

## Background

The Economic Affairs Department (EAD) is the Government's think tank responsible for policy analysis on a wide range of issues including: fiscal and monetary policies, financial sector reforms, public enterprise management and economic integration. It coordinates the preparation and monitoring of national budget, the monitoring and analysis of macroeconomic performance especially relating to fiscal and monetary policies, the regulation of financial institutions and the coordination of development of regional economic policies.

It is responsible for ensuring that policy advice is targeted at achieving the strategic objectives as spelled out in the Malawi Growth and Development Strategy (MGDS) namely creating wealth through sustainable economic growth and infrastructure development as means of achieving poverty reduction. The main purpose of the Department is to provide short to medium – term economic, fiscal and monetary policy services to the Minister of Finance and the Secretary to the Treasury (ST) in collaboration and consultation with relevant institutions and partners. The Department has the following five sections:

- [Macroeconomic Policy Section \(MPS\)](#)
- [Sector Policy Analysis Section \(SPA\)](#)
- [Public Enterprise Reform and Monitoring Unit \(PERMU\)](#)
- [Financial Sector Policy Section \(FSPS\)](#)
- [Research, Planning Monitoring and Evaluation Section \(RPMES\)](#)

## Core Functions

- The preparation and review of the National Economic Programme;
- The coordination and preparation of annual short to medium – term economic and fiscal policy statements and updates;
  - Advise the Minister of Finance and the Secretary to the Treasury on short to medium – term economic, fiscal and monetary policies;
  - Monitoring and analysis of macroeconomic performance especially relating to fiscal and monetary policies;
  - Conducting public finance management policy studies;
  - Coordinating policies in the financial sector including such areas as: banks, non – bank financial institutions, micro-finance, insurance industry, pension funds, asset management, debt market, payment systems, anti money-laundering, credit reference systems, foreign exchange markets, retirement and money transfer systems;
  - Monitor the financial performance of public enterprises; and
  - Facilitating regional economic integration initiatives within Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), and African Union (AU).

## 1. MACROECONOMIC POLICY SECTION (MPS)

### Preamble

The macroeconomic section is crucial for dealing with macroeconomic issues including fiscal

policy which is the Ministry's core function. The Unit is the fiscal policy information point, in that it is the source of macroeconomic data and analyses as they relate to fiscal policy and all interrelated policy arms. The Unit also coordinates all macroeconomic programmes in collaboration with all relevant institutions.

### **Mandate**

The mandate is derived from the Public Finance Management Act (PFMA) of 2003 and Treasury Instructions of 2004.

### **Purpose**

The purpose of the section is to provide first-hand sound macroeconomic advice to the Minister of Finance and the Secretary to the Treasury on macroeconomic developments and aggregates such as GDP, inflation, interest rates and general fiscal policy in consultation with Ministry of Development Planning and Cooperation (MDPC), Reserve Bank of Malawi (RBM), and National Statistics Office (NSO).

### **Core Functions**

- Coordinate the formulation and overseeing of short to medium – term economic, fiscal and monetary policies in collaboration with relevant institutions and partners ( see Section 14 of PFMA and First Schedule Part 1);
- Advise the Minister of Finance and ST on short to medium term economic, fiscal and monetary policies, national accounts, balance of payments, appropriate financial programmes and sectoral policies (e.g. agriculture, roads, education, health) based on economic monitoring and analysis in consultation with relevant stakeholders (see PFMA Sections 17, 18, 19 and 20);
- Preparation for and Review of the National Economic Program with the IMF :  
October/March (see Budget Calendar);
- Reconciliation of appropriation accounts with fiscal tables in consultation with AGD in October (see Budget Calendar);
- Preparation of Budget Policy Framework Paper :December : with BD and MDPC (see Budget Calendar)
- Participate in macroeconomic modelling and forecasting in collaboration with MDPC, RBM, NSO, economic research institutions, (see NORAD, IMF)
- Participate in Public Financial and Economic Management reforms (see PFEM Action Plans, CABS,)

## **2. SECTORAL POLICY ANALYSIS (SPAS)**

### **Preamble**

The Ministry of Finance encounters public finance policy and management issues and challenges in its day to day work, emanating from both internal policy deliberations and sectoral developments. In order to solve some of these issues and challenges there is a need for an in-house facility to conduct or supervise studies that will contribute to reforms in public finance policy, planning, legislation and the institutional framework. The Unit will also provide a public

finance perspective of implications arising out sectoral developments and plans.

