the bottom poor) to expand coverage of the most vulnerable households.
- v. **Strengthening institutional capacity building and coordination:** This is essential to enable national and local level institutions and communities to manage, respond to and assist communities in recovering from the adverse effects of climate change while at the same time building resilience from climate shocks.

- vi. Maintaining macroeconomic stability:** Sustain the ongoing macro-fiscal reforms, flexibility of the exchange rate, rebuilding foreign reserves, enforcing fiscal discipline, enhancing public financial management, and attaining debt sustainability to achieve macroeconomic stability and lay the foundation for sustained and sustainable growth.
- vii. Accelerating structural transformation:** Continue ongoing efforts to encourage private sector participation through enabling policy frameworks and incentives in implementing the Agriculture, Tourism and Mining (ATM) strategy to increase investment productivity and diversify the economy.
- viii. Agriculture transformation:** Increased investment in climate-smart agriculture, crop diversification, sustainable farming practices, research and development, and improved seed varieties, fertilisers, and irrigation systems to boost crop yields will be vital to increase agriculture productivity. Similarly, investments in infrastructure, market linkages and digital innovations will be needed to enhance market access.
- ix. Financing for sustainable development:** Leveraging the Integrated National Financing Framework (INFF) to enhance domestic revenue mobilisation and harness international public and private sector finance, including climate finance, as well as deployment of innovative financing mechanisms.
- x. Supporting enterprise and SME development:** Empowering businesses managed by women and youth as a key priority to address the triple development challenges (unemployment, poverty and inequality). Key focus areas include entrepreneurship development, business incubation and development services, business management, and access to finance and markets.



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Targeted and transformative investments are urgently needed to build climate and economic resilience for Malawi to achieve its developmental aspirations and meeting most of the Sustainable Development Goals (SDGs) by 2030.

In the Malawi Implementation Plan (MIP-1) Annual Progress Review (2024),⁵ the National Planning Commission (NPC) highlighted that at the current pace of growth, MW2063, the country's long-term development strategy, will face a 15-year lag before the country can achieve its aspiration of becoming a lower middle-income economy by 2030. This is primarily due to structural economic challenges that are exacerbated by the impacts of shocks. Targeted and transformative investments are urgently needed to build climate and economic resilience for Malawi to achieve its developmental aspirations and meet most of the Sustainable Development Goals (SDGs) by 2030. Promoting the Humanitarian-Development-Peace Nexus by combining emergency response with long-term solutions will be vital. The analysis outlines some of the key priorities and entry points to build resilience against future shocks. Strong stakeholder commitment and collaboration will be vital to translate these recommendations into transformative results.

5. https://npc.mw/wp-content/uploads/2024/07/2023-2024-MIP-1-ANNUALPROGRESS-REPORT_final_version-1.pdf.

1.

Introduction



Malawi is projected to experience a severe food crisis after an El Niño-induced drought. Crop estimates show that the country will not have enough harvest to satisfy the national consumption requirements.

Malawi is projected to experience a severe food crisis after an El Niño-induced drought. El Niño Southern Oscillation (ENSO) is a naturally occurring phenomenon that changes the global atmospheric circulation and affects sea-level pressure, sea-surface temperatures, precipitation and winds around the globe. ENSO events and, more generally, temperature and precipitation anomalies are associated with lower agricultural yields, commodity price inflation, effects on human health, education participation, lower economic growth rates and increased poverty and vulnerability of people experiencing poverty. The late and erratic onset of rainfall and prolonged dry

spells significantly affected crop production. Crop estimates show that the country will not have enough harvest to satisfy the national consumption requirements. The socio-economic analysis examines the effects going beyond immediate humanitarian needs, focusing on development and resilience building. The study recognises that, while a wealth of data exists on food insecurity⁶ and household livelihood security,⁷ there is very little information on the effects on environmental, social and economic implications. The analysis makes recommendations towards strengthening the country's resilience to future shocks.

-
6. Household food insecurity is when household members experience limited or uncertain physical and economic access to safe, plenty, and healthy food to meet the dietary needs for a fruitful, healthy, and active life.
 7. Household livelihood security, a comprehensive concept, encompasses the ability of a household to access adequate and sustainable income and resources to meet a wide range of basic needs. These needs include food, clean water, health facilities, education, housing, time for community participation, and social integration.

2.

El Niño and the socio-economic context



Malawi is currently grappling with a surge in the frequency and intensity of extreme weather events and disasters. The country's vulnerability to climate change is stark, with a score of 37.6 and a global ranking of 161 out of 185 countries on the Notre Dame Global Adaptation Initiative (ND-GAIN) Index in 2021.⁸ Malawi is susceptible to a variety of natural disasters, including heavy rainfall and flooding, seasonal droughts, and cyclones. For instance, from 2010 to 2023, Malawi experienced 17 major flooding events, a rainfall-induced landslide, 5 storm disasters, and 3 severe droughts. The Lower Shire Valley (in the south) is the most at risk area for floods, while droughts affect all parts of Malawi, particularly Karonga, Salima, Zomba, and Shire Valley.⁹ In the 2023/2024 agriculture season, the El Niño induced drought significantly impacted agriculture, with staple crops like maize registering a 16 per cent decrease, leading to severe food insecurity.

The negative impacts of El Niño were compounded by already high inflation, particularly in food prices, and the cumulative effects of shocks in 2022 and 2023. Socio-economic conditions were already dire before the El Niño induced drought. In early 2023, Tropical Cyclone Freddy struck the country, causing loss of life, crops, and livelihoods, as well as significant infrastructure damage. An estimated 2.3 million people were affected, including 659,278 people displaced, 679 killed, and 530 declared missing.¹⁰ As of July 2024, more than 10,000 people are still displaced as their areas of origin remain inhabitable and are waiting for permanent resettlement. The cyclone followed in the wake of Tropical Storm Ana and Cyclone Gombe in 2022. The total damage from the latter alone was estimated to be between 1.5 to 2.7 per cent of GDP¹¹ and ripple effects, including on power generation, negatively impact industries and residents. Health shocks, particularly cholera and COVID-19 outbreaks, and the impacts of the war in Ukraine, as well as worsening balance-of-payments challenges by sustained fiscal and external imbalances, have also exacerbated socioeconomic fragility.

Malawi's economy continues to face structural challenges characterised by depressed output, high levels of public debt, and low foreign exchange reserves. Initially projected to recover by 3.2 per cent in 2024, the economy faces strong headwinds. The World Bank (WB) has revised downwards growth projections to 2 per cent, translating into negative per capita growth for the fourth consecutive year since 2021. Slow economic transformation has left most Malawians working in a predominantly less productive and rain-fed agriculture sector dominated by vulnerable employment in casual and low-paid labour. Over 93 per cent of rural workers aged 15 – 64 years work in the agriculture sector, and 75 per cent of the working population are estimated to derive their livelihoods from agriculture.¹²

Fiscal space is limited, and resource mobilisation efforts in the country are constrained due to high levels of debt and competing priorities, including supporting recovery from the impact of shocks. In response, the Government has relied on expensive short-term domestic borrowing, further exacerbating the debt situation. High and unsustainable debt, estimated at 91.3 per cent¹³ of GDP, limits the Government's capacity to borrow on concessional terms. At 7.8 per cent of GDP and 24.4 per cent of the total budget or 32 per cent of total revenue, interest on public debt is the largest expenditure allocation in the 2024/25 national budget. Despite elevated poverty levels, social protection allocation is very low and primarily funded by donors, at over 90 per cent. In November 2023, the country secured an Extended Credit Facility (ECF) arrangement with the IMF to help restore macroeconomic sustainability through inter-alia, fiscal adjustment and debt restructuring and catalysing much-needed financial support from development partners.

