

**Enhancing Fiscal Policies for a Pro-Poor
Climate Change Response**

unicef 
for every child

MALAWI 2025/26

Climate Financing Budget Brief



Key Messages and Recommendations

1

High Cost of Inaction

The Malawi Country Climate and Development Report (2022) estimates that Malawi is currently losing 1.7 per cent of GDP annually due to climatic shocks. The report further estimates that Malawi will likely experience a 3-9 per cent loss in GDP by 2030, and 8-16 per cent by 2050 if it stays on its current low-growth development trajectory.

► RECOMMENDATION

The government is urged to progressively scale up climate adaptation investments with three priority actions:

- **Targeted** climate-smart agriculture programmes
- **Scaled-up** early warning systems for extreme weather events
- **Mandatory** climate-risk screening for all major infrastructure projects.

These measures must be backed by domestic resource mobilisation (such as carbon credits) and strategic donor partnerships to ensure sustained funding.

2

The Donor Dependency Trap

The total allocation to public climate finance has marginally declined by 1 per cent, from MK281 billion in 2024/25 to MK177 billion in 2025/26. However, 88 per cent of the funding is financed through donors, on a project basis. While international support is key in addressing immediate needs, its project-based nature often prioritises short-to-medium-term relief efforts over comprehensive rehabilitation programmes.

► RECOMMENDATION

To transition from donor-dependent project financing to sustainable climate investment, the government should leverage the Nationally Determined Contribution and the National Adaptation Plan to mobilise domestic capital through green bonds and climate-focused public-private partnerships and implementing a harmonised framework to align all donor projects with national resilience priorities—ensuring short-term relief efforts systematically contribute to long-term rehabilitation goals while gradually increasing Malawi's ownership of climate financing.

3

The Mitigation Gap

Allocations for environment and climate change are largely geared towards adaptive programmes (89 per cent), leaving just 10 per cent for mitigation and 1 per cent for cross-cutting issues. While adaptation is critical for immediate recovery from recurrent climate shocks, this imbalance risks locking in long-term vulnerabilities by neglecting preventive measures. Underinvestment in mitigation exacerbates future costs, delays clean energy transitions, and misses opportunities for climate-resilient growth.

► RECOMMENDATION

The government is urged to enhance mitigation measures to complement the adaptive efforts. This requires immediately scaling up mitigation investments in renewable energy infrastructure, climate-smart agriculture, and enhanced early warning systems, while strategically integrating mitigation co-benefits into adaptation projects. The approach should be supported by innovative financing mechanisms like green bonds and disaster risk insurance to attract private capital.

4

Debt-Driven Climate Risks

Malawi's 2025/26 public climate finance relies heavily on concessional on-budget donor support (61 per cent blended financing comprising loans and grants and 39 per cent comprising grants only). While these loans offer favourable terms (low/no interest, long maturities), they add to the country's unsustainable external debt burden (MK7.4 trillion as of September 2024).

► RECOMMENDATION

The government should strengthen project preparation capacities by establishing a dedicated climate project development facility to create bankable investment opportunities. This should be combined with implementing a national climate finance strategy that:

- **Prioritises** grant funding for critical resilience programmes.
- **Restricts** concessional loans to revenue-generating adaptation infrastructure.
- **Scales up** market-based financing instruments—such as carbon trading under Article 6 of the Paris Agreement through mechanisms like the Internationally Transferred Mitigation Outcomes (ITMOs)—to unlock new revenue streams while reducing reliance on debt-based financing.

Introduction

This brief provides a summary analysis of the trends in public climate financing spending in Malawi in the framework of the 2025/26 fiscal year (FY) budget. It provides insights into the adequacy, equity, efficiency, and effectiveness of Malawi's climate change and management spending. The analysis in this note is informed by government budget documents from 2021/22 to 2025/26, mainly the programme-based budget (PBB), detailed budget estimates, and allocation to Local Councils.

The United Nations Framework Convention on Climate Change (UNFCCC) categorises climate management strategies into three distinct classifications: adaptation, mitigation, and cross-cutting initiatives (Table 1). This typology serves as a foundational framework for tracking and evaluating climate-related public expenditures, enabling governments to align budgetary decisions with national climate priorities and international commitments.

TABLE 1

Classification of Public Climate Financing Interventions

Classification	Explanation
Adaptation	Actions or programmes specifically designed to adapt to life in a changing climate—by reducing vulnerability to climate change impacts by enhancing resilience. Examples include Climate-Smart Agriculture, early warning systems, Public Works for Resilience, Climate Risk Insurance and Green infrastructure
Mitigation	Actions or programmes designed to reduce climate change— by reducing or preventing greenhouse gas (GHG) emissions or enhancing carbon sequestration. Examples include Renewable energy projects, afforestation, energy efficiency programmes, and clean transport.
Crosscutting	Integrated actions or programmes that simultaneously address climate resilience and emission reduction.

This brief employs a systems-based Climate Budget Tagging (CBT) methodology to analyse trends in public climate financing within Malawi's 2025/26 fiscal year budget. Using this analytical framework, relevant programmes across key Ministries, Departments, and Agencies (MDAs) were systematically identified and clas-

sified as either adaptation, mitigation or cross-cutting depending on their overall objective and contribution to environment and climate change. Each budget line was quantified to determine the scale and distribution of climate-related investments.

