REPUBLIC OF MALAWI

2025-26 MID-YEAR BUDGET REVIEW STATEMENT

Presented by

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on

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MOTION

1. **Mr. Speaker Sir,** I beg to move that the Mid-Year revised estimates on the Recurrent and Development Accounts for the 2025-26 National Budget be referred to the Committee of the Whole House for detailed review, consideration, vote by vote, and subsequent adoption.

INTRODUCTION

2. **Mr. Speaker Sir,** the Public Finance Management Act 2022 (PFMA) requires the Minister responsible for Finance to submit to this August House, a report on Budget implementation during the first half and proposed revisions expected in the second half of the Financial Year. I therefore, call upon all Honourable Members to constructively deliberate on the budget revisions which I will soon outline in my speech.

3. **Mr. Speaker, Sir,** I rise to deliver my inaugural 2025-26 Mid-Year Budget Review Statement to this August House following my re-appointment as Minister of Finance, Economic Planning, and Decentralization in October 2025. I am deeply honoured

by the trust His Excellency, the State President, Professor Arthur Peter Mutharika, has placed in me to manage the economy and public finances during a period marked by deep socio-economic and fiscal struggles. I wish to assure His Excellency and this August House of my unwavering commitment to execute my duties with the highest standards of integrity and, above all, to serve the interests of all Malawians, in particular the vulnerable people.

4. **Mr. Speaker Sir,** in light of the current economic challenges, the Government has developed the National Economic Recovery Plan (NERP) whose objective is to stabilize the economy, restore confidence and accelerate inclusive growth. This strategic framework outlines immediate, short-term, and medium-term measures. This plan is in line with the Malawi 2063 First 10-Year Implementation Plan (MIP 1) which is a strategy to achieve wealth creation and self-reliance.

5. **Mr Speaker Sir,** the NERP focuses on fiscal consolidation to create fiscal space for strategic investments in key sectors such as Agriculture, Tourism, Mining, Manufacturing and

Digitilisation. It also prioritizes investment in critical infrastructure and human capital development including strengthening social protection systems to safeguard vulnerable populations and the provision of pharmaceuticals.

6. In my statement today, **Mr. Speaker Sir,** I will begin by outlining the macroeconomic developments observed midway through the implementation of the 2025–26 Budget. I will then report on revenue and expenditure performance, including the financing of the budget deficit as well as pressure points that will require additional resources in the Revised Budget. Furthermore, I will highlight the key economic and fiscal reforms currently being pursued by this administration. Finally, I will set out the revenue enhancement measures that Government will implement in the second half of the 2025-26 Budget.

MACROECONOMIC DEVELOPMENTS

World Economic Outlook

7. **Mr. Speaker Sir,** the October 2025 World Economic Outlook (WEO) report by the IMF states that the prospects for the global economy remain subdued. The global growth is projected to slow down from 3.3 percent in 2024 to 3.2 percent in 2025 and 3.1 percent in 2026, with advanced economies growing around 1.5 percent and emerging markets and developing economies just above 4 percent. Inflation is projected to continue to decline globally, though with variation across countries.

Regional Economic Outlook

8. **Mr. Speaker Sir,** Sub-Saharan Africa's economic outlook reflects notable resilience amid a difficult global backdrop. The region continues to face uneven commodity price trends; persistently tight borrowing conditions; and a weakening global trade and aid environment. Despite these headwinds, **Mr. Speaker Sir,** economic growth is expected to remain steady at 4.1 percent in 2025, with a slight improvement

anticipated in 2026, driven by macroeconomic stabilization and reform efforts in key economies. However, this resilience remains fragile and should not be assumed as guaranteed.

Macroeconomic Developments in Malawi

9. **Mr. Speaker Sir,** Malawi's projected GDP growth for 2025 has been revised downward from an estimate of 2.8 percent in May 2025 to 2.7 percent in November 2025. The slight downward revision is on account of shortage of foreign exchange and fuel, which have consequently constrained growth in some key sectors of the economy such as manufacturing and, wholesale and retail. It is worth noting that the growth has declined sharply in the past 5 years from an average of 5 percent in 2019.

10. **Mr. Speaker Sir,** GDP is expected to grow by 3.8 percent in 2026 and 4.9 percent in 2027. The growth is expected to be anchored through improvements and investment in Agriculture, Tourism, Mining, Manufacturing and Digitalisation. In addition, these sectors will be supported by economic

enablers including infrastructure, transport and energy. Further to this, the Government plans to intensify export diversification and import substitution in the sectors mentioned to enhance forex availability, among other policies to be articulated in the NERP.

11. **Mr Speaker Sir,** the domestic economy is currently characterised by shortages of food, foreign exchange, and fuel, which have contributed to rising prices of goods and services. Consequently, annual inflation averaged 32.3 percent in 2024, with a projected decline to 28.5 percent in 2025 and 20.7 percent in 2026. The inflation has significantly increased from around 9.4 percent registered in 2019 thereby eroding purchasing power and increasing the cost of doing business in the country.