8. ND-GAIN (Notre Dame Global Adaptation Initiative). 2021. "Country Index Rankings." Retrieved June 26, 2023, from <https://gain.nd.edu/our-work/country-index/rankings/>

9. Chabvungma, S.D., J. Mawenda, and G. Kambauwa. 2014. Drought Conditions and Management Strategies in Malawi. Eastern and Southern African Workshop on Capacity Development to Support National Drought Management Policy. <https://www.droughtmanagement.info/wp-content/uploads/2016/01/Malawi.pdf>

10. Ibid.

11. World Bank. Malawi Economic Monitor. December 2002.

12. IFPRI. 2022. Key Facts Sheet on Employment. IFPRI Malawi Strategy Support Program (MaSSP) Key Facts Series. Washington, DC: IFPRI. <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/135920>.

13. World Bank. Malawi Economic Monitor. July 2024.

3.

Humanitarian Situation Assessment and Response



El Niño-induced weather patterns in the country have resulted in below-normal rainfall, dry spells, crop losses and food insecurity due to reduced crop productivity levels. The dry spells caused a reduction in the production of various crops, with maize registering a decrease of 16 per cent, from 3,509,837 metric tons in 2022/23 to 2,926,190 metric tons in 2023/24 season (and a 14 per cent decrease compared to the 5-year average).¹⁴ Significant crop yield losses were also experienced in groundnuts, rice, soya beans, cow peas, pigeon peas, and sorghum, with losses ranging from 20 per cent to 40 per cent across affected districts. Many households have experienced drastically lower harvests this year than last year, with their supplies expected to last no more than three months. Nearly all affected poor households reported needing assistance, whether in cash or food, to meet their nutritional needs and to obtain inputs for winter cropping.

Following the impact of the El Niño-induced prolonged dry spells and floods on crop production and other sectors, the President of Malawi declared a State of Disaster in 23 out of 28 districts and appealed for local and international assistance. Against this background, the Government of Malawi, through the Department of Disaster Management Agency (DoDMA), developed a National El Niño Response Appeal (April 2024 to March 2025) to facilitate coordination and resource mobilisation. While focusing on immediate life-saving needs, the Appeal has also considered resilience-building activities to break the cycle of chronic food insecurity exacerbated by overdependence on rain-fed agriculture with investments in irrigation equipment and infrastructure and livelihood diversification interventions. The Appeal contains three broad intervention areas:

1. **Preventing immediate hunger** by (a) growing food through winter cropping and (b) importing food.
2. **Mitigating the effects of hunger on other sectors**, such as education and health.
3. **Future-proofing Malawi** against similar weather-related disasters.¹⁵

The total requirements for this Appeal are estimated at MK782.24 billion (approximately USD 446.74 million). As of the end of June, over USD100 million had been mobilised, leaving a gap of approximately USD 346 million.

Findings from the recently completed Malawi Vulnerability Assessment (2024) show that approximately 4.2 million people (20 per cent of the analysed population) are expected to experience high levels of acute food insecurity (Integrated Food Insecurity Phase Classification (IPC) Phase 3 or above) between May and September 2024. This includes 56,000 people in IPC Phase 4 (Emergency) and 4.1 million people in IPC Phase 3 (Crisis). Most of the population in Phase 3 or above cannot produce enough of their own food and are dependent on market purchases for their food needs. The situation is projected to deteriorate from October 2024 to March 2025, which coincides with the lean season. The resulting impact of El Niño on crop production will exacerbate the situation further and will likely result in an earlier onset of the lean season. In this projected period, 5.7 million people (28 per cent of the analysed population are estimated to be in IPC Phase 3 or above). These people will require urgent humanitarian action to reduce food gaps, particularly for the 416,000 people in Phase 4, protect and restore livelihoods and prevent acute malnutrition.

According to the MVAC, in comparison with the past five years, the 2024/25 consumption year has the highest number of projected acute food insecure populations (5,692,122), followed by the 2023/24 consumption period (4,402,000), the 2022/23 consumption year (3,818,554) and the 2020/21 consumption year (2,617,986). In terms of percentages, the 2024/25 and 2018/19 consumption years have the highest number of acute food insecure populations, with 28 per cent of the population in IPC Phase 3 (Crisis) or worse, followed by 2022/23 with 20 per cent of the population in IPC Phase 3 or worse. There has been a marked, sustained upward trend in food insecurity over the years. This is primarily due to lower agricultural production, mainly due to the impact of various shocks, such as weather-related shocks on the agriculture sector. Displaced populations are specifically at risk of food insecurity as they have mostly lost their livelihoods.

14. Government of Malawi, Ministry of agriculture. The Second Agricultural Production Estimates.

15. <https://massp.ifpri.info/2024/05/29/responding-to-el-nino-in-malawi>

4.

Socio-Economic Effects of the Drought and Floods



To understand the multifaceted effects of El Niño-induced drought across the social and economic sectors, there is a need to examine the transmission channels. These can be classified into direct, indirect and intangible impacts (see Figure 1). Direct impact manifests through immediate losses in water-dependent sectors like agriculture and fishery. Indirect impacts manifest through the industry sector, such as food processing industries. Meanwhile, intangible costs relate to the social impacts of droughts – environmental, education and health; they are usually qualitative and tend to last longer, underscoring the enduring nature of the drought's effects.

FIGURE 1 Classification of Drought Impacts



Costs of drought mitigation and adaptation can be direct, indirect and intangible

		Measurement	
Form of Impact		Market (tangible)	Non-Market (intangible)
Form of Impact	Direct	Losses in resource-based sectors like agriculture, e.g., crop failure and reduced livestock production. Reduced urban and rural water supply. Reduced hydroelectric power production.	Damage to wildlife and fish habitat. Loss of biodiversity and loss of wetlands. Deterioration of water and air quality. Losses due to restriction of water supply in households.
	Indirect	Increased unemployment. Changes in food prices trade losses. Reduced tax revenue losses in sectors directly related to droughts, e.g., the food processing industry.	Animal diseases. Reduced quality or loss of recreational sites and aesthetic impacts. Increased human health costs (diseases and malnutrition). Loss of human lives.

Source: Adapted from Swaziland Economic Policy Analysis and Research Centre (2017); Penning-Rowsell et al. (2003) and Logar et al. (2011)

4.1 Economic structure and effects

Malawi's economy is heavily dependent on the agriculture sector. Agriculture, forestry, and fisheries account for at least 22 per cent of Malawi's GDP (see Table 1) and 84.4 per cent of total employment. Agricultural products account for 85 per cent of Malawi's exports,¹⁶ with tobacco accounting for 50 per cent.¹⁷ Meanwhile, the sector also faces several challenges, including climate variability, inefficient utilisation of productive land, soil degradation, low adoption of modern agriculture technologies and mechanisation, declining productivity and

low access to finance. Furthermore, the sector is largely dominated by resource-poor smallholder farmers who account for 75 per cent of the farming population and have challenges to diversify their agricultural production thereby being vulnerable to weather and climatic shocks. Therefore, the effects of drought are more likely to be stronger and diffused more widely through the economy, reflecting stronger overall intersectoral linkages between the agricultural and the rest of the sectors.

