



THE MALAWI GOVERNMENT 2020/2021 BUDGET IN BRIEF: CITIZENS BUDGET

1. The Malawian Economy

In 2018, growth in Malawi economy was at 3.2 percent down from 4.0 percent in 2017. The slump in growth was on account of the dry spells and fall army worms which hit many parts of the country. In addition, the power shortages which the country was experiencing also negatively impacted the economy by affecting production and increased costs for some businesses. In 2019, the economy grew by 4.5 percent a 1.3 percent point increase from the 2018 growth. This growth was supported by good performance in agriculture sector following improved weather conditions.

In 2020, the economy is projected to grow at a rate of 1.9 percent. This decimal growth rate in the economy is due to the impact of COVID-19 and post-election instability which disrupted business activities.

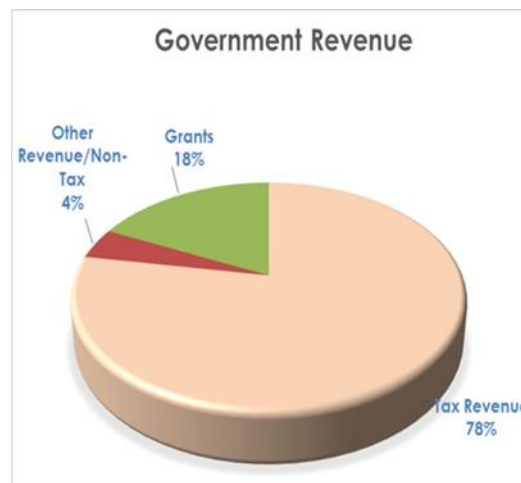
The annual average inflation rate for 2019 was at 9.3 percent, down from 10.5 percent in 2018. The annual average inflation rate for 2020 is projected at 9.9 percent, which represents a 0.6 percentage point rise from the annual average inflation rate in 2019.

2. 2020-21 Budget Framework

2.1 Total Resources

Total revenues and grants for the 2020-21 Financial Year (FY) are estimated at K1,435.05 billion (20.1 percent of GDP) comprising K1,179.35 billion in domestic revenues and K255.71 billion in grants. This represents a 6.0 percent reduction from the 2019/20 mid-year revised figure of K1,526.57 billion mainly on account of under performance of the economy due to the impact of COVID-19 pandemic. Out of the projected total revenue and grants figure of K1,435.05 billion, tax

revenues represent 78 percent, other revenues 4 percent and grants from development partners represent 18 percent.



In 2020-21 FY, tax revenues are projected at K1,116.27 billion representing a 12.9 percent reduction from a 2019-20 FY mid-year revised figure of K1,281.09 billion. Other revenue (non-tax revenue) are projected to go down by 10.4 percent to K63.1 billion from a mid-year revised figure of K70.43 billion in 2019-20 FY due to reduction in parastatal dividends and departmental receipts.

Out of the projected grants of K255.71 billion, K34.76 billion will come from foreign Governments such as Norway, Germany and Ireland while K220.95 billion will come from international organisations such as World Bank, African Development Bank, European Union and International Fund for Agricultural Development. Compared to 2019-20 FY, grants are projected to go up by 46.1 percent in 2020-21 FY.

2.2 Expenditure

In 2020-21 FY, Government expenditure is estimated at K2,189.9 billion (30.6 percent of GDP) representing an increase of 18.9 percent from a mid-year revised figure of K1,841.43 billion in 2019-20 FY. Of this amount, K1,678.7 billion is recurrent expenditure (salaries, interest payments, subsidies and Government operations) whereas K511.2 billion is development

expenditure. Out of K511.2 billion of development expenditure, K100.9 billion will be financed by domestic resources and K410.3 billion will be financed by foreign resources.

2.3 Budget Deficit

In 2020-21 FY, the projected budget deficit is K754.8 billion (10.6 percent of GDP). The deficit will be financed by foreign borrowing amounting to K224.8 billion (earmarked for projects) and domestic borrowing amounting to K530.1 billion.

