



Citizens' Budget 2021-22

Photo: © UNICEF/2020/Chikondi



1. THE MALAWIAN ECONOMY

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

Inflation rate for 2021 and 2022 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 a projection of 3.0 percent by 2025.

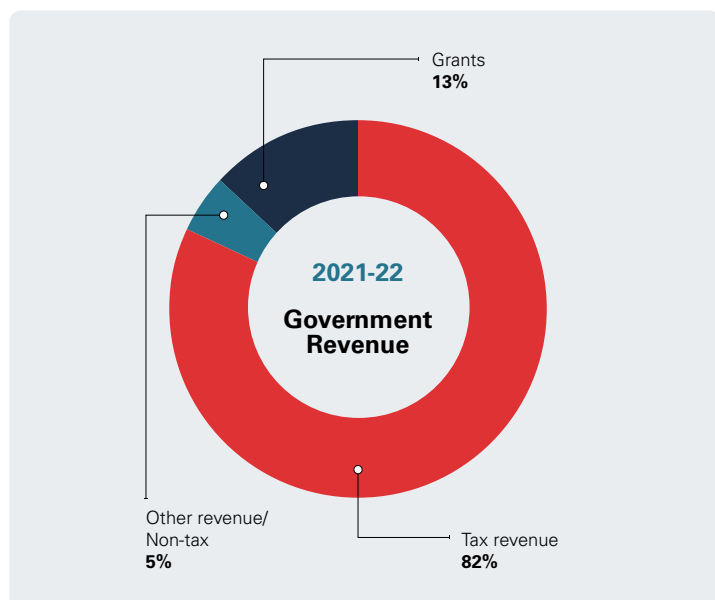
2. 2021-22 BUDGET FRAMEWORK

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 and end on 31st March. On this basis, most revenue and expenditure estimates for the 2021-22 Financial Year (FY) are lower than the 2020-21 FY figures.

2.1 RESOURCE ENVELOPE

Total revenues and grants for the 2021-22 FY are estimated at K1,271.3 billion (12.4 percent of nominal GDP) comprising K1,100.9 billion domestic revenues and K170.3 billion grants. Out of the projected total revenues and grants, tax revenues amount to K1,044 billion (representing 82 percent of total revenues), other revenues are estimated at K56.9 billion (representing 5 percent of total revenues) and grants from development partners estimated at K170.3 billion, represents 13 percent of total revenues.

FIGURE 1



For the 2021-22 FY, total expenditure is estimated at K1,995.1 billion (19.4 percent of GDP), a decrease of 8.9 percent from 2020-21 approved budget of K2,190.2 billion.

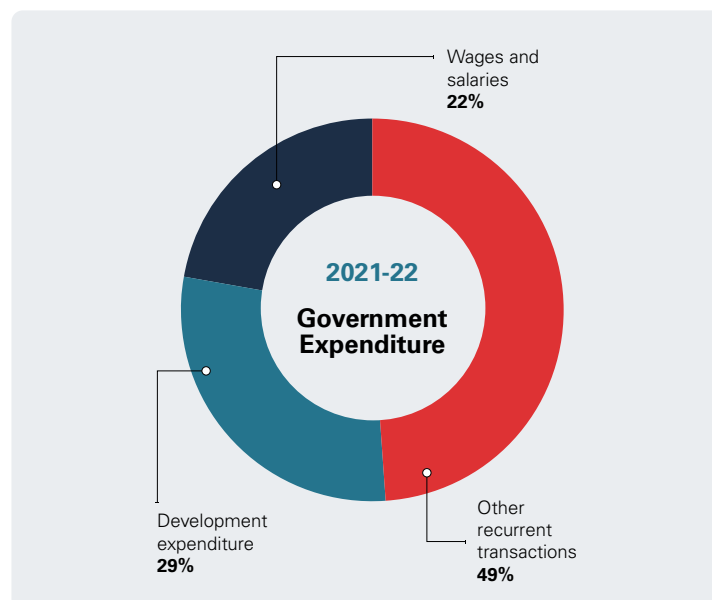
In 2021-22 FY, tax revenues are projected at K1,044.1 billion representing a 6.5 percentage reduction from 2020/21 FY approved figure of K1,116.3 billion. Other revenue (non-tax revenue) are projected to decline by 9.8 percent to K56.9 billion from approved budget of K63.1 billion in 2020-21 FY mainly on account of the shorter financial year.