TABLE 1 Economic sector contribution to GDP

Industry	2021	2022	2023	2024p	2025p
Agriculture, forestry and fishing	22.5	22.5	22.3	22	21.6
Manufacturing	12.1	11.8	11.7	11.8	11.8
Wholesale and retail	12.4	12	11.6	11.4	11.3
Financial and insurance	6.3	6.6	6.7	6.9	7.1
Other	46.7	47.1	47.7	47.9	48.2
Total	100	100	100	100	100

Source: Malawi Government, Annual Economic Report, 2024

4.1.1 Economic effects

The economic effects are direct and indirect across sectors, individuals, businesses, and the government. Across all the economic sectors, the agriculture sector is most impacted. The agriculture sector was directly impacted by soil moisture deficits, which impacted crop production, reduced pastures for livestock husbandry, and overall productivity of the ecological system (ecological infrastructure). The overall reduction in agriculture output also impacted the industrial sector, particularly food processing industries such as cooking oil and maize flour. For instance, in April 2024, the Government of Malawi announced a restriction on the export of soya ostensibly to

support local industries and investors in the soya value chain to access the soya beans following an assessed 20 per cent decline in production.¹⁸ In addition, the tourism and recreation sectors were mainly impacted by flash flooding, leading to reduced occupancy, with the extent yet to be fully captured. Rural and urban water supply systems and hydroelectric energy generation were not significantly impacted, as the country received significant rains, albeit late and erratic, mainly affecting agriculture. Fortunately, tobacco, Malawi's leading foreign exchange earner, was not impacted. The country recorded a harvest of 129 million kilograms of tobacco, a seven per cent increase from the 2023 tobacco production of 120 million kilograms.¹⁹ Cumulative tobacco sales stood at

16. Fitch Solutions. 2023. "Cyclone Freddy to Have Larger Economic Impact in Malawi than in Mozambique." BMI Country Risk, March 17. <https://www.fitchsolutions.com/country-risk/cyclone-freddy-have-larger-economic-impact-malawi-mozambique-17-03-2023>.

17. International Food Policy Research Institute (IFPRI), 2023. From Climate Risk to Resilience: Unpacking the Economic Impacts of Climate Change in Malawi.

18. <https://malawi24.com/2024/04/05/malawi-govt-suspends-exportation-of-raw-soya-beans/>

19. Tobacco Commission (2024). The third round of tobacco estimates survey report, July 2024.

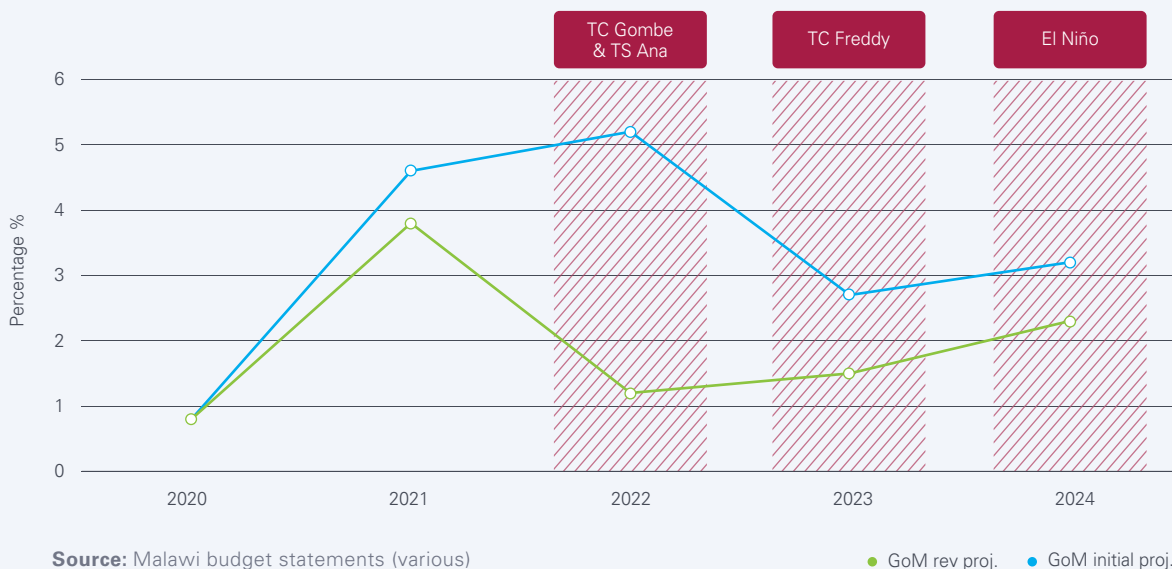
64.7 million kilograms as of the end of May 2024, earning the country US\$182.0 million at an average price of US\$2.81 per kilogram. This compares with a total of 50.3 million kilograms sold in a similar period the previous year, earning the country US\$112.2 million at an average price of US\$2.23.²⁰ Consequent impacts of the overall reduction in agriculture output would be felt through changes in aggregate output, balance of payments, general price level, employment contraction and worsening poverty.

4.1.2 Gross Domestic Product (GDP)

The country’s economic growth has been negatively impacted by climate-induced shocks. In 2024, the country’s growth estimate is projected to decline to 2.3 per cent from an earlier estimate of 3.2 per cent, in large part reflecting the effects of El Niño on agriculture production and spillovers to the rest of the economy.²¹ A more detailed analysis of the damages and losses (D&L)²² incurred in the agriculture sector resulting from the El Niño has revealed that the loss incurred on crops stands at

US\$310 million, representing 12 per cent of the total crop value of US\$2.9 billion. While for livestock, the total loss is estimated at US\$31 million, representing 1.4 per cent of the total value (USD 2.24 billion) for all the livestock. The estimated total crop and livestock loss, which is US\$341 million, represents a 2.4 per cent loss on the country’s GDP. Figure 2 shows initial and revised economic growth projections largely reflecting the impacts of climatic shocks on GDP between 2021 and 2024. In 2023, projected growth of 2.7 per cent declined to 1.5 per cent following the impact of Tropical Cyclone Freddy. Meanwhile, in 2022, the growth estimate fell to 1.2 per cent from an initial estimate of 5.2 at the beginning of the year, largely due to the impacts of Tropical Storm Ana and Tropical Cyclone Gombe (2022). Total damage from Tropical Cyclone Gombe alone was estimated between 1.5 to 2.7 per cent of GDP. The impacts of climate change on the economy are projected to increase in both frequency and intensity. The National Climate Change Management Policy notes that the agriculture sector is likely to suffer the greatest losses from climate change.²³

FIGURE 2 GDP Growth (Annual Percentage)