Table 1: Budget Framework (MK' Millions)

Category	2019-20 Approved Estimates	2019-20 Mid-Year Revised Estimates	2020-21 Proposed Estimates
Total Revenue and Grants	1,575,123	1,526,572	1,435,051
Domestic Revenue	1,425,065	1,351,523	1,179,345
Tax Revenue	1,369,262	1,281,091	1,116,265
Other Revenue	55,803	70,432	63,080
Grants	150,058	175,049	255,705
From Foreign Governments	42,698	43,935	34,755
From International Organizations	107,360	131,115	220,950
Total Expenditure	1,737,204	1,841,538	2,189,880
Recurrent Expenses	1,298,955	1,370,824	1,678,693
Compensation of Employees	455,790	478,057	538,018
Wages and Salaries	443,429	465,696	523,680
Government Contributory pension	12,361	12,361	14,338
Public Debt Interest	243,996	243,996	376,014
Foreign interest	15,472	15,472	11,854
Domestic interest	228,523	228,523	364,160
Use of Goods and Services	296,822	346,072	308,911
Generic goods and services	182,693	202,652	184,869
Census	540	540	-
Health Sector	54,272	54,272	60,145
Agriculture Sector	9,343	9,343	7,550
Education Sector	29,648	29,648	35,045

Category	2019-20 Approved Estimates	2019-20 Mid-Year Revised Estimates	2020-21 Proposed Estimates
Utility Arrears	7,000	7,000	7,000
Storage levy expenses	2,108	2,267	2,984
Maize purchases	10,000	10,000	10,000
Elections	1,218	30,350	1,318
Grants	173,899	173,851	177,240
To other General Government Units	173,899	173,851	177,240
Road Fund Administration	32,057	30,307	33,991
Roads Authority	4,218	4,218	4,416
Transfer to MRA	40,317	37,625	32,396
Subvented Organizations	88,307	92,701	97,437
Net Lending for Students Loans Board	9,000	9,000	9,000
Social Benefits	123,869	123,869	266,010
Affordable Input Program	35,500	35,500	160,169
Pensions and Gratuities	85,919	85,919	102,840
Social Cash Transfer - Government	2,450	2,450	3,000
Other Statutory expenditures	4,580	4,980	12,500
Development Expenditure	438,249	470,714	511,188
Foreign financed projects (Part I)	306,486	333,332	410,295
Domestic financed projects (Part II)	131,763	137,382	100,893
Net Lending/ Net Borrowing	162,081	314,966	754,830
Domestic Primary Balance	238,343	87,312	224,226
Total Financing	162,081	314,966	754,830
Foreign Financing (net)	109,748	111,602	224,779
Foreign Borrowing	156,428	158,282	267,479
Foreign Amortization	-	-	-
	46,680	46,680	42,700
Domestic Borrowing (Net)	52,333	203,364	530,051

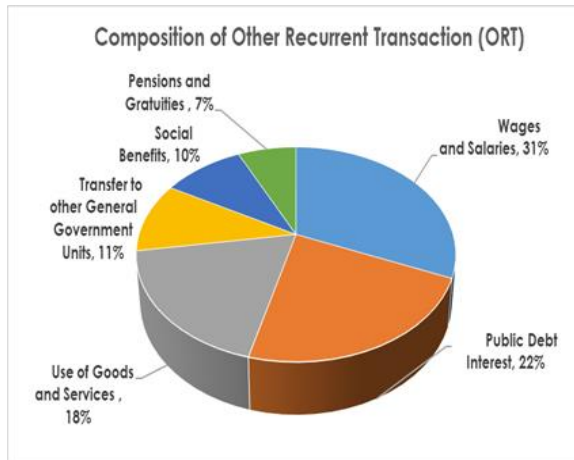
3. Allocations to Major Categories of Expenditure

3.1 Wages and Salaries

Wages and salaries are estimated at K523.7 billion, representing an increase of 12.5 percent from a 2019-20 mid-year revised figure of K465.7 billion. The increase is mainly on account of salary adjustment and recruitments. Out of the K523.7 billion, 43 percent is salaries for primary and secondary school teachers, 22 percent is salaries for health personnel and 16 percent is for salaries for security personnel.

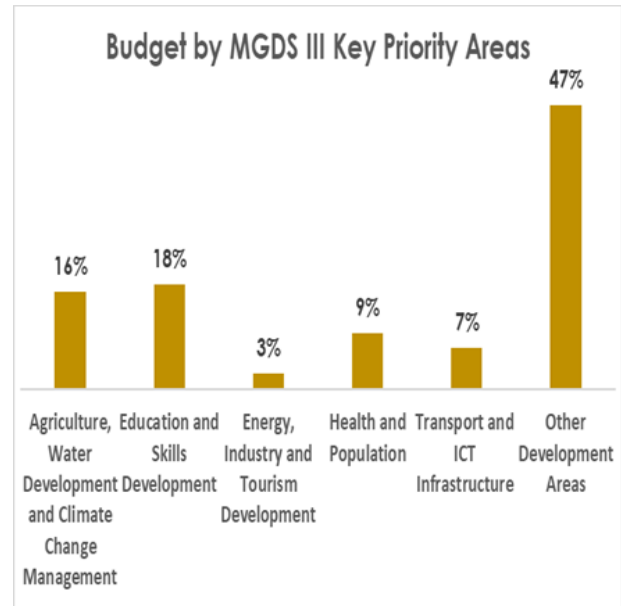
3.2 Other Recurrent Expenditures

The total allocation for other recurrent transactions is estimated at K1,155.0 billion, representing an increase of 27.6 percent from 2019-20 mid-year revised budget. Specific allocations are highlighted in the figure below.