12. With regards to money supply and growth, **Mr. Speaker Sir,** the economy has experienced unprecedented expansion in money supply over the years. Although some research work has shown that inflation is not a monetary phenomenon, in Malawi our experience is different. Excessive growth in money supply exerts enormous pressure on the exchange rate and

hence inflation. As such, the current level of money supply growth at over 50 percent is inflationary and a cause for concern, therefore it cannot be ignored.

13. With regards to foreign exchange reserves, **Mr Speaker Sir,** I would like to inform the August House that the country is experiencing low reserves worsened by the premature expiration of the Extended Credit Facility (ECF) by the International Monetary Fund (IMF) in May 2025, along with the withdrawal of aid and donor-funded programs. Furthermore, the country's narrow export base limits the country's capacity to generate enough foreign exchange. Worse still, debt service obligations and commitments on strategic commodities exacerbated the pressures on foreign reserves.

14. **Mr. Speaker Sir,** the other reason for low reserves accumulation is the extravagant and careless behavior of the previous Malawi Congress Party (MCP) Government in foreign travels, bloated overstaffing in the embassies, purchase of high value assets and low absorption of donor funded projects.

15. **Mr. Speaker Sir,** Government fully recognises the vital role Development Partners play in supporting our national

development agenda. In this regard, the Government, in collaboration with the Development Partners is undertaking a scoping exercise to gain deeper insights into the underlying fiscal and monetary challenges and to identify potential avenues for technical and financial assistance.

2025-26MID-YEAR BUDGET PERFORMANCE

16. **Mr Speaker Sir**, as you are aware the first half of the Financial Year was presided over by the Malawi Congress Party Government. The implementation of the Budget was below par, with persistent revenue underperformance, cost overruns, unsustainable deficit and high public debt service.

17. **Mr Speaker Sir,** let me now appraise this August House, in detail, how the budget has performed in the first half of the financial year and how we intend to move forward to correct the situation.

Performance of Revenue and Grants

18. **Mr. Speaker Sir,** the total approved revenue and grants for the 2025–26 financial year is K5.578 trillion. During the first half of

the financial year, total revenue and grants amounted to K2.383 trillion compared to a projection of K2.711 trillion, representing a variance of 12.1 percent. The lower-than-expected revenue collection is attributed to prevailing macroeconomic imbalances and a reduction in external grants due to slow implementation progress on various projects.

19. **Mr. Speaker Sir,** in the first half of the 2025-26 financial year, domestic revenue was projected at K2.139 trillion, comprising K2.097 trillion in tax revenue and K42.6 billion in non-tax revenue. However, the actual outturn for domestic revenue during the period was K2.057 trillion, reflecting an underperformance of K81.9 billion representing 3.8 percent. This shortfall is attributed to underperformance in tax revenue due to reduced import volumes emanating from foreign exchange shortage.

20. **Mr. Speaker Sir,** although domestic tax revenue underperformed, I am happy to report that non-tax revenue overperformed by 22.6 percent. This is on account of overperformance by departmental receipts and penalties. However, State Owned Enterprises' (SOEs') dividends continue

to underperform as only K5.93 billion was remitted to Treasury against the Government's projection of K29.8 billion.

21. **Mr. Speaker Sir,** the total approved provision for Grants in the 2025–26 financial year is K1.143 trillion. However, the midyear outturn for grants amounted to K325.5 billion, compared to a midyear projection of K571.4 billion, representing a 43 percent shortfall. This performance is because of slow implementation progress on various projects due to their limited capacity to import construction materials as a result of shortage of foreign exchange. In addition, stringent procurement procedures, environmental and social safeguards requirements by some development partners and inefficiencies by Project Implementation Units (PIUs) have also contributed to slow disbursements and progress of these Projects.

Performance of Total Expenditure

22. **Mr. Speaker Sir,** the total approved expenditure provision for the 2025–26 financial year is K8.077 trillion, of which K4.244 trillion was planned for the first half of the year. This comprised K3.220 trillion in recurrent expenditures and K1.024 trillion in

development expenditures. However, the midyear expenditure outturn amounted to K4.420 trillion representing an expenditure overrun of K175.7 billion which is 4.1 percent. This was mainly due to the frontloading of certain expenditure lines in the agriculture, education and health sectors, and over-expenditure on wages and salaries, public debt interest, general elections and domestically financed projects.

Performance of Recurrent Expenditure

23. **Mr. Speaker Sir,** the midyear outturn for recurrent expenditure amounted to K3.502 trillion, compared to the midyear projection of K3.220 trillion, representing an overrun of K281.8 billion which is 8.8 percent. Overruns were recorded across nearly all budget categories including wages and salaries, pensions and gratuities, interest payments and use of goods and services.