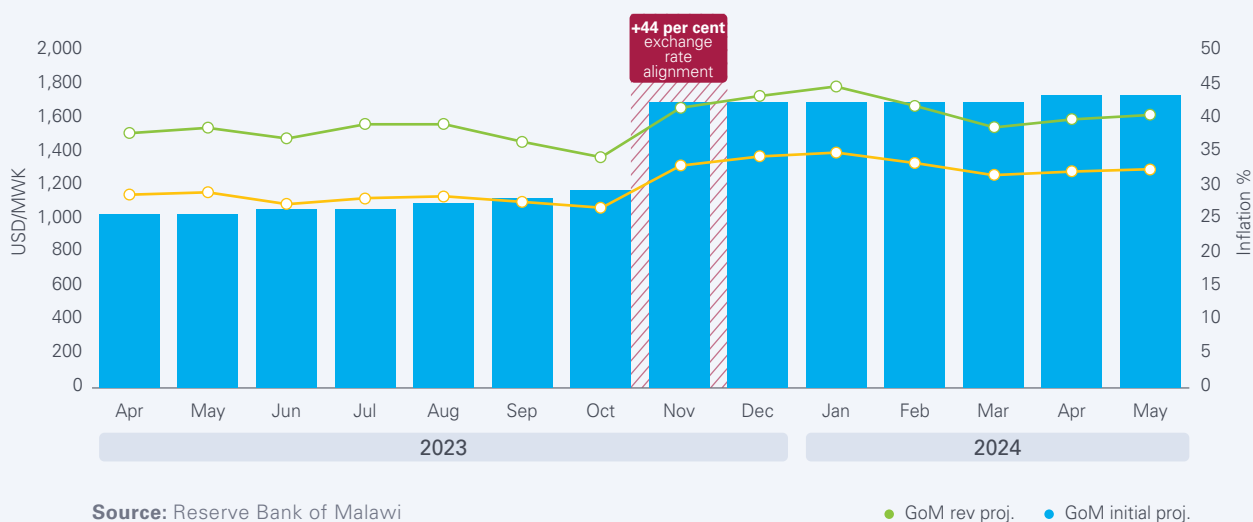
20. Reserve Bank of Malawi (2024). Monthly Economic Review, May 2024.
 21. Reserve Bank of Malawi (2024). Financial and Economic Review, Vol (58)(1).
 22. FAO (2024). El Niño Damage & Loss Analysis Report for Crops and Livestock (Draft report).
 23. A Malawi, Ministry of Natural Resources, Energy and Mining. 2016. National Climate Change Management Policy. Lilongwe. <https://cepa.org.mw/Library/government-publications/national-climate-change-management-policy-2016/view>.

4.1.3 Inflation

The effects of El Niño are compounding an already dire socio-economic situation following the exchange rate alignment of the Malawi Kwacha by 44 per cent against the US dollar in November 2023, which contributed to rising inflationary pressures. The annual food inflation rate rose from 34.5 per cent in October 2023 to 41.7 per cent in November 2023 and has since averaged above 40 per cent in May 2024 (Figure 3). Consequently, and against stagnant income levels, households are likely to experience a significant reduction in the purchasing power of nutritious food.²⁴ Dietary

diversity among households remains suboptimal, with approximately 60 per cent of households consuming less than six food groups. Children are likely to be affected the most, with only about 45.3 per cent of children aged 6 to 23 months (about 2 years) meeting the minimum meal frequency, 11.6 per cent meeting the minimum acceptable diet and 7.3 per cent accessing minimum acceptable diets.²⁵ The potential for increased poverty and its associated hardships should be a cause for concern and a call to action for all stakeholders.

FIGURE 3 Exchange Rate and Inflation Trends



Households are likely to experience a significant reduction in the purchasing power of nutritious food.

24. MALAWI: El Niño Situation Report, 1st May 2024, Self Help Africa & Save the Children Malawi (Feb. 2024), Cost of Diet Results based on a) National Food Prices.
 25. MALAWI: El Niño Situation Report, 1st May 2024, Self Help Africa.



Reports on maize prices show that prices are around 160 per cent above the five-year average (Figure 4). While prices for alternative staple foods such as beans and rice are double the previous year's prices.^{26, 27} Assessments have indicated that 15-40 per cent of households have inadequate food supply, likely resulting in acute food insecurity. This situation disproportionately affects already poor households – 50.7 per cent of the population²⁸ – who struggle to cope and meet basic needs when faced with rising food prices. An Impact of Shocks Study published by the National Statistics Office (NSO) in 2024 revealed how vulnerable populations – such as children, households in rural areas, households with unmarried household heads, female household heads, household heads older than 60 years or with no education – are often worse off than the average population when hit by shocks as was the case due to the impact of multiple shocks experienced between 2019 and 2023.

The Reserve Bank of Malawi (RBM) projects 2024 average headline inflation at 30.0 per cent. However, the pressures remain elevated. Sources of inflationary pressures emanate from a combination of rising food prices due to weather-induced shocks such as El Niño and money supply growth. Therefore, a combination of both demand and supply-side interventions will be required to keep inflation in check. This calls for joint interventions by both the monetary authorities and fiscal authorities for a long-term solution to inflation control in Malawi.

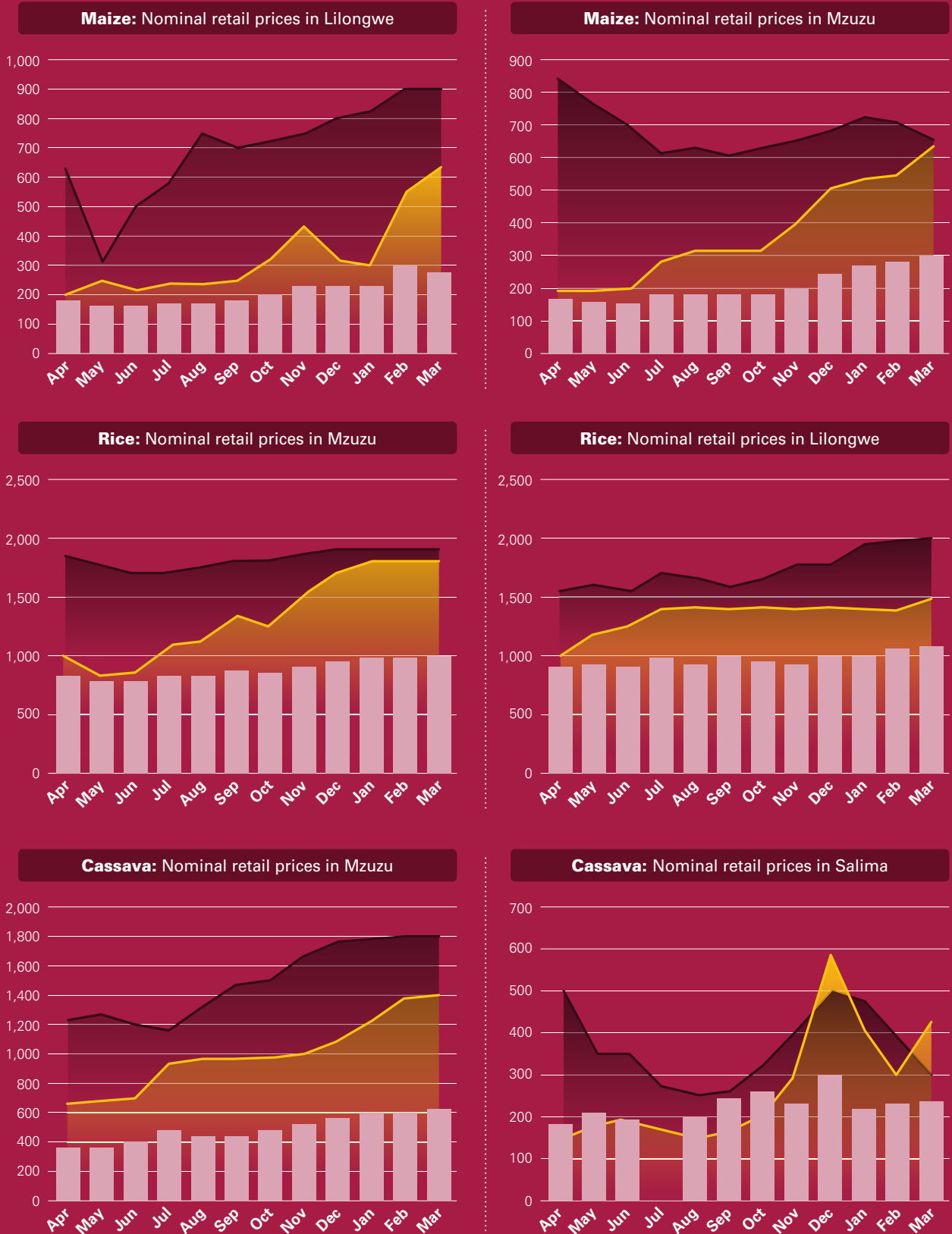
26. Malawi Price Bulletin, April 2024, Famine Early Warning System Network.