Malawi currently loses 1.7 per cent of GDP annually to climate shocks. A figure projected to surge to 16 per cent by 2050 without urgent action.

For this brief, public climate financing consists of allocations to programmes and projects implemented by ten main entities (Table 2 and 3):

TABLE 2

Public Climate Finance programmes by MDA

Vote	MDA	II. Programmes Composition (Total)	Category
■ 470	Ministry of Natural Resources and Climate Change (MoNRCC)	Environmental and Climate Change Management MoNRCC (ORT)	Cross-cutting
■ 310	Ministry of Health and Sanitation (MoHS)	Pandemic and disaster preparedness (ORT)	Adaptation
		Environmental health (ORT)	Adaptation
■ 190	Ministry of Agriculture, Irrigation and Water Development (MoAIWD)	Enhancing the Resilience of Agro-ecological Systems (MoAIWD)	Adaptation
		Resilient Livelihoods and Agricultural Systems (MoAIWD)	Adaptation
		Natural Resource Management and Climate Change (ORT)	Adaptation
■ 090	Office of the President and Cabinet (OPC) - Department of Disaster Management (DoDMA)	Disaster Risk Management (ORT)	Mitigation
		Disaster Preparedness, Relief and Rehabilitation	Cross-cutting
■ 270	Unforeseen expenditure	Disaster Preparedness Relief and Rehabilitation	Cross-cutting
■ 900	Local Government Authorities	LGA Environment (ORT)	Cross-cutting
		LGA Forestry (ORT)	Mitigation
		LGA disaster risk Management (ORT)	Mitigation
■ 275	Sub-vented Organisations	Malawi Environment Protection Authority	Mitigation

TABLE 3

Public Climate Finance Development Projects by MDA

Vote	MDA	II. Development Projects (Total)	Category	Funding Source
■ 180	Ministry of Finance, Economic Planning and Decentralisation (MoFEPD)	Regional Climate Resilience Programme for Eastern and Southern Africa- MoFEA- DI	Adaptation	Loan- World Bank
■ 121	National Local Government Financing Committee (NLGFC)	Urban Public Works Programme (Blantyre City and Zomba City)	Adaptation	Grant- World Bank
		Climate Smart Enhanced Public Works Programme- NLGFC-DI	Adaptation	Grant- World Bank
■ 090	OPC-DoDMA	Multi-national Post Cyclone IDAI Emergency Recovery-DI	Adaptation	Loan-African Development Bank
		Malawi Africa Disaster Risk Financing-DI	Mitigation	Grant-African Development Bank
■ 210	Ministry of Water and Sanitation (MoWS)	Lilongwe Drought Resilience Program-DI	Adaptation	Loan-European Investment Bank
		Malawi Resilience and Disaster Risk Management Project (DI)	Adaptation	Loan-World Bank
		Malawi Resilience and Disaster Risk Management Project (DII)	Adaptation	Government of Malawi
		Climate Adaptation for Sustainable Water-DI	Adaptation	Loan- African Development Bank &Global Environmental Facility

Climatic shocks deepen inequality, increasing poverty by 14 percentage points among the most vulnerable.

Context and Overview of the Nutrition Sector in Malawi

Malawi's efforts in combating climate change and its impacts are governed by International and Regional Frameworks like the United Nations Framework Convention on Climate Change (UNFCCC),¹ The Agenda 2030² and the Paris Agreement³. Malawi adopted the UNFCCC in 1994 to govern its efforts in strengthening country-level responses to pro-poor climate change threats within the sustainable develop-

ment framework. This entails enhancing multifaceted approaches to reducing global temperatures below the pre-industrial levels of 1.5 degrees Celsius while fostering mitigation and adaptation strategies to climate change adversities. These frameworks have improved Malawi's climate financing landscape, attracting major donors like the World Bank to support country-driven climate resilience strategies.



Nationally, climate change management is integral to attaining Malawi's long-term vision, outlined in Malawi 2063, which highlights environmental sustainability as one of the cross-cutting enablers for achieving a wealthy and self-reliant nation (Table 4). The Government has also developed enabling frameworks through various legislative sectoral strategies, plans and policies to address sector-specific climate change challenges, as outlined in Table 4.

Malawi has strengthened its institutional arrangements to manage environment, climate change and disaster-related affairs. The Department of

Climate Change and Meteorological Services (DCCMS), the Environmental Affairs Department (EAD) and the Department of Disaster Affairs Management (DoDMA) are the three main entities that oversee climate change and disaster affairs in Malawi. Supporting these are institutional arrangements like the National Climate Change Fund (NCCF), which is currently being established to govern resource mobilisation and financing priorities, and the National Designation Authority (NDA), a steering committee overseeing external funding.