Out of the projected grants of K170.3 billion, K58.4 billion will come from Foreign Governments such as Norway, Germany, and Ireland while K111.9 billion will come from International Organisations such as the World Bank, the African Development Bank and the European Union. Compared to 2020-21 FY, grants are projected to decline by 33.4 percent in the 2021-22 FY.

2.2 EXPENDITURE

For the 2021-22 FY, total expenditure is estimated at K1,995.1 billion (19.4 percent of GDP), a decrease of 8.9 percent from 2020-21 approved budget of K2,190.2 billion. Recurrent Expenditure is estimated at K1,424.3 billion (representing 76.7 percent of total expenditure) while Development Expenditure is estimated at K570.84 billion (representing 28.7 percent of total expenditure).

FIGURE 2



In 2021-22 FY, the projected budget deficit is K723.8 billion (7.0 percent of GDP).

2.3 BUDGET DEFICIT

In 2021-22 FY, the projected budget deficit is K723.8 billion (7.0 percent of GDP). The deficit will be financed by net foreign borrowing amounting to K134.8 billion (earmarked for projects) and domestic borrowing amounting to K589.1 billion.

TABLE 1 BUDGET FRAMEWORK (MK' MILLIONS)

Category	2020-21 Approved	2020-21 Revised	2021-22 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
Total Expenditure	2,190,180	2,335,053	1,995,101
Recurrent Expenses	1,678,993	1,719,213	1,424,263
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	269,642
Generic goods and services	185,169	223,829	164,769
Health Sector	60,145	59,625	49,026
Agriculture Sector	7,550	7,350	4,989
Education Sector	35,045	34,205	29,783
Utility 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	154,000
To other General Government Units	177,240	184,181	154,000
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	79,363
Net Lending for Students Loans Board	9,000	9,000	9,000
Social Benefits	266,010	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	29,453
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	- 723,840
Total Financing	755,130	811,677	723,840
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

The wages and salaries budget for 9 months for the 2021-22 FY is estimated at K436.3 billion, representing a decrease of 16.7 percent from a 2020-21 FY approved budget of K523.7 billion. The decline is a result of a shorter financial year.

3.2 OTHER RECURRENT TRANSACTIONS (ORT)

The total allocation for ORT is estimated at K987.9 billion, representing a decrease of 14.5 percent from 2020/21 approved budget. Specific allocations are highlighted in Figure 3.

3.3 DEVELOPMENT BUDGET

The total allocation for the Development Budget is estimated at K570.8 billion an increase of 11.7 percent from the 2020-21 approved figure of K511.2 billion. For the 2021/22 FY, K351.2 billion is for foreign financed projects (representing 61.6 percent of development budget) while K219.6 billion is for domestically financed projects (representing 38.4 of the Development Budget).

4. BUDGET ALLOCATIONS BY PILLARS AND ENABLERS OF THE VISION 2063

Figure 4 shows the 2021-22 budget allocations according to Malawi 2063 pillars and enablers.

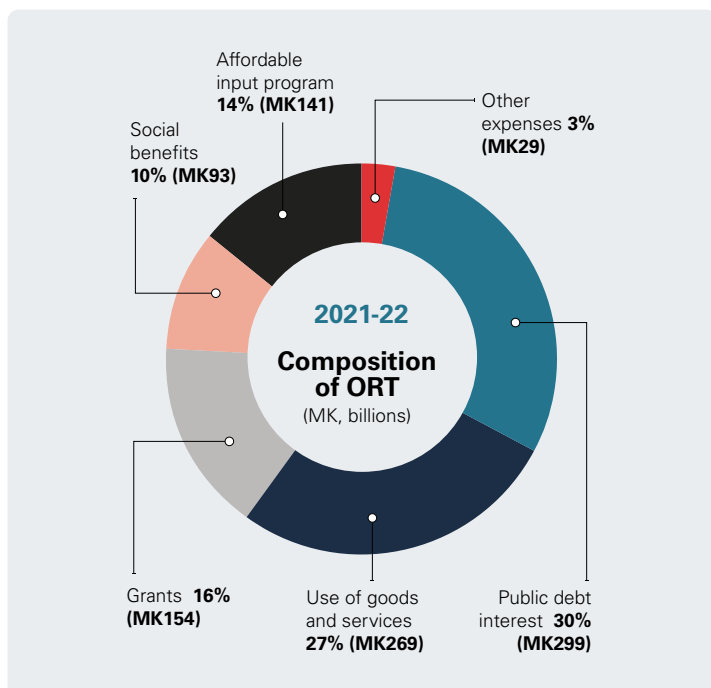
4.1 PILLARS

As observed in Figure 4, 11.9 percent of the total budget has been allocated to Agricultural Productivity and Commercialization, 2.6 percent has been allocated to Urbanization and 2.0 percent to Industrialization.