24. **Mr Speaker Sir,** wages and salaries overspent by K125.9 billion representing 19 percent overrun of the mid-year target of K661.5 billion. This is on account of massive recruitments in the security institutions, and education and health sectors. In

addition, the 100 percent increase for chiefs' honoraria contributed to this cause. The Ministries, Departments and Agencies (MDAs) that significantly contributed to the overrun on wages and salaries as at 30th September 2025, are as follows: District Councils, Malawi Defence Force, Ministry of Health, Ministry of Education and Malawi Police Service.

25. **Mr Speaker Sir,** under use of goods and services, the budget lines that over-spent as at mid-year are elections and generic goods and services. Elections overspent by K50.0 billion, representing 30.7 percent overrun from the approved figure of K162.9 billion to K212.9 billion by end September 2025. On the other hand, Generic goods and services registered expenditure of K489.7 billion, representing 71 percent utilisation of the approved budget. Under this budget line, the votes that largely contributed to the overrun are as follows: State Residences (over 100 percent); Office of the President and Cabinet (100 percent); Office of the Vice President (94 percent); Ministry of Lands (94 percent); and National Registration Bureau (81 percent).

Performance of Development Expenditure

26. **Mr. Speaker Sir,** the midyear outturn for development expenditure amounted to K917.9 billion, of which K434.5 billion is domestically financed and K483.5 billion is foreign financed. This represents an under-performance of 10.4 percent. The under-performance is emanating from foreign financed projects, which registered slow implementation progress on various projects due to their limited capacity to import construction materials. However, under domestically financed projects was K434.5 billion against a mid-year target of K305.3 billion, thereby registering an overrun of K129 billion representing 42.3 percent. This was on account of inflated certificate of works on various projects, especially the Local Currency Bond-financed projects.

Fiscal Deficit and Financing for the First Half

27. **Mr. Speaker Sir,** total deficit in the first half of the 2025–26 financial year amounted to K2.037 trillion, compared to a projection of K1.534 trillion, widening by K503.5 billion representing 32.8 percent. This deficit is as a result of lower-

than-anticipated revenue collection coupled with higher-than-planned expenditures during the period under review.

PROJECTIONS FOR THE SECOND HALF OF THE FINANCIAL YEAR

28. **Mr. Speaker Sir,** as we enter the second half of the financial year, I wish to present the revised financial projections that will guide budget implementation, and public service delivery in the months ahead till March 2026.

29. **Mr. Speaker Sir**, total revenue and grants are projected at K3.078 trillion for the second half broken down as K2.420 trillion domestic revenue and K657.5 billion grants. Domestic revenue comprises K2.323 trillion tax revenue and K97.3 billion non-tax revenue. As you will notice, the amount of K3.078 trillion to be collected in the second half is higher than K2.383 trillion which was collected in the first half of the financial year. The higher projection in the second half is as a result of expected implementation of revenue measures, and improved disbursements from development partners.

30. **Mr. Speaker Sir**, total expenditure is projected at K4.169 trillion for the second half broken down as K3.161 trillion recurrent expenditure and K1.008 trillion as development expenditure. Recurrent expenditure comprises compensation of employees amounting to K871.6 billion; public debt interest amounting to K1.260 trillion; use of goods and services amounting to K385.4 billion; Grants amounting to K247.2 billion; social benefits amounting to K388.5 billion and other expenses at K8.1 billion.

31. **Mr. Speaker Sir,** Development expenditure consists of K772.6 billion for foreign-financed projects (Development Part I) and K235.7 billion for domestically financed projects (Development Part II).

32. In the second half of the financial year, **Mr Speaker Sir,** the fiscal deficit is projected at K1.091 trillion, which will be financed by foreign financing amounting to K107.1 billion and domestic financing of K984.3 billion.

REVISED 2025-2026 BUDGET

33. **Mr Speaker Sir,** against the background of the first-half budget performance outlined above, the approved 2025–26 Budget is revised by K512.6 billion, from K8.077 trillion to K8.589 trillion. The upward revision is intended to accommodate budgetary pressures including wages and salaries amounting to K98.5 billion; public debt interest amounting to K100 billion; generic goods and services amounting to K20.5 billion; procurement of drugs amounting to K17.1 billion; elections amounting to K50.0 billion; maize purchases logistics amounting to K20.0 billion; pensions and gratuities amounting to K196.0 billion; FISP amounting K129.6 billion, domestically financed projects including the CDF for the 36 new constituencies amounting to K91.7 billion, introduction of free primary and secondary education for the second term and MANEB examination fees.