TABLE 4

National-Level Policies and Plans Guiding Climate Change Management in Malawi

Key National Frameworks	Mandate
Environment Management Act (2017)	Support the operations of the Environmental Affairs Department (EAD), including climate change management.
Disaster Risk Management Act (2023)	Provides a legal framework for managing existing and future disaster preparedness, risk reduction, response and recovery.
National Climate Change Management Policy (2016)	Key policy instrument guiding coordinated and harmonised approaches to climate change management.
Nationally Determined Contribution (NDC) (2021)	Outlines Malawi's post-2020 climate change priorities in addressing the underlying causes and effects—including mitigation and adaptation targets and measures.
National Resilience Strategy (2018-2030)	Aims at breaking the cycle of food insecurity, especially in the wake of increasing floods and droughts due to climate change.
Malawi National Adaptation Plan (2020)	Aims at identifying adaptation strategies tailored to Malawi-specific vulnerabilities, particularly in sectors like agriculture, water resources, health, and disaster risk management.
National Disaster Risk Management Policy (2015)	Provides coherent approaches to reducing the social, economic, and environmental impacts of disasters in Malawi by integrating disaster risk management into development planning
Malawi Carbon Regulatory Framework	Designed to manage carbon emissions and promote sustainable practices by generating carbon credits and selling them to international markets.
Malawi Climate Resilient WASH Financing Strategy (2022-2032)	The strategy sets out a path to close the finance gap in the WASH sector and ensure the financial sustainability of the sector – considering future climate scenarios and the general socio-economic context of the country.

Situational Analysis

Malawi is one of the countries in Southeast Africa most affected by extreme tropical weather conditions, which trigger climatic variability in the form of erratic rainfall, prolonged droughts, and intense flooding events. Between 2010 and 2025, Malawi experienced 19 major flooding events, a rainfall-related landslide, three severe droughts, and five storm disasters, the most recent being Cyclones Jude in 2024 and Chido in 2025.⁴ These climatic shocks are projected to increase in frequency and intensity in the coming decades, particularly if high-emission countries do not implement effective measures to reduce global greenhouse gas emissions and if national strategies for mitigating climatic risks remain inadequately addressed.

The impact of climate-related disasters on Malawi's productive and social sectors is profound, particularly due to its reliance on climate-sensitive economic sectors like agriculture. El Niño events in 2024 reduced agricultural productivity by 16 per cent, increasing reliance on food imports and exacerbating trade imbalances.⁵ Furthermore, recent cyclones Chido and Jude impacted more than 45,000 individuals across 13 districts in the southern and eastern regions, exposing over 8,000 household latrines and handwashing stations in low-lying areas to contamination.⁶ Moreover, these climatic shocks have exacerbated poverty and food insecurity among over 500,000 households, further straining already constrained resources and infrastructure across all sectors⁷. The livelihoods of the vulnerable are at risk, with droughts and floods increasing poverty by 14 percentage points among individuals with education levels of primary or less.⁸

Survival strategies like deforestation fuel a vicious cycle, worsening climatic shocks and deepening poverty.



Climate change management efforts in Malawi face persistent challenges from competing development priorities, particularly poverty alleviation. Over 50.7 per cent of individuals in Malawi live below the national poverty line, with 75.4 per cent estimated to live below the international poverty line of \$3 (MWK5,253) per day by the end of 2025.⁹ Notably, high poverty levels continue to drive individuals towards short-term survival strategies, such as deforestation, leading to the unsustainable exploitation of natural resources—water, fertile land, and biodiversity. While providing immediate relief, these practices have reinforced a devastating vicious cycle: As ecosystems deteriorate, the frequency and intensity of climatic shocks—catastrophic floods and prolonged droughts—intensify, further disrupting livelihoods and deepening poverty. This threatens to erase hard-won development gains while escalating climate risks.

To support the country's emission reduction efforts, Malawi has established a National Carbon Market Framework¹⁰. The Framework has been developed to guide the implementation, monitoring and reporting of carbon projects in Malawi, support greenhouse gas emissions reduction, and support mobilisation of climate finance for implementation of Malawi's NDC and national development agenda. To comply with the new regulations outlined in the Framework, carbon projects will be required to register with the Malawi Carbon Registry System to avoid future ineligibility.

Malawi is progressively expanding formal financial services, such as disaster risk insurance, to shield households from the impacts of climatic shocks.

While 74 per cent of the population has access to formal financial services, women remain disproportionately excluded, primarily due to limited education and access to land tenure security and credit, heightening their exposure to these climate risks¹¹.

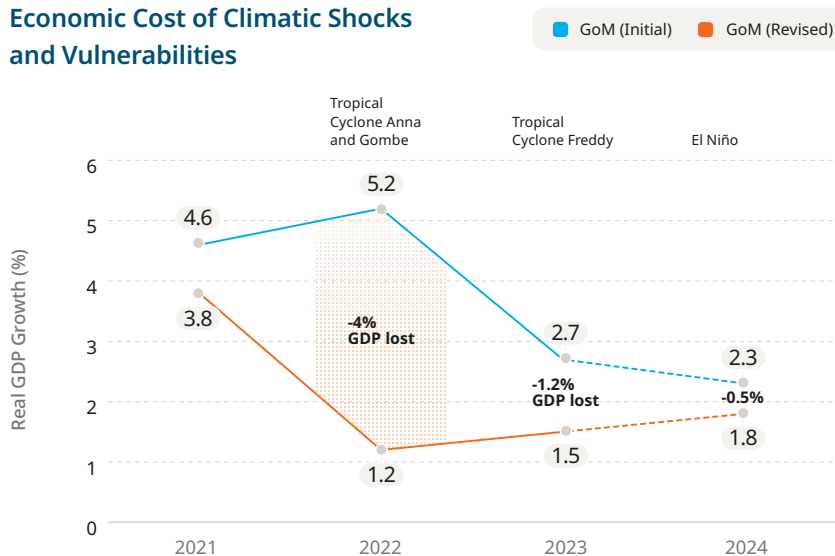
Climate variability and its impacts will make it harder for Malawi to reach its ambitious development vision (Figure 1). The Malawi Country Climate and Development Report (2022) estimates that Malawi currently loses 1.7 per cent of GDP annually due to climatic

shocks.¹² For instance, while GDP growth in 2023 was initially projected at 2.7 per cent, the devastating effects of Cyclone Freddy reduced actual growth to just 1.5 per cent. Looking ahead, the report further estimates that if Malawi stays on its current low-growth development trajectory, it will likely experience a 3-9 percentage point loss in GDP by 2030 and an 8-16 percentage loss by 2050.

