



THE MALAWI GOVERNMENT 2021/2022 BUDGET IN BRIEF: CITIZENS BUDGET

1. The Malawian Economy

The country's economic growth, which was projected at 1.9 per cent in 2020 grew at 0.9 percent. It however expected to jump to 3.8 percent in 2021 and 5.2 percent in 2022 owing to growth in the agriculture sector is projected to grow by 6.2 percent in 2021. Most economic sectors are also expected to register positive growth rates in the same period.

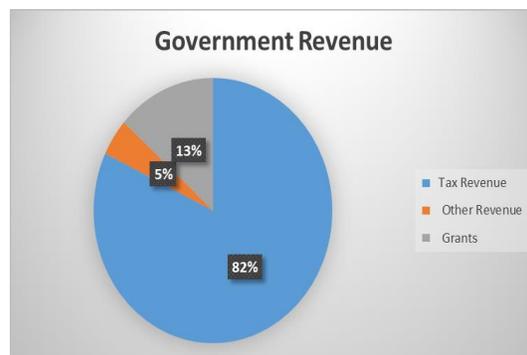
In 2021 and 2022, inflation rate is projected at 7.5 percent and 7.3 percent, respectively. Government is on track to attain its monetary policy objective of a headline inflation rate of 5.0 percent in 2022 and 3.0 percent by 2025.

2. 2021-22 Budget Framework

The 2021/22 budget will be a 9-months budget due to change of the fiscal calendar which from 2022 will be starting from 1st April.

2.1 Total Resources

Total revenues and grants for the 2021-22 Financial Year (FY) are estimated at K1,271.26 billion (12 percent of nominal GDP) comprising K1,100.95 billion in domestic revenues and K170.31 billion in grants. Out of the projected total revenue and grants figure, tax revenues represent 82 percent, other revenues 4.5 percent and grants from development partners represent 13.4 percent.



In 2021-22 FY, tax revenues are projected at K1,044.05 billion representing a 6.5 percent reduction from 2020-21 FY budget. Other revenue (non-tax revenue) are projected to go down by 10.9 percent to K56.9 billion from approved figure of K63.1 billion in 2020/21 FY mainly on account of 2021/22 FY being a 9-months financial year.

Out of the projected grants of K170.31 billion, K58.43 billion will come from foreign Governments such as Norway, Germany, and Ireland while K111.88 billion will come from international organisations such as World Bank, African Development Bank and European Union. Compared to 2020/21 FY, grants are projected to go down by 50 percent in 2021/22 FY.

2.2 Expenditure

In 2021-22 FY, Government expenditure is estimated at K1,989.58 billion (19.4 percent of GDP) representing a decrease of 9.2 percent from 2020/21 approved figure of K2,190.18 billion. Of this amount, K1,418.74 billion is recurrent expenditure (salaries, interest payments, subsidies and Government operations) whereas K570.84 billion is development expenditure. Out of which, K219.60 billion will be financed by domestic resources and K351.24 billion will be financed by foreign resources.

2.3 Budget Deficit

In 2021-22 FY, the projected budget deficit is K718.32 billion (6.9 percent of GDP). The deficit will be financed by foreign borrowing amounting to K180.23 billion (earmarked for projects) and

domestic borrowing amounting to K583.54 billion.

Table 1: Budget Framework (MK' Millions)

Category	2020-21 Approved Estimates	2020-21 Revised Estimates	2021-22 Proposed Estimates
Total Revenue and Grants	1,435,051	1,523,376	1,271,261
Domestic Revenue	1,179,345	1,185,829	1,100,946
Tax Revenue	1,116,265	1,116,265	1,044,051
Other Revenue	63,080	69,564	56,895
Grants	255,705	337,547	170,314
From Foreign Governments	34,755	40,178	58,430
From International Organisations	220,950	297,369	111,884
Expenditure	2,190,180	2,335,053	1,989,579
Recurrent Expenses	1,678,993	1,719,213	1,418,740
Compensation of Employees	538,018	542,157	449,615
Wages and Salaries	523,680	525,280	436,324
Government Contributory pension	14,338	16,877	13,290
Public Debt Interest	376,014	376,014	299,728
Foreign interest	11,854	11,854	14,474
Domestic interest	364,160	364,160	285,254
Use of Goods and Services	309,211	347,065	263,932
Generic goods and services	185,169	223,829	159,059
Health Sector	60,145	59,625	49,026
Agriculture Sector	7,550	7,350	4,989
Education Sector	35,045	34,205	29,783
Arrears	7,000	7,000	5,000
Storage levy expenses	2,984	2,984	2,875
Maize purchases	10,000	10,353	12,000
Elections	1,318	1,718	1,200
Grants	177,240	184,181	158,187
To other General Government Units	177,240	184,181	158,187
Road Fund Administration	33,991	33,991	31,332
Roads Authority	4,416	4,416	3,312
Transfer to MRA	32,396	32,396	30,992
Subvented Organisations	97,437	104,378	79,550
Net Lending	9,000	9,000	13,000
Social Benefits	246,010	248,250	221,825
Affordable Input Program	160,169	141,996	141,988
Pensions and Gratuities	102,840	103,254	77,588
Social Cash Transfer - Government	3,000	3,000	2,250
Other expenses	12,500	21,547	25,453
Other Statutory expenditures	12,500	21,547	25,453
Net Acquisition of Non-Financial Assets	511,188	615,840	570,838
Foreign financed projects (Part I)	410,295	511,129	351,243
Domestic financed projects (Part II)	100,893	104,711	219,595
Net Lending/ Net Borrowing	- 755,130	- 811,677	- 718,318
Total Financing	755,130	811,677	718,318
Foreign Financing (net)	224,779	246,265	134,774
Foreign Borrowing	267,479	288,965	180,929
Foreign Amortisation	- 42,700	- 42,700	- 46,155
Domestic Borrowing (Net)	530,351	565,412	583,544