27. Malawi Price Bulletin, May 2024, Famine Early Warning System Network.

28. World Bank Poverty Assessment Report, 2019.

FIGURE 4 Nominal retail prices for staple food (MWK/Kg)

● 5 year average ● Previous year ● Current year



Source: FEWS NET Malawi Price Bulletin, April 2024

FIGURE 5 Poverty Rates (NSO, Impact of shocks study, 2023)

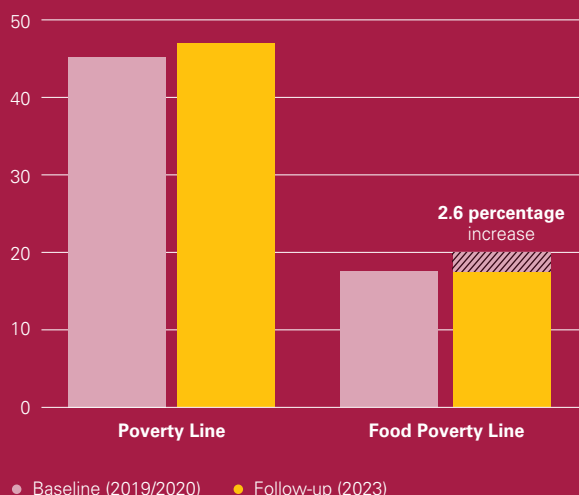
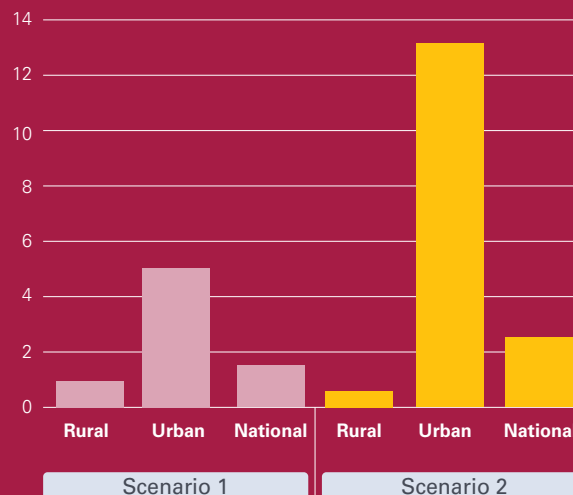


FIGURE 6 Projected Increase in Poverty in 2024



4.1.4 Poverty

Malawi’s poverty level was already significantly high before the El Niño induced drought. Poverty based on the international poverty line of US\$2.15/ day is projected to increase slightly to 72 per cent in 2024 from 71.2 per cent.²⁹ According to the National Statistics Office (NSO) Survey on the Impact of Multiple Shocks on the Most Vulnerable in Malawi between 2019 and 2023, ultra poverty worsened by 2.6 percentage points (Figure 5).³⁰ Southern and central districts, whose poverty rates were higher than the national average, are more likely worse off, as they were hit hardest by the recent weather events, exacerbating poverty rates and poverty severity and pushing many households further below national poverty lines. Meanwhile, about 58.8 per cent of Malawians are multidimensionally poor.³¹ More female-headed households (71.4 per cent) were multidimensionally poor than male-headed households (53.9 per cent).³²

Applying the Foresight and Rapid Response Modelling System (FARRMS) on the crop and climate data to model the impacts of El Niño

conditions, the National Planning Commission (NPC) et al. (2024), based on two scenarios forecasted that household poverty would increase by 1.6 per cent (scenario 1) and 2.6 per cent (scenario 2) (Figure 6). Scenario 1 projected a maize production decline of 8.3 per cent based on the average impact of all past El Niño years (average over 11 El Niño years) and erosion of household consumption capacities by 3.4 per cent. Meanwhile, scenario 2 projected a maize production decline of 20.1 per cent based on the 7 El Niño years with negative yield impacts and a consequent 6.7 per cent decline in household consumption. In both scenarios, household poverty is projected to increase higher in urban than rural areas. This is largely due to shrinking economic activities reflecting strong dependence on agriculture and the consequent impact on industrial productivity and incomes in the urban areas. With a projected decline of 16 per cent based on the Second Agricultural Production Estimates Survey, scenario 2 (with a projected 2.6 per cent increase in ultra-poverty) is therefore more plausible.

29. The World Bank Malawi Country Overview. Available at Malawi Overview: Development news, research, data | World Bank [accessed 26 June 2024].
 30. National Statistic Office, M (2023). Survey on the Impact of Multiple Shocks on the Most Vulnerable in Malawi between 2019 and 2023 (forthcoming).
 31. National Statistical Office, Malawi. (2023). The Second Malawi Multidimensional Poverty Index. Zomba: The Government of Malawi.
 32. Ibid.

Households affected by El Niño and previous cyclones experience chronic vulnerability. Low production, high prices, and economic downturns erode their resilience, worsening food insecurity and increasing poverty. Akin to other shocks, the most vulnerable households are disproportionately affected by the effects of El Niño. The latest evidence from the Impacts of Multiple Shocks on the Most Vulnerable in Malawi between 2019 and 2023 (NSO, 2024) shows downward trends in household well-being – as per capita total consumption expenditure declined by 6 per cent from 2019 to 2023. These results were mainly driven by increases in poverty among rural households. Incidents of gender-based violence, physical abuse and child abuse are most likely to be experienced during crises such as El Niño, where societal protection systems fail, while risks increase. In the context of El Niño, acute stress and exacerbations of mental health conditions are likely to result from reduced livelihoods, food insecurity, displacement, flooding, and reduced access to health services.

4.2 Social effects

4.2.1 Access to health services

The increased dry spells and rains caused by El Niño can potentially result in several health risks, as captured in Table 2.

TABLE 2 Heightened El Niño related health risks

Increased Rains	Increased Dry Conditions
Direct injuries and fatalities	Malnutrition
Vector borne diseases	Communicable diseases such as measles
Water borne diseases	Water-borne diseases
Disruption of health services	Reduced access to health care
Mental health and psychosocial effects	Respiratory diseases; heat stress

Source: World Health Organization, 2023

The WHO classifies malnutrition as ‘almost certain’ in areas affected by increased dry and wet conditions due to El Niño. This is attributed to increased food insecurity due to reduced crop productivity and rising food prices. Cholera and other waterborne diseases are classified as ‘highly likely’ owing to water contamination and worsening hygiene due to reduced access to clean water during droughts. Water contamination and deteriorated hygiene and sanitation in the event of floods and increased water conditions pose a high risk for cholera prevalence.