4. Budget Allocations by MGDS III

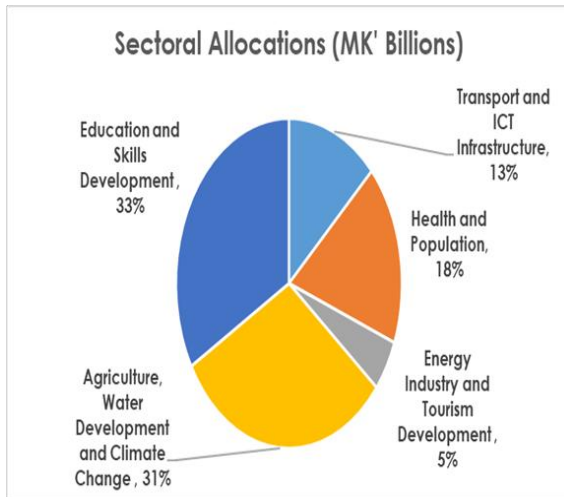
The figure below shows budget allocations by MGDS III for 2020-21 FY.



As observed in the figure, 47 percent of the total budget has been allocated to Other Development Areas, 18 percent has been allocated to Education and Skills Development, 16 percent has been allocated to Agriculture and Climate Change, 9 percent has been allocated to Health and Population, 7 percent has been allocated to Transport and ICT Infrastructure and 3 percent has been allocated to Energy, Industry and Tourism Development.

The bulk of resources have been allocated under Other Development Areas because many MDAs fall under this category namely; security institutions, governance institutions, local government service, rule of law and social development.

5. Sectoral Allocations



6. Budget Lines Directly Benefiting the Masses

The following are some of the expenditure lines that will directly benefit the masses:

Agriculture, Irrigation and Water Development Sector

- Allocated K81.6 billion for water supply and sanitation projects;
- Allocated K23.6 billion for irrigation projects;
- Allocated K160.2 billion for Affordable Input Programme targeting 4,279,100 farm families. Each farm family will buy 2 bags of fertilizers (Urea and NPK) at a price of K4,495 per bag;
- Allocated K10 billion for maize purchase to restock strategic grain reserves.

Transport Infrastructure

- Allocated K84.6 billion for road infrastructure;
- Allocated K38.2 billion for routine road maintenance;
- Allocated K1.1 billion for Likoma Jetty; and
- Allocated K600 million for airport infrastructure.

Social Sector

- Allocated K5.2 billion for Social Cash Transfer;

- Allocated K3.6 billion for operations for Ministries of Gender, Persons with Disability, Social Welfare, Gender and Community Development in District Councils; and
- Allocated K0.5 billion for the implementation of the National Action Plan on Albinism and recapitalisation of the Disability Fund.

Health Sector

- Allocated K28 billion for drugs for both Central (K11.7 billion) and District (K16.3 billion) Hospitals;
- Allocated K8.2 billion for construction of hospitals;
- Allocated K8 billion for the recruitment of health personnel; and
- Allocated K2.3 billion for purchase of ambulances.

Education and Skills Sector

- Allocated K66.9 billion for operations of Public Universities;
- Allocated K35 billion for operations of primary and secondary schools including teaching and learning materials;
- Allocated K9 billion for university student loans; and
- Allocated K4.5 billion for the Youth Internship Programme;

Rural Development

- Allocated K45.6 billion for Rural development projects;
- Allocated K6 billion for construction of city roads;
- Allocated K7.7 billion for Constituency Development Fund (CDF);
- Allocated K3.4 billion for District Development Fund (DDF); and
- Allocated K2.3 billion for construction of water structures which includes boreholes.

7. Further information

For more information, please contact The Secretary to The Treasury, Ministry of Finance, P. O. Box 30049, Lilongwe, Tell: +265 (0)1 789 355, Fax: +265 (0)1 789 173 or E-mail: budget@finance.gov.mw. More Budget Publications can also be accessed by visiting www.finance.gov.mw.