Addressing these challenges necessitates a comprehensive multisectoral approach to improve resource flow and utilisation. This involves enhancing resource allocation strategies and maximising the use of the existing resource envelope to achieve more effective outcomes.

FIGURE 1

Economic Cost of Climatic Shocks and Vulnerabilities



Women remain disproportionately excluded from financial services like insurance, heightening their exposure to climate risks.

Size of Climate Financing

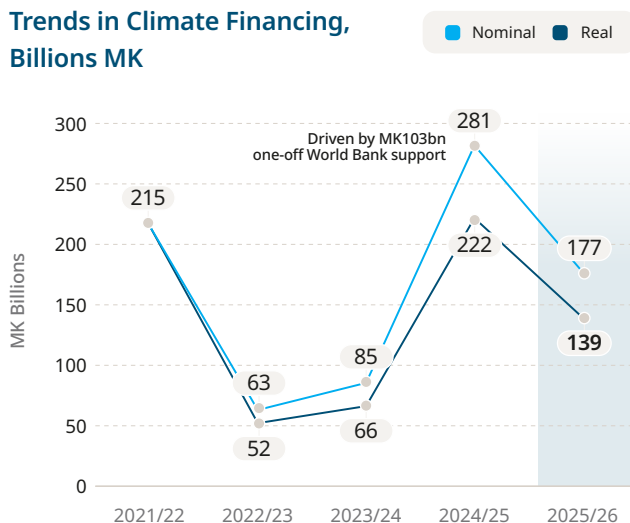
The estimated budget for environment and climate management in 2025/26 has significantly declined in nominal terms by 37 per cent, from MK282 billion in 2024/25 to MK177 billion in 2025/26 (Figure 2). In real terms, the budget has declined by over half, accounting for an average inflation of 27 per cent. The decline is largely influenced by the one-time Catastrophe Deferred Drawdown Option (CAT-DDO) provision of MK103 billion by the World Bank to support El Niño recovery in 2024/25. Notably, two key development programmes have also significantly influenced this decrease: the Climate Smart Enhanced Public Works Program (CS-EPWP) under NLGFC which has declined by 27 per cent, from MK80 billion in 2024/25 to MK58 billion in 2025/26; and the Malawi Resilience and Disaster Risk Management Project under Ministry of Water and Sanitation, which has declined by 17 per cent, from MK50 billion in 2024/25 to MK41 billion in 2025/26.

Compared to 2024/25, the share of public climate finance in Malawi's 2025/26 budget has declined both as a proportion of the Total Government

Budget (TGB) and Gross Domestic Product (GDP)—falling from 4.7 per cent to 2.2 per cent of TGB, and from 1.5 per cent to 0.7 per cent of GDP, respectively (Figure 3). The current allocations, while notable in a constrained fiscal context, remain insufficient relative to the scale of investment required to meet Malawi's Nationally Determined Contributions (NDCs) and to safeguard its economy from worsening climate shocks. International analyses, including those from the OECD, emphasise the need for significantly scaled-up investment to close the climate finance gap. For example, developed countries would need to mobilise between \$890 billion and \$1.46 trillion annually by 2030 (1.4 per cent of their GDP) to support developing and underdeveloped countries like Malawi¹³. For Malawi, this reinforces the urgency of scaling up domestic climate financing while also adopting more innovative financing approaches, particularly blended finance mechanisms that combine public funds with private sector capital and concessional resources.

FIGURE 2

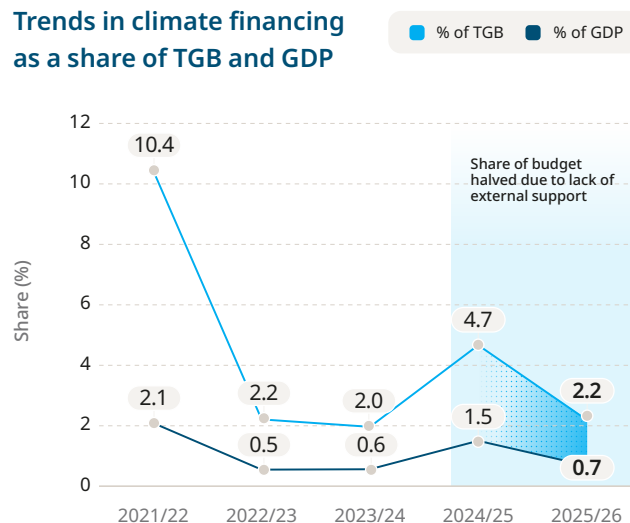
Trends in Climate Financing, Billions MK