The escalating rates of household food insecurity in Malawi pose a significant threat to the health and nutrition outcomes of individuals in Malawi, particularly the poor and the vulnerable. A recent study by the National Planning Commission (2024) indicates a reduction in household consumption capacities by 3.4 per cent.³³ Recent data indicates that districts affected by El Niño are witnessing an increase in reported cases of malnutrition. The 2024 Nutrition SMART Survey report from 13 sampled districts shows a notable 15 per cent increase in admission rates of children with Severe Acute Malnutrition (SAM) in 2024 compared to the same period in 2023, with some districts registering over a 30 per cent increase in SAM admissions.

TABLE 3 Comparison of Nutrition Indicators 2020-2024

Indicator	2024	2020
Global Acute Malnutrition (GAM)	3.3%	1.9%
Severe Acute Malnutrition (SAM)	0.6%	0.1%
Combined GAM (cGAM)	4.4%	2.2%
Combined SAM (cSAM)	0.9%	0.3%

Source: MALAWI: El Niño Situation Report, 1st May 2024, Self Help Africa

33. Malawi 2063 Policy Brief Series, “Effects of El Niño condition on Malawi’s economy - 2023/24,” Vol 2 - Nov. 2023.

The Nutrition SMART Survey report (2024) further indicates the alarming prevalence of acute malnutrition among pregnant and lactating women, with only 14.9 per cent likely to afford minimum acceptable diets. While the country is still grappling with a high stunting rate at 35.5 per cent,³⁴ districts affected by El Niño are at risk of experiencing the most severe rates of stunting, at over 40 per cent. This rise in malnutrition cases underscores the urgent need for targeted interventions to combat food insecurity and improve nutritional outcomes among vulnerable populations like children.

4.2.2 Access to education services and effects on child protection

The economic shocks triggered by El Niño pose a severe threat to education outcomes, particularly among children aged 5-17 in Malawi. According to the Malawi Education Cluster 2023/24 Lean Season Response Plan, the economic strain brought about by El Niño has reduced household economic activities, with approximately 51 per cent of surveyed households relying on casual employment as the main income source.³⁵ In the face of limited resources, families are compelled to choose between meeting basic needs like food versus investing in their children's education. This dilemma has resulted in families resorting to harmful coping mechanisms, often involving children accompanying their guardians in labour activities that supplement household income for food provisions, leading to high absenteeism, low attendance, and increased child labour. This corroborates with findings from the Impacts of Multiple Shocks on the Most Vulnerable in Malawi between 2019 and 2023 (NSO, 2024)³⁶ which showed how engagement in casual labour or ganyu³⁷ steeply increased between 2019-2023 due to the impacts of shocks, including high prices of food. Food price increases resulted in a 7-percentage point increase in children engaged in any ganyu in the last 12 months from 2019 to 2023. Additionally, both boys and girls also increased hours of domestic work and ganyu.

Data from the UNICEF Report on Humanitarian Action for Children (2024) indicates an increase in absenteeism rate of up to 50 per cent for

some schools affected by El Niño.³⁸ The situation worsened in families headed by a person living with disability as school attendance for boys dropped by 12 per cent during the sowing season (October-December). Overall, education expenditures in the lean season are reduced, particularly among ultra-poor households, and child labour peaks, with approximately 54 per cent of children aged 5-17 working in the lean season. In terms of child protection, violent and non-violent child discipline practices are also empirically proven to be widespread when households are coping with shock-induced price increases. For instance, violent and non-violent child discipline affected up to 68 per cent and 67 per cent of households, respectively, in 2023 and 2022, with prevalence rates somewhat higher in urban than rural areas.

4.2.3 Migration of affected households

The combination of food insecurity, water scarcity, and economic hardships caused by El Niño is expected to increase the risk of communities migrating in search of alternative off-farming livelihood alternatives in urban areas as well as access to resources in other rural areas. Due to the reduction of economic activities and scarcity of necessities like food, most families are compelled to leave their homes in pursuit of better living conditions encompassing food, shelter, and economic opportunities. With most families being affected, the demand for these conditions increases, creating competition among affected households and potentially escalating the likelihood of tensions and conflicts. This potentially increases the risk of displacement as people are forced to leave areas affected by resource-related disputes. Recent data from IOM, UNICEF Malawi Flood Response (2024) and ECHO on Malawi Flash Floods (2024) shows that approximately 11,500 individuals have been displaced following floods in late February and early March 2024 in Nkhotakota and Karonga due to infrastructure damage to housing caused by floods from El Niño induced rains.³⁹ Reports from IOM indicate that more than 10,000 people are still displaced as of the end of July 2024, waiting for permanent resettlement.⁴⁰

34. <https://washdata.org/sites/default/files/2022-02/Malawi%202019-20%20MICS.pdf>

35. <https://shorturl.at/jPvzV>

36. <https://www.unicef.org/malawi/reports/impact-multiple-shocks-most-vulnerable-malawi-0>

37. Ganyu is a word used in Malawi to describe a range of short-term rural labour relationships.

38. UNICEF Humanitarian Action for Children, 2024.

39. UNICEF Malawi Flood Response Update No.1 - 14 March 2024 - Malawi | ReliefWeb and Malawi - Flash floods (media, NOAA-CPC) (ECHO Daily Flash of 06 March 2024) - Malawi | ReliefWeb.

40. IOM Displacement Tracking Matrix, Malawi Displacement Data. July 2024.

4.2.4 Gender differentiated impacts

Humanitarian disasters have a profound impact on women and girls. Women and girls, especially female-headed households that constitute the majority of poor households, typically suffer disproportionate impacts, including adverse impacts to time poverty, protection and an increasing burden of care work. Findings from the Ministry of Gender, Community Development and Social Welfare El-Nino Rapid Gender Analysis (RGA) show that the drought has overburdened women by adding to their existing gendered household and community roles, especially WASH-related.⁴¹ As water sources dry up, women often have to walk longer distances to fetch water, reducing the available effective labour time for other productive economic activities. In addition, women, girls, and persons with disabilities were locked out of the humanitarian response key governance structures limiting their ability to influence decision-making.

Increased deprivation left vulnerable women and girls exposed to exploitation and abuse, including by duty bearers and others with control over resources. Reported cases of violence against women and girls in most of the affected districts were doubling, with intimate partner violence being the most common. Meanwhile, key informants interviewed during the RGA in the districts indicated that the GBV and protection extension services at the community level were very weak, raising the risk of underreporting. Some GBV and protection workers also lacked the necessary tools for the trade, which affected their ability to follow up on reported cases and bring services closer to the people. The study further observed an upward trend in child marriages due to increased economic vulnerability and higher food insecurity. For example, Machinga district already reported twice as many cases of child marriage between January and May 2024 (286) as compared to the same period last year (162).⁴²



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41. Ministry of Gender. 2024. Malawi El Niño Rapid Gender Analysis. Lilongwe.

42. Ibid.

5.

Outlook and Future Challenges



Climate change is expected to significantly affect Malawi's economy, mainly because of its dependence on climate-sensitive economic sectors and its low capacity to take adaptation measures due to preexisting macroeconomic vulnerabilities.⁴³ Different climate change scenarios suggest that impacts of climate-related shocks and other disasters could result in substantial annual GDP losses, as high as 20 per cent under business as usual (BAU) by 2040. Malawi's updated Nationally Determined Contribution (NDC) estimates a direct overall cost due to climate change equivalent to losing at least 5 per cent of the country's GDP yearly (Government of Malawi, 2021). Further, climate change will likely exacerbate existing social and economic inequalities, particularly for the vulnerable.

