



# Citizen's Budget 2025/26

## 1

### The Malawi Economy

In 2023, the economy of Malawi grew by 1.9 percent from 0.9 percent in 2022. The economy grew mainly due to improvements in the electricity industry which had a positive trickle-down effect on most economic activities such as manufacturing. However, this growth was hindered by the impact of the Tropical Cyclone Freddy which affected the agriculture industry. Furthermore, the 44 per cent realignment of the Malawi Kwacha by the Reserve Bank of Malawi increased inflationary pressures and eroded the purchasing power of the currency, thereby negatively affecting domestic demand.

In 2024, slower growth rate of 1.8 percent was registered due to the negative impact of the El-Nino. However, the economy is projected to grow by 3.2 percent in 2025 on account of continued good rainfall and expected benefits from investments in Agriculture, Tourism and Mining sectors.

Annual average inflation increased in 2024 to 32.3 percent from 28.8 percent recorded in 2023. The increase was driven by the 2023 realignment of the Kwacha by 44 percent and lower than expected agricultural harvest. The performance is projected to improve in 2025 as average inflation is projected at 24 percent on account of continued stable fuel prices and expected higher agricultural harvest.

## 2

### 2025-26 Budget Framework

#### 2.1 Total Resources

Total revenues and grants for the 2025-26 Financial Year (FY) are estimated at K5,578.45 billion (21.5 percent of GDP) comprising K4,435.71 billion in domestic revenues and K1,142.74 billion in grants. This represents a 28 percent increase from the 2024/25 revised projection of K4,354.52 billion.

Out of the projected total revenues, tax revenue is projected at K4,329.69 billion, representing 78 percent of total revenues, other revenues are projected at K106.02 billion representing 2 percent and grants from development partners at K1,142.74 billion, represent 20 percent of total revenues.

At K4,329.69 billion, tax revenues represent a 45 percent increase from the 2024-25 FY revised projection of K2,985.99 billion. Other revenues (non-tax revenue) are projected to go down by 17 percent to K106.02 billion from a 2024-25 revised projection of K128.14 billion. This is due to reduction in reimbursements and departmental receipts.

Out of the projected grants of K1,142.74 billion, K86.36 billion will come from Foreign Governments such as Norway, Germany and United Kingdom while K1,056.38 billion will come from International Organisations such as World Bank, African Development Bank, European Union and International Fund for Agricultural Development. Compared to 2024-25 FY, grants are projected to decline by 8 percent in 2025-26 FY.

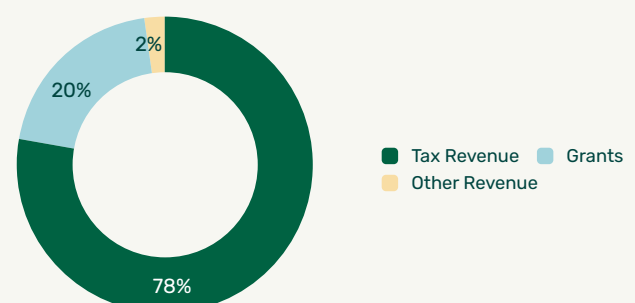
#### 2.2 Expenditure

In 2025-26 FY, Government expenditure is estimated at K8,076.67 billion (31.1 percent of GDP) representing an increase of 24.3 percent from a revised figure of K6,499.50 billion in 2024-25 FY. Of this amount, K6,060.52 billion is recurrent expenditure (salaries, interest payments, subsidies and Government operations) whereas K2,016.15 billion is development expenditure of which K578.51 billion will be financed by domestic resources and K1,437.64 billion will be financed by foreign resources.

#### 2.3 Budget Deficit

In 2025-26 FY, the projected budget deficit is K2,498.22 billion (9.6 percent of GDP). The deficit will be financed by foreign borrowing amounting to K145.78 billion (earmarked for projects) and domestic borrowing amounting to K2,352.44 billion.