Source: Government Budget and Financial Documents, 2021/22-2025/26

FIGURE 3

Trends in climate financing as a share of TGB and GDP



Source: Government Budget and Financial Documents, 2021/22-2025/26

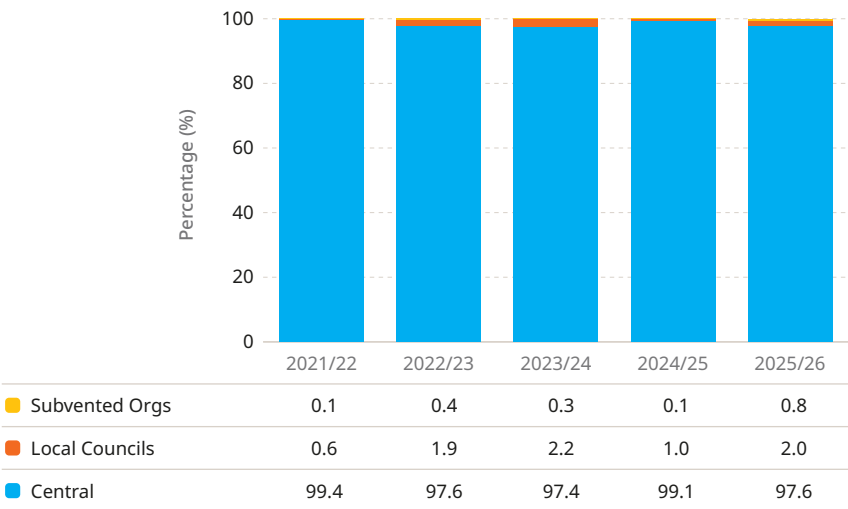
Composition of Public Climate Financing

Malawi's public climate finance architecture remains heavily centralised, with 98 per cent of public climate funds managed at the national level—leaving just 2 per cent for local governments to address context-specific climatic vulnerabilities (Figure 4).

This variation is largely driven by the dominance of donor-supported projects, which are typically administered at the central level. To supplement decentralised climate financing, NLGFC has progressively devolved MK57.8 billion (USD\$33 million) in 2025/26 to support locally led adaptive projects, including soil and water conservation management and livelihood development under the World Bank-funded CS-EPWP programme.

FIGURE 4

Classification of Climate Financing by Level



Source: Government Budget and Financial Documents, 2021/22-2025/26



The NLGFC holds the majority (34 per cent) of the funds for environment and climate change (Table 5). This is linked to the fact that the NLGFC currently manages the CS-EPWP programme, which is the most funded public climate finance programme. The Ministry of Water and Sanitation (MoWS) is the second most funded sector (23 per cent), followed by the MoFEPD (23 per cent) and the Department of Disaster Management Affairs (DoDMA) under the Office of the President and Cabinet (OPC) (17 per cent). The Ministry of Natural Resources and Climate Change (MoNRCC), despite being the policy holder, along with the MoHS and the MoAIWD, are the least funded sectors, each receiving less than 1 per cent of the budget for 2025/26.

TABLE 5

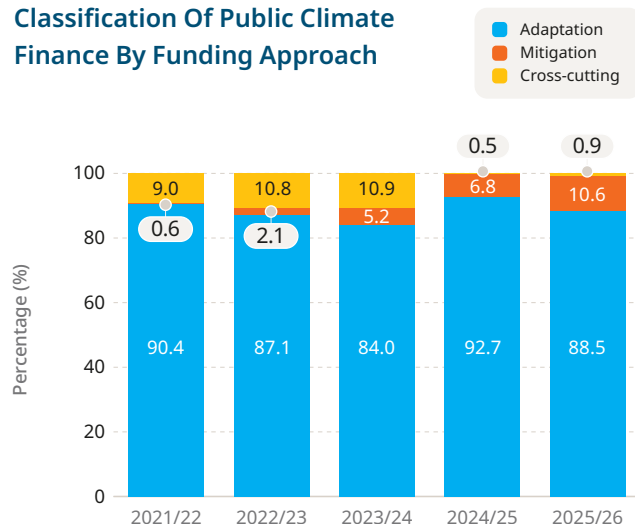
Classification of Climate Financing by MDA

II. Composition by MDA	2021/22	2022/23	2023/24	2024/25	2025/26	% Share
MoNRCC	2,560	1,712	6,350	1,048	1,211	0.7
MoHS	1,114	1,076	214	208	674	0.4
MoAIWD	169,158	4,624	-	-	-	0.0
MoFEPD	-	-	-	16,834	39,997	22.6
MoWS	14,791	32,613	11,543	49,614	40,941	23.1
OPC-DoDMA	24,464	4,461	7,456	28,965	29,300	16.5
Malawi Environment Protection Authority	200	267	293	313	1,400	0.8
Unforeseen Expenditure	2,000	2,000	-	-	-	0.0
NLGFC	-	15,105	57,719	79,594	60,741	34.3
LGAs	1,187	1,226	1,900	2,279	2,781	1.6
Total	215,474	63,085	85,475	178,855	177,046	100