3. Allocations to Major Categories of Expenditure

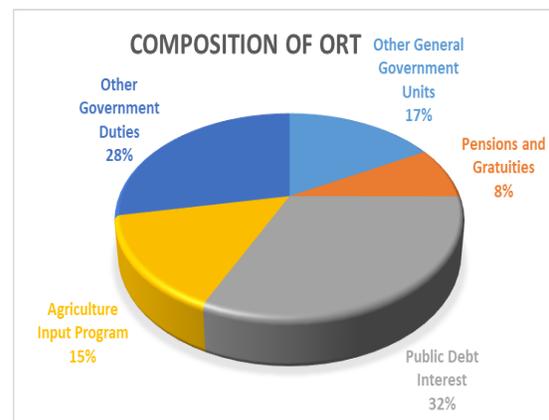
3.1 Wages and Salaries

Wages and salaries for the 2021/22 9-months budget are estimated at K436.32 billion, representing a decrease of 16.7 percent from a 2020-21 approved figure of K523.68 billion.

3.2 Other Recurrent Expenditures

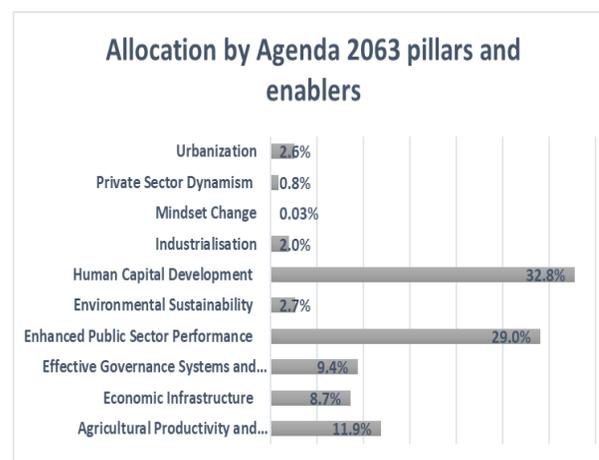
The total allocation for other recurrent transactions is estimated at K982.42 billion, representing a decrease of 14.9 percent from 2020/21 approved budget. Specific allocations are highlighted in the figure below.

Composition of ORT



4. Budget Allocations by Pillars and Enablers of the Vision 2063

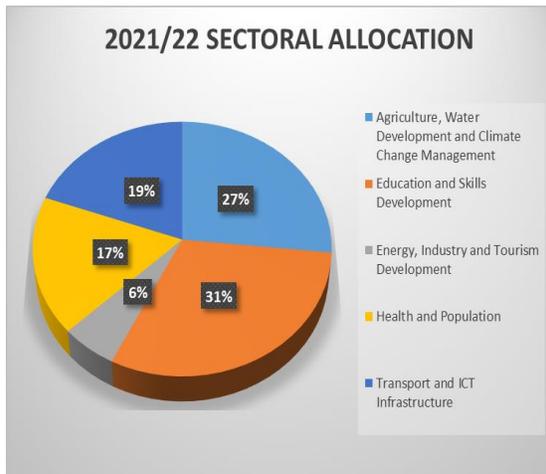
The figure below shows budget allocations by Agenda 2063 Pillars for 2021-22 FY.



As observed in the figure above, 12 percent of the total budget has been allocated to Agricultural Productivity, 3 per cent has been allocated to Urbanization and 2 per cent to Industrialization.

It can also be observed from the figure above that amongst the enablers, 33 percent of the total budget has been allocated to Human Capital Development, 29 percent has been allocated to enhanced Public Sector performance, 9 percent to effective governance, systems and institutions and 9 percent to economic infrastructure.

5. Sectoral Allocations



As observed in the figure above, 27 percent of the budget has been allocated to Agriculture, water development and climate change management sector, 31 percent to Education Sector, 19 percent to Transport Sector, 17 percent to Health and population and 6 percent to Energy Sector.

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 K44.5 billion for water supply and sanitation projects;
- Allocated K22.3 billion for irrigation projects;
- Allocated K141.9 billion for Affordable Input Programme

targeting 3,500,000 farm families. Each farm family will buy 2 bags of fertilizers (Urea and NPK) at a price of K4,495 per bag;

- Allocated K12.3 billion for maize purchase to restock strategic grain reserves.

Transport Infrastructure

- Allocated K94.5 billion for road infrastructure;
- Allocated K31.3 billion for routine road maintenance;

Social Sector

- Allocated K24.2 billion for Social Cash Transfer;
- Allocated K5.7 billion for operations for Ministries of Gender, Persons with Disability, Social Welfare, Gender and Community Development in District Councils; and
- Allocated K0.4 billion for the implementation of the National Action Plan on Albinism and recapitalisation of the Disability Fund.

Health Sector

- Allocated K20 billion for drugs for both Central (K8 billion) and District (K12 billion) Hospitals;
- Allocated K6 billion for construction of hospitals;
- Allocated K2 billion for purchase of ambulances.

Education and Skills Sector

- Allocated K52.3 billion for operations of Public Universities;
- Allocated K29.8 billion for operations of primary and secondary schools including teaching and learning materials;
- Allocated K9 billion for university student loans; and
- Allocated K3.6 billion for the Youth Internship Programme;

Rural Development

- Allocated K69.8 billion for Rural development projects;
- Allocated K23.3 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 K2.8 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.