### **Mandate**

The mandate of this Unit can be traced to the 2004 Ministry of Finance(MoF) Functional Review . The need for this facility has from time been subsequently followed up in various MoF Management and internal Economic Affairs Department meetings with the ultimate aim of formalizing and institutionalizing the public finance related policy studies function in MoF. Even at the national level there is discussion to create a public policy research institution similar to others in the region.( This Section within the Ministry can in a way be seen as link to the envisaged research facility in the future).

### **Purpose**

To conduct studies that will improve the public finance service delivery through policy and planning.

### **Core Functions**

- Programme and coordinate public finance sectoral policy studies e.g. sectoral Public Expenditure Reviews (PERs), in-depth PER studies (see IMF, World Bank, CABS,);
- Coordinate MGDS Financial Sector Reviews(see MGDS);
- Coordinate MGDS Economic Governance Sector Review(see MGDS);
- Participate in Annual Ministerial PERs for previous financial year : from October to December (see Budget Calendar);
- Participate in OPC Annual/Quarterly Performance Monitoring Reviews : July/June (see OPC);
- Coordinate demand - driven public finance policy research/studies(see draft 2004 Functional Review(FR));
- Prepare key sectoral policy briefs with emphasis on public finance implications (see draft 2004 FR);
- Preparation of a Medium Term Economic and Fiscal Policy Statement (see PFMA - Section 17);
- Draft Mid – Year Economic and Fiscal Report( November - February) - (see Budget Calendar);
- Produce Economic and Fiscal Policy Statement(January - March) : (see PFMA Section 14 and TIs Part 3)

### **3. PUBLIC ENTERPRISES REFORM AND MONITORING UNIT (PERMU)**

This section is not new, it been there as an independent Unit in the ministry of finance. Its main function is supervising all public enterprises and ensuring that these parastatal institutions are performing to meet government's expectations.

### **Duties:**

- Provide advice of PFMA relating to financial management of SBs;
- Provide financial advice to Minister and ST on SBs financial strategic direction, corporate

plans and financial performance;

- Oversee the development of financial guidelines and coordinating the overall process for preparing financial services plans, annual reports and shareholders letters of expectations between the Minister, ST and SBs Boards of Directors;
- Advising on the implementation of performance Management Plans and Budgets and risk management frameworks
- Analysing the financial performance and overseeing the effects of potential implications going concern status of SBs;
- Reviewing SBs financial policy practices, financial guidelines and adherence to financial accountability arrangements;
- Deputising Director of Public Enterprise in managing and implementing financial policies of the SBs in his /her absence.

#### **4. FINANCIAL SECTOR UNIT**

Preamble Being a relatively new Unit, reflecting some of the dynamic roles that the Ministry is assuming lately, this Unit is there to facilitate increased access to financial services in order to spur rapid economic growth and development. The Section will focus on coordinating three main areas of financial sector reforms including policy and regulatory framework, innovation and capacity development. Financial sector reforms will cover banking, insurance, microfinance, capital markets, pension funds and asset management, debt market, financial intermediaries, payment systems, credit reference systems, foreign exchange markets and money transfer systems.

##### **Mandate**

The mandate creating this unit stems from an agreement between the Government of Malawi and the UNDP/UNCDF in June, 2007 aimed at contributing to MGDS/MDGs goals of reducing poverty specifically by increasing access to financial services to the population and in particular the poor.

##### **Purpose**

To create a vibrant and inclusive financial sector through necessary financial reforms

##### **Core Functions**

- Recommending reforms that will lead to a financial sector that is inclusive, broad , deep and spur economic growth and development;
- Monitor the development and stability of the financial sector;
- Oversee the transformation, privatization and restructuring of market players in the financial sector;
- Coordinate the development of legislation to govern the financial sector; and
- Ensure that all categories of market players in the financial sector are properly regulated and supervised by appropriate institutions.

#### **5. RESEARCH, PLANNING, MONITORING AND EVALUATION SECTION (RPMES)**

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