Source: Government Budget and Financial Documents, 2021/22-2025/26

FIGURE 5

Classification Of Public Climate Finance By Funding Approach



Source: Government Budget and Financial Documents, 2021/22-2025/26

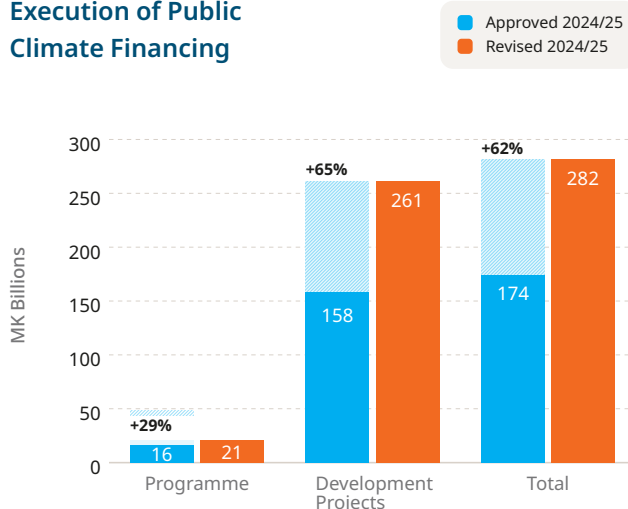
About 89 per cent of climate change-related programmes—like disaster risk management, resilient agriculture, and post-cyclone recovery—are adaptation-focused, responding to the country’s extreme vulnerability to climate shocks (Figure 5). In contrast, only 10 per cent of resources are allocated to mitigation efforts, with 1 per cent dedicated to cross-cutting initiatives. This emphasis is justified under climate justice principles, given that Malawi contributes minimally to global emissions yet faces severe climate impacts. While adaptation remains the priority to enhance economic recovery from the rampant climatic shocks, mitigation co-benefits is essential by investing in interventions like early warning systems, afforestation and financial instruments, among others. Such dual-purpose interventions, paired with climate-smart budget tagging and risk insurance schemes, would reduce future vulnerability while addressing Malawi’s urgent adaptation needs.

Credibility and Execution of Public Climate Financing

The 2024/25 public climate financing faced major execution challenges, with upward adjustments of 62 per cent at mid-year, above the ± 5 per cent PEFA credibility threshold (Figure 6). This is attributed to a significant 65 per cent upward adjustment to the development budget at mid-year—particularly, a MK103 billion provision by the World Bank at mid-year to respond to the aftermath of El Niño. The Disaster Risk Management programme budget under DoDMA faced an upward revision of 40 per cent, with an additional MK4.8 billion provided at mid-year to respond to disaster resilience and recovery from El Niño—causing an overall upward adjustment to the climate financing programme by 29 per cent. To strengthen budget credibility and enhance fiscal preparedness, the Government is encouraged to promote stronger collaboration between DoDMA, MoFEPD, and development partners to align emergency financing with long-term climate resilience strategies.

FIGURE 6

Execution of Public Climate Financing



Source: Government Budget and Financial Documents, 2021/22-2025/26

Fiscal Decentralisation of Climate Financing

Central government transfers to Local Councils for delivering environmental and climate change management interventions have remained relatively unchanged in real terms (Table 6). While the budget has nominally increased by 22 per cent from MK2.2 billion in 2024/25 to MK2.7 billion in 2025/26, the real value remains roughly the same at MK2.3 billion in 2025/26. Notably, 87 per cent of this budget is allocated to mitigation efforts, with adaptive needs particularly addressed under the CS-EPWP.

Despite a nominal 22% district budget increase, inflation has eroded all gains, leaving purchasing power stagnant.



TABLE 6

Decentralised Budgets for Environmental and Climate Change Management Interventions

Programme	Category	2021/22	2022/23	2023/24	2024/25	2025/26
Environment	Crosscutting	154	158	247	296	361
Forestry	Mitigation	153	157	245	293	358
Disaster Risk Management	Mitigation	880	911	1,408	1,690	2,062
Total		1,187	1,226	1,900	2,279	2,781

Source: Government Budget and Financial Documents, 2021/22-2025/26

At just 2 per cent of the total, district budgets fall short of what is needed to address escalating climate adaptation and mitigation demands. With such constrained budgets, districts are compelled to focus disproportionately on reactive measures—such as emergency flood relief, at the expense of long-term resilience

investments like urban green infrastructure or early warning systems. This underfunding further limits the ability of districts to develop viable, bankable climate projects that enhance community resilience, reduce vulnerability, and unlock economic opportunities in sustainable sectors such as renewable energy and agroforestry.

Financing of Environmental Management and Climate Change in Malawi

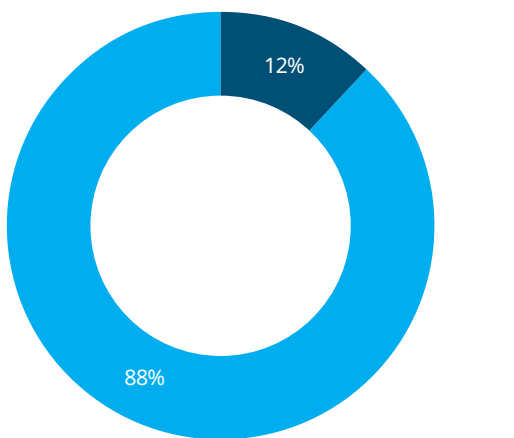
Climate financing in Malawi remains heavily reliant on external support, with development partners contributing 88 per cent of the total funding in the 2025/26 fiscal year (Figure 7). The government's contribution is significantly lower, accounting for only 12 per cent, primarily through the Other Recurrent Transactions (ORT) budget. Fiscal constraints and growing debt obligations have limited the scope for increased national investment in climate action. While international support is key in addressing immediate needs, its project-based nature often prioritises short-to-medium-term relief efforts over comprehensive rehabilitation programmes. To transition toward sustainable resilience, Malawi could explore blended financing models, such as a Climate Finance Trust Fund co-funded by donors and domestic revenues, and innovative instruments like

green bonds to align immediate disaster response with multi-year adaptation programmes.