The main impact channels are likely to be agriculture and infrastructure facilities and services that are instrumental to efficient production, transport, and trade. In agriculture, the increased uncertainty around future precipitation levels in Malawi will likely result in higher variability in crop yields. The agriculture sector, which represents one-third of the economy and employs over 70 per cent of the workforce (and provides a source of livelihood for about 80 per cent of the population), mainly depends on rainfed production.⁴⁴ Climate change is also likely to significantly impact Malawi's economic infrastructure, including roads, energy generation and services, education and health, mainly due to the increased risk of flooding, which would have broader economic and social knock-on impacts.

The consequences, including displacement, migration and loss of livelihoods, exacerbate poverty inequalities and undermine general social cohesion. Extreme climate events could be catalysts for push

factors (those that drive an individual to migrate) and pull factors (those that entice an individual to migrate) because of inhabitant land, lack of livelihood, insecurity, and shortage of essential services, including food and water. As extreme climate events increase in intensity and frequency, different mobility patterns could emerge and pose challenges. The increase in voluntary and forced displacement in large numbers – Malawi citizens and foreign nationals alike – would put pressure on limited services such as health, education, food, and basic services. Housing, land, and property issues will take centre stage. With living conditions heavily impacted, there are increased risks of xenophobia, sexual and gender-based violence (SGBV) and opportunities for human trafficking and migrant smuggling. This is also further likely to enflame conflict over limited resources.

In recent times, Malawi has been experiencing increased frequency and intensity of flooding. This intensity of occurrence has increased significantly between 2022 and 2024 where the country has experienced three flooding events within two years (January 2022 (Tropical Storm Ana); March 22 (Cyclone Gombe); March 2023 (Cyclone Freddy). The World Meteorological Organization (WMO) has announced a probable transition from El Niño to La Niña in 2024. According to WMO forecasts, there is a 60 per cent chance of La Niña developing between July and September 2025, and this probability will rise to 70 per cent from August to November. This phenomenon, whose advent will be confirmed in the coming months, underlines the urgency of stepping up collective efforts. Appropriate preparation and anticipatory actions are essential to minimize the consequences of the extreme weather events associated with La Niña.

43. International Food Policy Research Institute (2023). From climate risk to resilience: Unpacking the economic climate impacts of climate change in Malawi. Accessed 19 June 2024 IFPRI Knowledge Collections.

44. International Food Policy Research Institute (2023). From climate risk to resilience: Unpacking the economic climate impacts of climate change in Malawi. Accessed 19 June 2024 IFPRI Knowledge Collections.

6.

Policies, Implications and Recommendations



a. Development

Guided by the Malawi 2063 and its First Ten-Year Implementation Plan (MIP-1), the government is implementing various sectoral and economy-wide strategies, climate policies and frameworks that consider mitigation and adaptation measures. The overarching goal of the government's efforts is to rebalance the economy to accelerate sustainable and inclusive growth and increase resilience in the context of growing threats from natural disasters and economic shocks. The MIP-1 seeks to achieve an annual average economic growth of 6 per cent to reach the low-middle-income status by 2030. This would require accelerated economic transformation and a shift from dependence on climate-sensitive primary commodities to an industrialised exporting economy. The plan recognises the need to prioritise key economic sectors to stimulate investment, productivity, and social sectors, which will help build the required human capital to support the transformation agenda.

To accelerate economic diversification, the government is advancing the Agriculture, Tourism and Mining (ATM) strategy that positions agriculture, tourism and mining as pivotal sectors to drive economic expansion. Key flagship initiatives include agriculture commercialisation through Mega Farms, Special Economic Zones⁴⁵ and promoting investment in largely unexplored mineral resources. Minerals that are assumed to be present in the country are uranium, coal, bauxite, phosphate, granite, graphite, black granite, vermiculite, aquamarine, tourmaline, rubies, sapphire and rare earth minerals.⁴⁶ Exploitation of these resources and their contribution to the economy remain minimal due to lack of investment and limitations caused by bottlenecks in mining sector governance frameworks. Catalysing private investments and unlocking opportunities for private

sector investment remains key to growing the economy, creating decent jobs and accelerating the green transition. The government has implemented several policies and incentives to boost investment, including the Malawi Tax Incentives⁴⁷ and the Government of Malawi Incentives for Agriculture Diversification and Commercialization booklet.⁴⁸ The policy documents outline key fiscal incentives open to investors to enable them to expand their operations and increase productivity.

Through the United Nations Sustainable Development Cooperation Framework (UNSDCF) 2024 - 2028, the UN system aims to support Malawi to achieve sustainable, diversified, and inclusive growth. The UN contributes to the country's objective to increase agricultural productivity and commercialisation and diversify the economy in an inclusive manner, including through industrialisation, tourism development and digitalisation. The UN system supports the government in advancing a solid development finance strategy and working with the private sector to develop a robust pipeline of investments in green and transformative products and services. This includes support towards Small, Micro, Small and Medium Enterprises (MSMEs), particularly those led by women, persons with disabilities and youth, to de-risk green, inclusive and impactful investments, entrepreneurship development and development of trade and key value chains to leverage the Africa Continental Free Trade Area (AfCFTA). In addition, the UN supports Malawi in strengthening institutional governance, ensuring sustainable investments and outcomes in human capital development, adapting to climatic change, reversing environmental degradation and supporting energy transformation.

45. The four earmarked areas for SEZs are Magwero Industrial Park in Lilongwe, Dunduzu in Mzuzu, Chigumula, and Matindi in Blantyre.

46. Embassy of the Republic of Malawi in the United States, 2023, www.malawi.embassy-dc.org/page/economy.

47. <https://www.mra.mw/business/incentives>

48. <https://www.scribd.com/document/747629357/AGRICULTURE-INCENTIVES-Book-Malawi>

The International Monetary Fund's Extended Credit Facility (ECF) arrangement with the Government aims to help support macroeconomic adjustment and reform agenda, addressing challenges related to unsustainable debt, external shocks and governance weaknesses. It is a significant step in building a foundation for inclusive and sustainable growth.⁴⁹ The ECF has also unlocked additional support from development partners, including the World Bank (WB), European Union (EU) and African Development Bank (AfDB). Complementing the ECF, the World Bank is providing results-based financing support to strengthen Malawi's fiscal governance, in addition to the Development Policy Financing (DPF), both approved in late 2023. The Malawi Fiscal Governance Programme for Results, spanning five years, aims to co-finance the implementation of the Malawi Public Finance Management (PFM) Strategy 2023 - 2028, fostering sound financial management and effective development performance. Restoring macro-economic stability is essential towards creating a conducive business environment that will be vital in attracting private sector investment and enterprise development in Malawi.

b. Anticipatory action and early warning systems

The current status of Malawi's Early Warning System (EWS)⁵⁰ reflects a mixed landscape of strengths and areas needing significant improvement. The country has made notable strides in establishing institutional frameworks and integrating EWS into national disaster risk management strategies. Key institutions like the Department of Water Resources, the Department of Disaster Management Affairs (DoDMA) and the Department of Climate Change and Meteorological Services (DCCMS) play central roles in monitoring, forecasting, and disseminating early warnings. Further, collaboration with international partners, such as the World Meteorological Organization (WMO) and the UN system, have bolstered technical capacities and resources.