Revised Fiscal Deficit to the end of the Financial Year

34. **Mr. Speaker Sir,** total deficit to the end of the financial year is projected to amount to K3.128 trillion, compared to approved budget deficit K2.498 trillion and hence widening by K630.2 billion representing 25.2 percent. This deficit is as a result of

higher-than-planned expenditures during for the second half of the financial year. It must be noted that some of the expenditures that have increased the deficit are one-off payments such as clearing the backlog of pensions and gratuities, elections and maize purchase. Going forward, it is Government's expectation that, *ceteris paribus,* the deficit will substantially be reduced.

Performance of Key Sectors

35. **Mr. Speaker Sir**, I am now duty-bound to inform this August House of the performance of the key sectors in the first half of the fiscal year and how we intend to improve MDAs' performance in the second half.

Agriculture Sector

36. **Mr. Speaker Sir,** let me inform you that the Government is committed to invest in the Agriculture sector, as the backbone of the country's economy. As you might have already observed in this mid-year budget, the new administration has increased the number of beneficiaries under the Farm Input

Subsidy Programme (FISP) from the initial target of 528,020 to 1.1 million beneficiaries.

37. **Mr. Speaker Sir,** Government will continue promoting investments in irrigation development and infrastructure to reduce dependence on rain-fed agriculture. In this regard, irrigation capacity will expand through flagship programmes such as the Shire Valley Transformation Programme (SVTP), the Agricultural Infrastructure and Youth in Agribusiness Project (AIYAP), the Malawi Watershed Services Improvement Project (MWASIP), and the Agricultural Commercialisation Project II (AGCOM), all aimed at strengthening climate resilience and reducing agricultural vulnerability.

Education Sector

38. **Mr. Speaker Sir,** the Government has introduced free primary and secondary education where general-purpose fund, and school development fees have been abolished effective 1st January 2026 in order to improve literacy levels, enrolment and retention. In addition, MANEB examination fees have been abolished for both primary and secondary school. The

above incentives will require K32.5 billion for the last quarter of 2025-26 FY. This demonstrates Democratic Progressive Party's commitment to deliver on its manifesto and promises. **Mr Speaker Sir,** I want to confirm to this August House that, unlike his predecessor, His Excellency the President, Prof Arthur Peter Mutharika delivers what he promises and promises what he can deliver.

39. **Mr Speaker Sir,** to ensure that the Mbelwa University Project is completed, His Excellency, the President Prof Arthur Peter Mutharika has designated the Second Vice President, Rt Hon Enock Chihana to oversee this Project.

Health Sector

40. **Mr. Speaker Sir**, in order to address pharmaceutical shortages in health facilities, in this Mid-Year Budget, additional K17.1 billion consisting of K8.6 billion for Central Hospitals and K8.5 billion for District Hospitals has been provided. In addition, Government will explore other avenues of financing the sector.

Mining

41. **Mr. Speaker Sir,** the Government recognises the mining sector as a key pillar for Malawi's economic growth and diversification. During the period under review, the sector made notable progress. A total of 1,222 licenses were issued across various categories which will be reviewed to be in line with the new administration's policies, alongside the finalisation of 11 subsidiary regulations and upgrading the Mining Cadastre system into an online portal.

42. Furthermore, **Mr. Speaker Sir,** the Kayerekera Uranium Mine was successfully recommissioned under a new Mine Development Agreement between the Government and Lotus Resources Limited. The renegotiation and operationalisation of this mine under the new agreement demonstrates renewed investor confidence in Malawi's mining sector.

Digitalisation

43. **Mr Speaker Sir,** allow me to emphasize the crucial role of digital transformation in our country's development. In light of this, Government has designated the Ministry of Information and Communications Technology as the central coordinator for all ICT initiatives, in line with MIP-1, with a focus on maximum cost-effectiveness.

44. To accelerate this transformation, three primary programs will be implemented: the Digital Malawi Acceleration Project, the Inclusive Digital Transformation for Malawi, and the Last Mile Connectivity Project. These initiatives have a common goal of expanding access, bridging connectivity gaps, and empowering all Malawians to actively participate in the digital economy.

Disaster Management Affairs

45. **Mr Speaker Sir,** Government recognises the importance of disaster risk reduction, response, recovery and resilience. In this regard, His Excellency, the President, Prof Arthur Peter Mutharika has designated the Rt Hon Vice President Justice Dr

Jane Ansah SC, Retired, to be responsible for disaster management affairs for efficient and effective delivery.

Food Security

46. **Mr. Speaker Sir,** following the declaration of a National Disaster in all districts by His Excellency the President, Prof Arthur Peter Mutharika, I would like to sincerely acknowledge the invaluable support provided by our development partners, towards the purchase and provision of food assistance including maize for the affected households.

47. In addition, **Mr. Speaker Sir,** I wish to recognise the commendable support from our local commercial banks and financial institutions that contributed towards maize purchases. These include First Discount House, First Capital Bank, National Bank of Malawi, NICO Holdings Group, NBS Bank and Standard Bank.