The on-budget donor support for 2025/26 was provided in the form of climate-action concessional financing (DI), which includes both loans and grants (Figure 8). Of the total development budget, 61 per cent was a blend of loans and grants, while 39 per cent was provided in the form of grants. Although these loans are concessional—characterised by low or no interest rates and extended repayment terms—their deployment is largely contingent on the scope for repayment, contributing to Malawi's already high external debt, which stood at MK7.4 trillion as of September 2024 and crowding out other developmental investments.

FIGURE 7

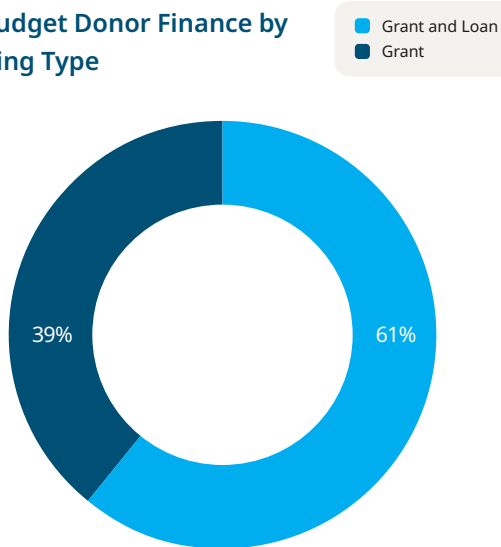
Classification of Public Climate Finance by Funding Source



Source: Government Budget and Financial Documents, 2021/22-2025/26

FIGURE 8

On-Budget Donor Finance by Funding Type



Source: Government Budget and Financial Documents, 2021/22-2025/26

Climate and disaster risk financing is largely delivered through off-budget mechanisms (Table 7).

The Green Climate Fund (GCF) is the largest contributor, with over US\$110 million in funding directed to the then Ministry of Natural Resources and Climate Change for climate resilience programmes. Other key donors, including the African Development Bank (AfDB), Global Shield, Food and Agriculture Organisation (FAO) and the World Food Programme (WFP), are supporting the various Ministries, Departments and Agencies like the Ministry of Agriculture in implementing climate-smart crop insurance schemes. These initiatives aim to protect smallholder farmers from financial losses caused by increasing climate shocks, such as droughts and floods.

To further enhance climate financing, Malawi has leveraged Article 6 of the Paris Agreement and is advancing carbon trading under the Nationally Determined Contributions (NDCs). In 2023, the government launched a carbon trading initiative targeting a harvest of 19.9 million metric tons of carbon stocks, which were projected to yield US\$600 million by 2025. By 2024, Malawi accrued US\$9.5 million through the sale of 1.5 million carbon credits under the Internationally Transferred Mitigation Outcomes (ITMOs) mechanism¹⁴.

Building on this momentum, the government introduced the Carbon Market Framework in July 2025, which is progressively facilitating the registration of other carbon developers like the Green Economic Partnership (GEP)¹⁵ across key sectors such as renewable energy, agriculture, and forestry. This growing participation signals a promising trajectory for increased revenue generation and enhanced climate resilience through market-based solutions.

Malawi could further benefit from innovative financing like the Loss and Damage Funding established under the UNFCCC during the COP28, if the Government strengthens and operationalises anticipatory frameworks. Previously, Malawi has tapped into reactive instruments like the World Bank's Catastrophic Deferred Disbursement Option (CAT DDO)—with MK103 billion allocated in 2024/25 to address El Niño impacts and MK22 billion disbursed in 2019/20 following Cyclone Idai. However, scaling up anticipatory instruments such as forecast-based financing and anticipatory action mechanisms could unlock additional resources from global climate finance platforms, including the Loss and Damage Fund.

TABLE 7

Off-Budget Support to MDAs

Donor	Total Grant	Matching Grant	Focus	MDA Responsible
Green Climate Fund	\$114.1 million	US\$12.3 million from the GoM and \$1.8 million from UNDP	Scaling Up of Modernised Climate Information and Early Warning Systems in Malawi	MoNRCC
African Development Bank	\$11.2 million		Agricultural Climate Insurance	MoAIWD
African Development Bank	\$410,400		Disaster Risk Financing Programme	
WFP	\$9.9 million	None	Agricultural Climate Insurance-Building resilience of food systems	
FAO	\$50 million		Ecosystems-based Adaptation for Resilient Watersheds and Communities (EbAM)	
Global Environment Facility	\$40 million	None	4 LDCF projects	MoNRCC

Considering the current financing trajectory, available resources will fall short of meeting the required projected needs of USD\$46 billion by 2040, as outlined in the NAP Framework and the NDC¹⁶ (Table 8). Of this total, one-third (US\$9 billion) is required in

the current decade (2023–30), while two-thirds (US\$32 billion) will be needed between 2031 and 2040. The NAP Framework further estimates that only 24 per cent of the total funding can be covered by domestic resources, with 76 per cent to be financed through international support.