Despite progress, several challenges impede the effectiveness of Malawi's EWS:

1. There is limited data collection and monitoring infrastructure, particularly in remote and rural areas. This inadequacy results in gaps in hazard detection and delayed dissemination of warnings.
2. Technological constraints, including outdated equipment and insufficient access to modern forecasting technologies, compromise the accuracy and reliability of early warnings. Another significant challenge is the need for integration and coordination among various stakeholders involved in disaster risk management. This fragmentation leads to inconsistencies in communication and response strategies, reducing the overall efficacy of the EWS.
3. A general lack of public awareness and education on responding to early warnings further undermines the system's potential to mitigate disaster impacts.

Funding constraints also pose a significant challenge. More financial resources are needed to ensure the expansion and maintenance of EWS infrastructure and the training and capacity-building initiatives necessary for effective system operation. This financial shortfall is exacerbated by competing priorities in a nation with multiple socio-economic challenges.

There are opportunities to implement a comprehensive National Multi-hazard Early Warning System that addresses different hazards in different locations. The investment made in Hydromet Infrastructure should be sustained through robust Operation and Maintenance Plans. In addition, DCCMS should adopt and integrate advanced forecasting technologies, such as satellite remote sensing and geographic information systems

49. IMF Staff and the Malawian Authorities Reach Staff-Level Agreement on the Second Review of the Staff Monitored Program with Executive Board Involvement and an Extended Credit Facility Arrangement

50. Early Warning Systems (EWS) are critical tools for disaster risk reduction, providing timely information on potential hazards such as floods, droughts, and cyclones. These systems are integral in safeguarding lives, protecting livelihoods, and ensuring sustainable development.

(GIS), to improve the accuracy and reliability of hazard predictions. Comprehensive public education campaigns to raise awareness about the importance of EWS and training communities on appropriate response actions should be prioritised. Schools, community centres, and media outlets can leverage these initiatives. Malawi should also ensure sustainable funding through a combination of government budget allocations, international aid, and private sector partnerships. Global Initiatives such as the Early Warnings for All would offer opportunities for upscaling access to critical warnings at all levels.

Anticipatory Action (AA) has garnered significant attention in Malawi in recent years, with a diverse range of actors taking part in the agenda – both Ministries, Departments and Agencies, UN agencies, technical agencies, Red Cross partners, and NGOs. The country was among the first to pilot and adopt Anticipatory Action as part of

the disaster response framework. The National Dialogue Platform on Anticipatory Action in Malawi, held in 2022, brought together various national stakeholders to facilitate collaboration towards a Malawi Anticipatory Action Roadmap. Following the success of the first National Dialogue Platform in 2022 and the development of the AA Roadmap for Malawi, a review process was undertaken in 2023 in which the Anticipatory Action Roadmap was updated, and a strategic direction discussed to scale-up Anticipatory Action across Malawi by enhancing coordination while strengthening evidence, data, funding, and advocacy. The roadmap is based on four pillars of a multi-actor and multi-sectoral coordination framework: harmonisation of triggers for anticipatory protocols, alignment and coordination of financing, and advocacy and awareness raising. Three working groups were established to formulate a work plan for the four pillars to develop terms of reference for a technical working group for anticipatory action in Malawi.



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c. Recommendations

Targeted and transformative investments are required in several vital priorities and entry points holding the potential for unlocking multiplier developmental benefits. The key priorities for addressing climate change and building resilience against future shocks and risk-informed sustainable development should include:

1. Accelerating the development of multi-hazard early warning systems and comprehensive multi-hazard crisis mitigation:

Continue ongoing efforts to mainstream disaster risk management (DRM) interventions in all sectors, improve risk reduction, flood control, drought mitigation and community-based early warning, response, and recovery systems and digitalising disaster management. Increased investment is required to strengthen Multi-Hazard Early Warning systems, specifically focusing on the capacity to observe better, monitor and forecast hazards and the ability of the last mile actors to better prepare and take anticipatory action based on the relevant data and tailored information.

2. Anticipatory Action: Prioritise anticipatory action for multiple hazards as a key element in early action and response, mainstreaming it into the Malawi national as well as local Disaster Risk Management (DRM) system. Anticipatory action needs to be institutionalised and anchored in national disaster risk management frameworks and strategies to increase sustainability and scalability.

3. Investment in disaster risk reduction and resilience-building: Malawi should increase investment in disaster risk reduction and resilience-building initiatives and prioritise permanent relocation for people living at risk of displacement. Community-led disaster risk reduction projects will strengthen disaster preparedness in the long-term, while investments such as climate-smart agriculture and water security will not only address food and nutrition security but also significantly contribute to sustainable livelihoods and economic growth in the face of climate related disasters.

4. Strengthening social protection systems:

The government is encouraged to develop a comprehensive social protection framework addressing risks across the life cycle. This should include a shock sensitive social protection strategy to guide critical actions by social protection actors to build resilience and, when necessary, shield vulnerable populations from food insecurity and other shocks. Further, continue ongoing efforts to increase adequacy and coverage of social protection, for example, the Social Cash Transfer Programme (SCTP) (from 10 per cent to 15 per cent of the bottom poor) to reach most vulnerable households, particularly displaced populations, and rural households with vulnerable members such as children under the age of 2 years (U2), chronically ill, the elderly, persons with disability and child-headed households.

5. Institutional capacity building: Institutional capacity, including strengthening coordination and an enabling policy environment, is essential to enable national and local level institutions and communities to manage, respond to and assist communities to recover from the negative effects of climate change while at the same time building resilience from climate shocks. This will require increased investment in strengthening national institutions' and communities' anticipatory, absorptive, adaptive and transformative capacities.

6. Maintaining macro-economic stability: The government is encouraged to sustain the ongoing macro-fiscal reforms, focusing on implementing plans to increase the flexibility of the exchange rate, rebuilding foreign reserves, enforcing fiscal discipline, enhancing public financial management, and attaining debt sustainability. Achieving macroeconomic stability will lay the ground for sustained and sustainable growth.



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7. Accelerating structural transformation: The government is implementing the Agriculture, Tourism and Mining (ATM) strategy to increase productivity and diversify the economy. There are opportunities to strengthen policy and regulatory frameworks to ensure initiatives such as Mega Farms and Special Economic Zones/Industrial Parks advance sustainable and inclusive industrialization. Focused domestic and Foreign Direct Investment (FDI) strategies will be vital to unlock capital investment requirements, technology transfer, and access to global markets.

8. Agriculture transformation: Agricultural transformation provides opportunities for agro-based industrialisation, which remains underdeveloped but with immense potential. Increased investment in climate-smart agriculture, crop diversification, sustainable farming practices, research and development, including improved seed varieties, fertilisers, and irrigation systems to boost crop yields, will be vital to increase agriculture productivity, while investments in infrastructure, market linkages and digital innovations will be needed to enhance market access. Special attention should be paid to the intensification of irrigated

farming as rain-fed agriculture, upon which many smallholder farmers rely, is becoming very risky in the wake of climate variability and change. The country only utilises 26 per cent of its irrigable land, which calls for more investment to harness the irrigation potential fully.

9. Financing for sustainable development: The government is finalising the development of the Integrated National Financing Framework (INFF), which constitutes mechanisms by which Malawi intends to broaden its financial base. The INFF could provide a vital strategy to enhance domestic revenue and harness international public and private sector finance, including climate finance and the deployment of innovative financing mechanisms.

10. Enterprise and SME development: Investing in enterprise development is a key priority for promoting inclusive and sustainable economic growth, creating decent jobs and wealth, eradicating extreme poverty, and building resilience. Key focus areas include entrepreneurship development, business incubation and development services, business management, and access to finance and markets.



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