Public Debt Management

48. **Mr. Speaker Sir,** moving forward, let me reiterate that management of public debt is a priority of this new administration. This comes on the back of high, unsustainable debt levels and high borrowing costs that have led to high debt service.

49. **Mr. Speaker Sir,** Malawi's Public Debt is in excess of K21.6 trillion, equivalent to 86 percent of the country's Gross Domestic Product against K4.1 trillion in 2019. This high debt level requires a combination of measures and strategies to turn the debt trajectory. It is for this reason that the new Government is undertaking fiscal reforms to restore debt sustainability. Not only will the Government continue with the debt restructuring negotiations, but it will also pursue fiscal consolidation, concessional borrowing and improved oversight on State Owned Enterprises operations.

50. **Mr. Speaker Sir,** on external debt restructuring, official agreements with all except one bilateral creditor were reached. Two agreements were signed this year with the Kuwait Fund and the Saudi Fund for Development. The

Government continues to engage the Commercial Creditors on the restructuring terms.

51. **Mr. Speaker Sir,** it is a known fact that the debt situation that the MCP administration left is very high and unsustainable thereby taking up a significant portion of budget resources, hence restricting the Government's ability to invest in other productive areas. This administration believes that this situation is man-made by the MCP administration due to mismanagement, lack of fiscal discipline and arrogance. Therefore, improved debt management coupled with fiscal discipline and reforms is pertinent, and the Government is committed to addressing the root causes of this debt situation.

FISCAL DISCIPLINE

52. **Mr. Speaker Sir,** as part of our commitment to public debt management and fiscal discipline, Government is implementing reforms including strict expenditure control measures such as minimising travel, limiting procurement of high-value assets, and managing the wage bill. In addition, to minimize the gap between revenue and expenditure requirements, Government will fully adopt a cash budgeting

approach that strictly aligns funding with available resources rather than projected cash flows.

53. **Mr Speaker Sir,** as we stand today, the Government's wage bill has grown significantly resulting in taking up almost 40 percent of the country's domestic revenue. In this regard, as already announced by the Office of the President and Cabinet, Government has put a moratorium on new recruitments except for key sectors, which will be done on case by case basis. The moratorium will be longer for MDAs which had massive recruitments.

54. Government will also conduct payroll audit and headcount for all public servants starting from 9th December 2025. Therefore, all public servants will be required to present themselves physically for the headcount and submit all relevant documentation.

55. The following are the detailed expenditure control measures as announced by Government:

- **External Travel by Senior Public Officers:** To control the drain of foreign exchange reserves and reduce expenditure, travel by Cabinet Ministers, Deputy

Ministers, Controlling Officers, Chief Executive Officers and Senior Management of SOEs, Heads of Public Institutions and all public officers are limited to three trips per annum, after seeking approval from the relevant authority.

- All Controlling Officers of MDAs, Heads of SOEs, Chairpersons, Board Members and Executive Management will, with immediate effect, travel on economy class.

- **Procurement of motor vehicles**: Government has put a moratorium on procurement of new vehicles and high value assets until further notice. On special cases, Controlling Officers are advised to seek approval from the Office of the President and Cabinet. Exemptions will apply under agreed workplans and programmes;

- **Recruitments**: Recruitments have been suspended, including non-established posts until further notice. On a case-by-case basis, recruitment in essential and critical Government services will be considered;

- **Promotion**: Promotion of officers from Grade F and below will require prior authority from Treasury and Department of Human Resource Management and Development (DHRMD) to verify availability of funds. Promotions made without this approval will be rendered invalid;

- **Payroll**: All Controlling Officers are being reminded to personally verify and approve all payroll submissions made to the DHRMD;

- **Meetings**: Ministries, Departments and Agencies (MDAs) are encouraged to hold physical meetings within their office premises and conduct virtual meetings, conferences, workshops, board meetings, interviews, shortlisting exercises, procurement negotiations and any other activities to save resources on travel;

- **Size of delegates**: The Chief Secretary to the Government shall determine and approve the number and composition of delegations travelling outside the country for any Government-prioritized trip. In cases

where the travel is donor funded; there shall be no Government expenditure in form of any top-up allowances towards such travel;

- **Procurement**: According to the Public Finance Management Act (2022), it is illegal to commit Government where there are no resources. Accordingly, all MDAs will be required to procure goods and services based on the quarterly allotments provided by Treasury. Suppliers will be required to supply their goods or services only when they have received an IFMIS-generated Local Purchase Order (LPOs). All goods and services supplied without a system-generated LPO will not be paid by Government. Payment will be made only upon delivery of goods and services.