4.2 ENABLERS

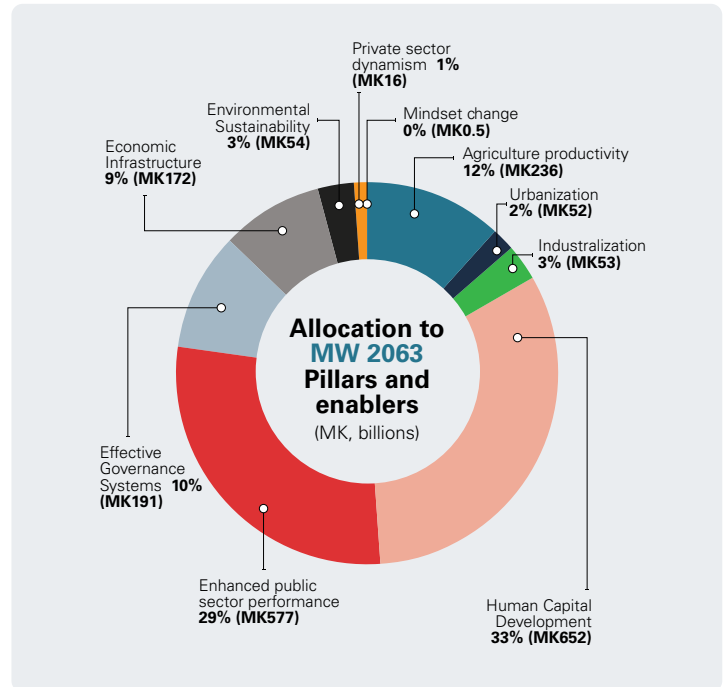
It can also be observed from Figure 4 that amongst the enablers, 32.7 percent of the total budget has been allocated to Human Capital Development, 29.0 percent has been allocated to Enhanced Public Sector Performance, 9.6 percent to Effective Governance, Systems and Institutions and 8.7 percent to Economic Infrastructure.

FIGURE 3



11.9 percent of the total budget has been allocated to Agricultural Productivity and Commercialization, 2.6 percent has been allocated to Urbanization and 2.0 percent to Industrialization.

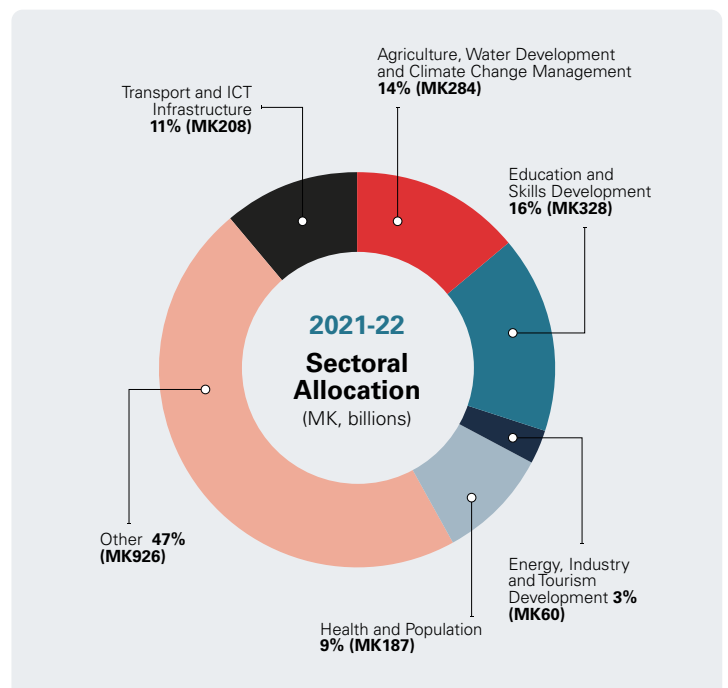
FIGURE 4



5. SECTORAL ALLOCATIONS

Figure 5 illustrates the percentage allocation of the 2021-22 Budget according to sectors.

FIGURE 5



BUDGET LINES DIRECTLY BENEFITING THE PEOPLE OF MALAWI (MK, billions)