TABLE 8

Malawi's Climate Financing Needs

USD Millions	2020-2025	2025-2030	2030-2040	Total
Mitigation measures				
Unconditional contribution	1,664	1,949	5,362	8,974
Conditional contribution	2,550	5,393	24,866	32,808
Total	4,213	7,341	30,228	41,782
Adaptation measures				
Unconditional contribution	573	738	817	2,128
Conditional contribution	656	818	945	2,419
Total	1,230	1,556	1,762	4,547
Combined total	5,443	8,897	31,990	46,329

Source: Nationally Determined Contribution, 2021

The Government of Malawi, therefore, faces persistent fiscal pressure to balance critical investments across climate priorities and other essential sectors such as health, education, and food security. Within an already constrained budget envelope, this trade-off threatens the country's ability to meet the financing benchmarks outlined in its Nationally Determined Contributions (NDCs) and impedes progress toward long-term development goals articulated in the Malawi 2063 agenda.

The government has, therefore, found itself in a crucial position to secure financing for enhancing environmental and climate change management across all sectors. Enhanced domestic resource mobilisation and efficient resource allocation are vital steps that the government will need to implement to ensure the achievement of the NDCs. This entails:

- Enhancing domestic revenue through broadening the tax base and introducing innovative instruments such as carbon pricing, green bonds, and blended finance mechanisms that combine public, concessional, and private capital.
- Strengthening subnational capacity by enhancing fiscal transfers to support the implementation of climate change goals highlighted in the District Development Plans (DDPs).
- Incentivising private investments in climate financing by enhancing the green investment taxonomy and expanding carbon trading and Public Private Partnership (PPP) frameworks for climate change-related interventions.
- Improving public financial management (PFM) by aligning budget allocations with climate priorities outlined in the MIP-1 and NDC and enhancing budget execution and accountability systems.

Citations

[1] United Nations Framework Convention on Climate Change (UNFCCC). https://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf

[2] The 2030 Agenda for Sustainable Development. https://www.unssc.org/sites/default/files/2030_agenda_for_sustainable_development_kcsd_primer_en.pdf

[3] The Paris Agreement. https://unfccc.int/sites/default/files/english_paris_agreement.pdf

[4] Year 1 Progress Report: Malawi Emergency Preparedness and Response (EPR) Roadmap 2023-2025. <https://reliefweb.int/report/malawi/year-1-progress-report-malawi-emergency-preparedness-and-response-epr-roadmap-2023-2025>

[5] Malawi Drought Flash Appeal: July 2024 – April 2025. <https://www.unocha.org/publications/report/malawi/malawi-drought-flash-appeal-july-2024-april-2025-july-2024>

[6] Southern Africa: Tropical Cyclone Chido - Flash Update No. 6 (18 December 2024). <https://reliefweb.int/report/mozambique/southern-africa-tropical-cyclone-chido-flash-update-no-6-18-december-2024>

[7] Integrated Food Security Phase Classification (IPC) Malawi Analysis. <https://www.ipcinfo.org/ipc-country-analysis/details-map/fi/c/1155612/?iso3=MWI>

[8] The Malawi Country Climate and Development Report, 2022.

[9] The World Bank Poverty and Inequality Platform. pip.worldbank.org/country-profiles/MWI

[10] Malawi National Carbon Market Framework, 2025.

[11] National Strategy for Financial Inclusion III (2024-2028). <https://www.afi-global.org/wp-content/uploads/2025/02/National-Strategy-for-Financial-Inclusion-III.pdf>

[12] World Bank Group. <https://documents1.worldbank.org/curated/en/099545010272237260/pdf/P1772201ced75ce9182e7142761bde013662bca-4fe42.pdf>

[13] The New Collective Quantified Goal on Climate Finance. https://unctad.org/system/files/official-document/tcsgdsinf2024d2_en.pdf

[14] KliK International (Malawi).

[15] Green Economy Partnership: Net Zero Emissions by 2050.

[16] Malawi Updated Nationally Determined Contribution (NDC), July 2021. <https://unfccc.int/sites/default/files/NDC/2022-06/Malawi%20Updated%20NDC%20July%202021%20submitted.pdf>



for every child, a safe and sustainable environment

Acknowledgements

This budget brief was written by the UNICEF Malawi Social Policy Team of Kettie Sambani and Tapiwa Kelvin Mutambirwa under the guidance of Mathew Tasker and James Robertson and leadership from Penelope Campbell (DrPH). The brief benefited from technical inputs from Amy Clancy, Deputy Representative for Programmes at UNICEF Malawi.

The brief was produced with financial support from the European Union and the Government of Ireland as part of the Social Protection for Gender Empowerment and Resilience (SP-GEAR) or Amai Titukuke.

FOR MORE INFORMATION, CONTACT



James Robertson
Chief of WASH
UNICEF Malawi, Lilongwe
jrobertson@unicef.org

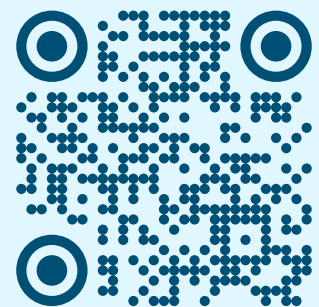


Mathew Tasker
Chief of Social Policy
UNICEF Malawi, Lilongwe
mtasker@unicef.org

Photographs: ©UNICEFMalawi/2025

See your support in action

Scan to discover how we are changing lives and building a better future for children across Malawi



unicef.org/malawi



unicef
for every child



Ireland