- **Extra budgetary requests**: Extra-budgetary requests are not allowed and shall not be entertained by Treasury, except on special cases. MDAs expenditures will be restricted to the approved budget provision;

- **Fuel entitlement**: Fuel entitlements for public officers including Ministers, Deputy Ministers and Senior Government Officials shall be reduced by 30 percent with immediate effect;

- **Mineral Contracts**: Government will review all mining licences and contracts. Any mining licences which have been idle for more than five (5) years shall be revoked; and

- **Staff in Embassies**: Government will reduce number of embassies and staff. Each embassy shall have not more than five officials including the Ambassador/High Commissioner.

PUBLIC SECTOR REFORMS

Public Finance Management

56. **Mr. Speaker Sir,** my Ministry through the Department of the Accountant General, will continue to build on the gains registered in the implementation of the SAP-based IFMIS. One of the major activities for the current financial year is the activation of the Human Capital Management (HCM) and

Payroll Module. This module will replace the current software in the Human Resource Management Information System (HRMIS), aiming to decisively address issues such as ghost workers and an inflated wage bill.

57. **Mr. Speaker Sir,** in order to strengthen financial and non-financial performance, the Government is implementing a comprehensive SOE reform agenda that will see improvement in the liquidity management, debt monitoring, and revenue collection efficiency. Additionally, all SOEs will be required to implement performance-based contracts for Boards and Management to enhance corporate governance. Furthermore, all non-performing Chief Executive Officers will have their contracts and benefits reviewed and where possible action taken.

58. **Mr. Speaker Sir,** all SOEs are expected to fulfil their mandate and statutory obligations to contribute to the national revenue envelope through consistent and timely dividend remittance. Government will continue to strengthen oversight roles, enforce compliance, and promote reforms that enhance the financial health and governance of our SOEs. Through these efforts, we shall transform SOEs into financially viable,

accountable, and value-creating enterprises that contribute meaningfully to the economic growth and fiscal resilience of our Mother Malawi.

59. **Mr. Speaker Sir,** we have noted that most of our SOEs that are providing utilities services such as water, electricity and fuel are making huge losses thereby exerting pressure on the national budget. Therefore, in order to address this challenge and mitigate the associated risk, Government will ensure that cost reflective pricing is adhered to and that the SOEs will deliver their service in the most efficient manner.

Fiscal Decentralisation

60. **Mr. Speaker Sir,** His Excellency the President, Prof Arthur Peter Mutharika is committed to ensure significant growth and development at constituency level across the country. In this regard, the Democratic Progressive Party's promise of K5 billion allocation to each constituency will be implemented from 1st April 2026. **Mr Speaker Sir,** you will agree with me that this is a game changer for our Nation as substantial amount of resources will move from the Central Government to Local Authorities. Government will develop the Constituency

Development Fund guidelines which will stipulate the implementation modalities and reporting frameworks.

Reforms to Build Foreign Exchange Reserves

61. **Mr. Speaker Sir,** this country has a lot of minerals. One of the high potential minerals is gold. I would like to applaud the stance taken by His Excellency, the State President, Prof Arthur Peter Mutharika in banning exportation of raw minerals. This directive will allow the country to beneficiate its minerals. Meanwhile, Government has directed the Reserve Bank to scale up the gold purchase program and also monetize the purchased gold in order to improve the country's foreign exchange reserves.

62. **Mr. Speaker, Sir**, I would like to refer to the State of the Nation Address delivered in the August House by His Excellency the President. Government will create a Sovereign Wealth Fund to ensure that proceeds from the mineral exports benefit Malawians. In addition, Government will comprehensively review all mineral licences.

63. **Mr. Speaker Sir,** in order to reduce smuggling of agricultural produce, Government will establish a Commodity Market Exchange (COMEX) to facilitate the trading of our agricultural commodities transparently through a formal structured market.

64. **Mr Speaker Sir,** with immediate effect, Government has directed that all accommodation expenses by foreign tourists should be paid in foreign currency. In order to facilitate this, all Tourists Operators should immediately apply for foreign exchange dealing licenses from the Reserve Bank of Malawi.

65. **Mr Speaker Sir,** The Government is putting up necessary measures to incentivize domestic production and encourage import substitution. This is aimed at reducing the country's import bill. Malawi as of now is importing almost everything and there is an urgent need to substitute some imports.

66. On Foreign Exchange Repatriation period **Mr. Speaker Sir,** exporters are currently allowed a period of 120 days within which they must provide proof of receipt of their export proceeds. This period is too long for a country with short supply

of foreign exchange. In order to improve supply of foreign exchange, Government has therefore reduced this period to 90 days, effective immediately.

67. **Mr. Speaker Sir,** on Diaspora remittances, Government will immediately work with commercial banks to reduce paper work in opening diaspora accounts; demarcate land for diaspora cities; and facilitate online transactions to reduce their cost of banking. The Government shall also immediately designate a diaspora desk at Malawi Investment and Trade Centre (MITC) to coordinate and resolve all other outstanding issues that affect diaspora effective participation in domestic economic activity.