**FIGURE 1**  
2025-26 PROJECTED GOVERNMENT REVENUE



**TABLE 1 BUDGET FRAMEWORK (MK' MILLIONS)**

Category	2024/25 Approved Estimates	2024/25 Revised Estimates	2025/26 Proposed Estimates
<b>Total Revenue and Grants</b>	<b>4,552,220</b>	<b>4,354,520</b>	<b>5,578,445</b>
<b>Domestic Revenue</b>	<b>3,383,808</b>	<b>3,114,131</b>	<b>4,435,706</b>
Tax Revenue	3,257,273	2,985,992	4,329,689
Other Revenue	126,535	128,139	106,018
<b>Grants</b>	<b>1,168,412</b>	<b>1,240,389</b>	<b>1,142,739</b>
From Foreign Governments	72,693	72,693	86,359
From International Organizations	1,095,719	1,167,696	1,056,379
<b>Expenditure</b>	<b>5,998,834</b>	<b>6,499,498</b>	<b>8,076,668</b>
<b>Recurrent Expenses</b>	<b>4,227,175</b>	<b>4,743,243</b>	<b>6,060,516</b>
<b>Compensation of Employees</b>	<b>1,121,981</b>	<b>1,326,526</b>	<b>1,588,824</b>
Wages and Salaries	1,075,232	1,288,179	1,532,258
Government Contributory pension	46,749	38,347	56,566
<b>Public Debt Interest</b>	<b>1,455,690</b>	<b>1,424,678</b>	<b>2,171,506</b>
Foreign interest	79,750	82,153	61,176
Domestic interest	1,375,940	1,342,525	2,110,330
<b>Use of Goods and Services</b>	<b>845,543</b>	<b>1,050,537</b>	<b>1,377,253</b>
Generic goods and services	493,023	539,001	684,945
Health Sector	122,423	103,359	171,991
Agriculture Sector	74,138	74,703	184,366
Education Sector	73,060	72,054	88,179
Arrears	500	512	500
Storage levy expenses	7,303	6,171	8,948
Maize purchases	22,000	22,000	60,000
Elections	53,097	117,542	162,945
CAT-DDO	-	102,960	-
PforR	-	12,235	15,380
<b>Grants</b>	<b>412,373</b>	<b>379,008</b>	<b>546,915</b>
Road Fund Administration	85,024	69,056	101,122
Roads Authority	6,200	6,200	8,000
Transfer to MRA	97,653	89,625	129,692
Subvented Organisations	199,496	190,127	272,101
Net Lending	24,000	24,000	36,000
<b>Social Benefits</b>	<b>358,613</b>	<b>378,055</b>	<b>286,282</b>
Affordable Input Program	161,285	131,585	111,450
Fertiliser payments	150,700	121,000	102,000
Maize seed subsidy	4,000	4,000	4,000
Livestock	585	585	450
Logistics	6,000	6,000	5,000
Pensions and Gratuities	193,169	242,311	170,418
Social Cash Transfer - Government	4,159	4,159	4,415
<b>Other expenses</b>	<b>32,975</b>	<b>184,438</b>	<b>89,736</b>
Transfers not elsewhere classified	32,975	184,438	89,736
<b>Net Acquisition of Non-Financial Assets</b>	<b>1,771,658</b>	<b>1,756,255</b>	<b>2,016,152</b>
Foreign financed projects (Part I)	1,387,058	1,310,239	1,437,639
Domestic financed projects (Part II)	384,600	446,016	578,513
<b>Net Lending/Net Borrowing</b>	<b>-1,446,614</b>	<b>-2,144,978</b>	<b>-2,498,223</b>
<b>Total Financing</b>	<b>1,446,614</b>	<b>2,144,978</b>	<b>2,498,223</b>
Foreign Financing (net)	149,915	268,108	145,780
Foreign Borrowing	368,246	337,808	310,280
Foreign Amortisation	-218,331	-69,700	-164,500
<b>Domestic Borrowing (Net)</b>	<b>1,296,699</b>	<b>1,876,870</b>	<b>2,352,443</b>

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## Allocations to Major Categories of Expenditure

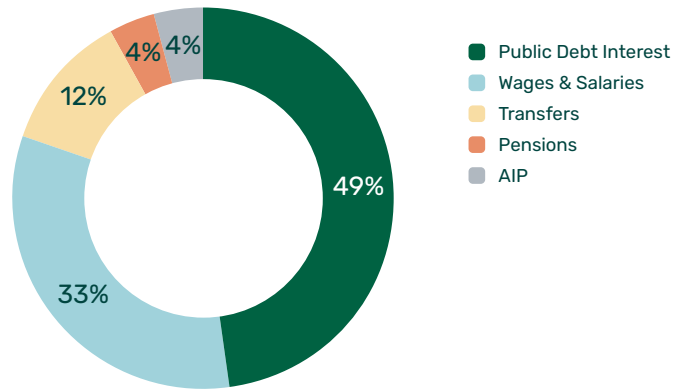
### 3.1 Wages and Salaries

Wages and salaries are estimated at K1,532.26 billion, representing an increase of 20 percent from a 2024-25 revised figure of K1,276.42 billion. The increase is mainly on account of salary adjustment and recruitments.

### 3.2 Other Recurrent Expenditures

The total allocation for other recurrent transactions is estimated at K4,528.26 billion, representing an increase of 42 percent from 2024-25 revised estimate. Specific allocations are highlighted in Figure 2.