68. **Mr. Speaker, Sir,** one contentious issue is the export proceeds repatriation and the surrender requirement. Government has directed that if the exporter has import bills to meet, those import bills will first be deducted from their export proceeds and the surrender requirement of 25 percent will be applicable to the balance.

69. On foreign exchange dealing licenses, **Mr. Speaker Sir,** Government has directed that these licenses shall be renewable annually, subject to successful completion of fit and proper tests on Chief Executive Officers, foreign exchange dealers and staff.

70. **Mr. Speaker Sir,** Government is banning all short-term foreign exchange derivative market, until a sound regulatory framework has been put in place. There is a detestable practice in the banking system, which has pushed foreign exchange transactions from the spot market to the derivative market, particularly on forwards and options.

71. **Mr Speaker Sir**, Government has put in place measures to ensure that the foreign exchange that is due to the country through freight forwarders and shipping companies is dully enhanced and accounted for.

72. **Mr. Speaker Sir**, as earlier indicated inflation remains high at 28.5 percent in 2025. Fiscal and supply side interventions will be implemented to ease inflation. In this regard, the monetary

policy rate will be maintained at appropriate levels that balance price increases and the country's growth aspirations.

73. In terms of dealing with high currency in circulation, **Mr. Speaker Sir,** Government will limit the amount of cash withdrawals both on the counter and Point of Sale (POS) and promote electronic transactions.

REVENUE ENHANCEMENT MEASURES

74. **Mr Speaker Sir,** I now turn to the tax and non-tax revenue measures that Government intends to implement for the remainder of the year and beyond. These measures have been instituted to stabilise public finances and rebuild fiscal space.

75. **Mr Speaker Sir,** before I present these measures, allow me to reiterate what I have said before. When this administration assumed office, we found the economy in an exceptionally fragile state. The Malawi Congress Party (MCP) Government left behind an economy characterised by unsustainable debt,

chronic fiscal deficits, depleted foreign exchange reserves, and a loss of investor confidence.

76. Furthermore, **Mr. Speaker Sir,** public finances were in disarray, revenues were stagnant, and key sectors were neglected. The kwacha had sharply depreciated against major trading foreign currencies and inflation had eroded household incomes. The fiscal space was effectively closed, leaving Government unable to meet even the most basic obligations without resorting to borrowing.

77. It is within this challenging context, **Mr. Speaker,** that this administration has been compelled to take decisive action, not out of choice, but out of need to restore stability, rebuild credibility, and place Malawi on a sustainable path of growth. Consequently, I would like to implore my fellow Members of Parliament, Religious Organisations, NGOs, Civil Society, the Private Sector and all the citizenry to support the measures I am about to announce to secure a more resilient and prosperous Malawi.

78. Allow me now, **Mr. Speaker Sir,** to outline the proposed tax and non-tax measures:

Income Tax Measures

Bank Transfer Levy

79. **Mr Speaker Sir,** Government is introducing a modest 0.05 percent Bank Transfer levy to be applied on all bank transfers both within or across banks, and will be paid by the sender.

80. **Introduction of Mobile Money Transfer Levy**

Mr Speaker Sir, Government will introduce a 0.05 percent levy to be applied on the transaction amount on mobile money transfers of above K100,000 to be paid by the sender. The limit of K100,000.00 has been applied to ensure that the low-income earners are protected. The August House may wish to know that this levy exists in other countries including Uganda, Zambia and Zimbabwe.

Mobile Money Transactions

81. Further, **Mr Speaker Sir,** as already alluded to above, to promote electronic transfers, Government has with

immediate effect, revised the limits on cash-outs, mobile money transactions, and mobile money holdings as follows:

- Mobile money transaction limits and cash-out limits have been increased from K750,000 to K5 million per day and from K750,000 to K1million per day, respectively.
- Holding limits for individuals have been raised from K1million to K5 million.
- For merchant accounts, both the wallet holding limit and the daily mobile money transaction limit have been increased from K25 million to K50 million.

82. **Mr. Speaker Sir,** Government is adjusting the Pay As You Earn (PAYE) structure as follows:

- The zero-rate threshold increases from a monthly income of K150,000 to K170,000, thereby shielding low-income earners.
- The 25 percent bracket has been removed.
- The 30 percent rate will now apply on monthly incomes between K170,000 and K1.57 million.
- The 35 percent rate will now apply to monthly incomes from K1.57 million to K10 million, and

- A new 40 percent rate will apply to monthly incomes above K10 million per month.

83. **Mr Speaker Sir,** continuing with the philosophy of ensuring that those who earn more must contribute more, the threshold for supernormal profit tax for companies will be reduced from K10 billion to K5 billion. This means company profits below K5 billion will continue to be taxed at the standard rate of 30 percent, while profits of K5 billion and above will be taxed at 40 percent.

84. **Mr Speaker Sir,** in order to broaden the tax base and raise additional revenue, the following measures will be implemented:

- The K100,000 and K500,000 thresholds for applying withholding tax on betting and lottery winnings are removed, meaning all winnings will now be taxed;
- The withholding tax rate on gambling winnings will increase from 10 percent to 15 percent; and
- The 15 percent excise tax applicable on gross lottery revenues will be fully enforced especially for radio stations and television stations.

85. **Mr Speaker Sir,** Government has also observed that some companies perpetually declare losses yet continue to operate. To ensure fairness, a Minimum Alternate Tax (MAT) of 0.5 percent on turnover is being introduced. Companies will pay, either normal corporate income tax levied at 30 percent on profit, or 0.5 percent of turnover, whichever will be higher. To protect start-ups and small enterprises, the Minimum Alternate Tax will apply only to companies with turnover of more than K5 billion that have been operating for more than three years. Further, whatever amount is paid above the minimum alternative tax will be treated as a credit to be offset with future tax obligations.

86. **Mr Speaker Sir,** previously, capital gains tax on shares held for more than one year was not being applied. However, trading in shares has become a significant income generating activity for companies and individuals. To ensure fairness, capital gains tax will now apply on all share disposals, regardless of how long they have been held.

87. **Mr Speaker Sir,** Government has observed that many residential property owners, particularly in the cities of Mzuzu, Lilongwe, Zomba, and Blantyre, collect significant rental income without paying taxes. **Mr Speaker, Sir,** as you are aware, there is withholding tax on rental income. However, due to implementation challenges, residential property owners have not been remitting the tax to the Malawi Revenue Authority, while most commercial property owners have been complying. Consequently, **Mr Speaker Sir,** Government has directed the Malawi Revenue Authority (MRA) to immediately enforce the collection of rental income tax on residential property, including a comprehensive registration exercise of landlords. To ensure that this directive is followed without delay, I would like to request ESCOM, all the Water Boards, the Malawi Housing Corporation, the City Councils and the Ministry of Lands to cooperate with the MRA in providing the necessary information pertaining to the owners of residential properties in low density areas.

88. **Mr. Speaker, Sir,** Government is reinstating the surcharge on importation of cement at the rate of 20 percent.

VAT Measures

89. **Mr. Speaker, Sir,** to strengthen revenue mobilisation and ensure that the fiscal deficit is reduced in the medium term, Government has reviewed the VAT rate. In doing so, Government took into consideration VAT rates in other countries such as Morocco and Madagascar which is at 20 percent and Tanzania, which is at 18 percent. Accordingly, Government has decided to adjust Malawi's VAT rate from 16.5 percent to 17.5 percent, thereby reverting to the rate that prevailed when VAT was introduced in the country.

Administrative Measures

90. **Mr Speaker, Sir,** Government has noted with great concern the increasing tendency by many shops and businesses to avoid issuing VAT receipts when customers purchase goods or services. I wish to inform this August House and the general public, that, Government will apply a heavy penalty against any shop owners or businesses found not issuing VAT receipts on their sales or services.

91. **Mr Speaker, Sir,** Government has also noted with concern the growing number of requests from Government Ministries,

Departments, and Agencies (MDAs), including Parastatal Organisations and Non-Governmental Organisations seeking tax waivers on their procurements. I wish to emphasise that Government operates on a tax-inclusive budget. In this vein, unless a tax waiver request relates to a donation or a donor-funded project or procurement, such requests from MDAs will not be allowed.

Non-Tax Measures

92. **Mr. Speaker, Sir,** in addition to the tax reforms announced, Government will implement the following non-tax measures:

- **Motor Vehicle Accident Fund:** a levy will be collected at the rate of 2 percent on motor vehicle insurance that will be ring fenced to provide additional financing for the Ministry of Health.
- **Visa free access to Malawi**: is being revoked with immediate effect and visa application fee will apply on a reciprocity basis;
- **Revenue Remittance:** Government will strictly enforce remittance of revenue collected by Ministries, Departments, and Agencies (MDAs). All proceeds from

asset disposal including motor vehicles should be deposited with the Treasury.

- **Dividend and Surplus Remittance:** Government will with immediate effect strictly enforce the remittance of dividend and surplus from SOEs.

Conclusion

93. **Mr. Speaker Sir,** as I conclude, I hereby invite the August House to take note of the mid-year performance of the 2025-26 Nation Budget, and to consider and deliberate on the proposed Revised Budget Estimates for the 2025-26 financial year, as detailed in Annexes I, II, and III of the 2025-26 Mid-Year Budget Review Document. Furthermore, the House is requested to approve the proposed amendments to selected votes as presented.

94. **Mr Speaker Sir,** I beg to move.