**FIGURE 2**  
COMPOSITION OF RECURRENT EXPENDITURE



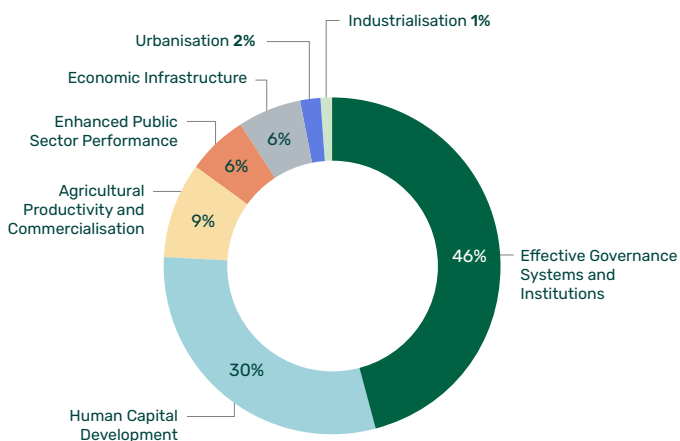
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## Budget Allocations by Pillars and Enablers of the Vision 2063

Figure 3 shows budget allocations for 2025-26 FY broken down by Pillars and Enablers of the country's vision, Malawi 2063.

As observed in Figure 3, 46 percent of the total budget has been allocated to Effective Governance Systems and Institutions, 30 percent to Human Capital Development, 9 percent to Agriculture and Commercialization, 6 percent to Economic Infrastructure, 6 percent to Enhanced Public Sector Performance and 2 percent to Urbanization.

**FIGURE 3**  
BUDGET ALLOCATIONS BY MW2063 PILLARS AND ENABLERS

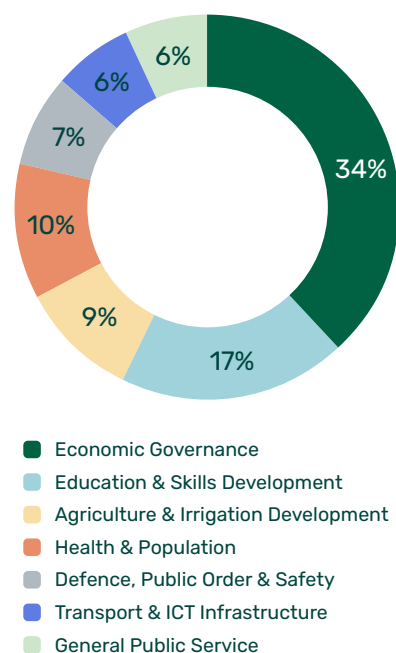


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## Sectoral Allocations

At K2,770.59 billion (34%), the largest allocation for the 2025-26 budget has been allocated to the Economic Governance sector followed by Education and Skills Development, Health and Population and Agriculture and Irrigation Development at K1,337.98 billion (17%), K767.82 billion (10%), K720.89 billion (9%) respectively.

**FIGURE 4**  
BUDGET SECTORAL ALLOCATION



## Budget Lines Directly Benefiting the Masses (MK Billions)



### Education & Skills Sector

Public Universities	MK 150BN
Primary, Secondary Schools & Learning Materials	MK 43BN
University Student Loans	MK 36BN
Youth Internship Programme	MK 3.7BN



### Health Sector

Drugs	MK 78.7BN
Hospitals Operations	MK 54.4BN
Rehabilitation of District Hospitals	MK 18BN
Construction of Hospitals	MK 4.5BN
Purchase of Ambulances	MK 1.6BN



### Transport Infrastructure

Road infrastructure	MK 160BN
Road maintenance	MK 10BN
Rail transport	MK 1BN
Likoma Jetty	MK 2BN
Airport infrastructure	MK 2.5BN

### Social Sector

Operations of MoGCDSW	MK 10.3BN
Social Cash Transfer	MK 4.4BN
National Action Plan on Albinism & Disability Fund	MK 0.5BN

### Agriculture, Irrigation and Water Development

Water Supply & Sanitation	MK 279BN
Affordable Inputs Programme*	MK 112BN
Irrigation	MK 123BN
Maize purchase to restock grain reserves	MK 60BN
Mega Farms	MK 38.3BN

Fertilizer Payments	MK 102BN
Seeds	MK 4BN
Logistics & Livestock	MK 5.5BN



### Rural Development

Malawi Social Support for Resilient Livelihoods	MK 222BN
Governance to Enable Service Delivery	MK 43BN
Constituency Development Fund (CDF)	MK 42.4BN
Construction of City Roads	MK 35BN
District Development Fund (DDF)	MK 7.8BN
Construction of Rural Roads	MK 2.5BN
Construction of Water Structures & Boreholes	MK 2.3BN

