

RESPONSE TO COMMENTS MADE IN PARLIAMENT ON THE 2021/2022 NATIONAL BUDGET

Introduction

1. **Madam Speaker**, I stand here today before this August House to respond to the comments raised by the Honourable Members on the 2021/2022 National Budget which I presented in this House on the 28th May, 2021. But before I do so, let me appreciate and profoundly thank everyone, both from within this August House and economic commentators outside the House, for all the constructive comments towards this Budget.

2. **Madam Speaker**, as a listening Government, I wish to assure the Honourable Members that most of the comments have been carefully analysed by Ministry of Finance and where possible, such comments will be considered as we implement this budget.

3. In a special way, **Madam Speaker**, I wish to thank the Spokesperson of the DPP on finance, the Spokesperson of the UDF on finance, the Chairperson of the Budget and Finance Committee, Chairpersons of all Cluster Committees and the

Honourable Members of the National Assembly for the comments, suggestions and recommendations given to me and the Government on the 2021/2022 National Budget. We, at the Treasury do not take this for granted.

4. **Madam Speaker**, as I have always said, the Tonse Alliance budget is for all Malawians. It therefore rests in the responsibility of all Malawians to implement it with the utmost precision to ensure that it achieves its intended outcomes and to the satisfaction of Malawians. I therefore wish to remind all those who have been entrusted with management of resources provided under this budget and implementation of Government programs to do so with dedication and professionalism which Malawians deserve.

Issues Raised by DPP Spokesperson on Finance

5. **Madam Speaker**, let me start by commenting on the issues raised on the 2021/2022 budget by the Honourable Spokesperson of the DPP. I had no intention to comment on issues around the assumptions underpinning the Budget. However, allow me to do so because there seem to be a

common misunderstanding on economic fundamentals. It is, **Madam Speaker**, common knowledge that any good agriculture season, like the one we have just had is associated with enhanced economic growth prospects because Malawi is agro based. A good agriculture season is also associated with moderate inflation rate because availability of food items has a significant bearing on price developments in this country. It therefore leaves Malawians puzzled when one fails to understand why economic growth is projected to rise after such a strong agriculture performance. In fact, **Madam Speaker**, all economic indicators, including the exchange rate derive their dynamism from developments in economic growth.

6. **Madam Speaker**, the Democratic Progressive Party Spokesperson on Finance also indicated in his response that the 2021/2022 Budget is a consumptive budget and not developmental. The Honourable Spokesperson may wish to note that the 2021/2022 development budget constitutes 29 percent of the total budget. This, **Madam Speaker**, is the highest in the past six years and this fact has also been

acknowledged by the Parliamentary Committee on Budget in their report responding to the 2021/2022 budget.

7. **Madam Speaker**, the August House may also wish to note that in the 2021/2022 Budget, allocation to domestically financed development projects has been substantially increased as it has more than doubled compared to the allocation in the 2020/2021 budget. This shows that this Government has done what the previous Government failed to do, that is allocating more resources to development projects. Let me reiterate, **Madam Speaker**, the Tonse Alliance Administration will continue to allocate an increasing proportion of the national budget to development projects.

8. **Madam Speaker**, the DPP spokesperson on Finance also informed this August House that it is impossible to raise MK1.0 trillion through a development bond in Malawi. Let me inform this August House that the MK1.0 trillion will not be raised in one financial year. This amount is the total cost of the development projects that have been earmarked to be implemented using resources from the development bond.

9. The MK1.0 trillion, therefore covers the entire implementation period of the selected projects, which for most of them is pegged at between three to five years. It is also worth noting, **Madam Speaker**, that the financial market including the Malawi Stock Exchange is very excited with Government plan to issue a development bond. We have engaged most market players and they are willing, ready and able to support Government in this endeavor.

10. **Madam Speaker**, there was also a comment from the DPP Spokesperson on finance that the 2021/22 budget has not been aligned to the Malawi 2063. **Madam Speaker**, this is not correct. Honourable Members may wish to note that Table 5 of Budget Document 3- Financial Statement, shows that the 2021/2022 budget is fully aligned to the Malawi 2063. The analysis done by the Honourable DPP Spokesperson is faulty and misleading as he only looked at the amount allocated to the three Pillars. It should however be noted that the Malawi 2063 has both Pillars and Enablers. In order to have a correct picture on how the budget has been aligned to the Malawi 2063, there is need to also look

at the amount allocated to the Enablers and not only the Pillars.

11. **Madam Speaker**, the DPP Spokesperson on finance also misinformed the public by indicating that the duty free week was started by the DPP Government. Absolutely not true. We in Government are however quite aware that “success has many mothers, while failure shall remain an orphan”. It is quite clear that the Spokesperson wants to be part of this important Tonse initiative. **Madam Speaker**, the truth of the matter is that there is a major difference between duty free week and the COMESA Simplified Trade Regime which allows SMEs to import items produced in the COMESA region only and worth US\$2,000 duty free. This is what the previous Administration was implementing.

12. **Madam Speaker**, the duty free week will allow every Malawian to import items worth US\$3,000 duty free. These items do not need to be produced in COMESA region only but anywhere in the world. This, **Madam Speaker**, is the first time in the history of Malawi that a duty free week will be implemented. It is therefore being economical with the truth

to indicate that the duty free week was introduced by the previous regime.

13. **Madam Speaker**, the Malawi Revenue Authority has put in place all the necessary measures to safeguard its success and stake out any perceived intentions to abuse the initiative. Honourable Members may also wish to note that apart from introducing the duty free week, the Tonse Alliance Government has also increased the threshold for the COMESA Simplified Trade Regime from US\$2,000 to US\$3,000, thereby giving more opportunities to our people, especially the women and the youth who are operating cross border businesses.

Issues Raised by the Chairperson of the Budget and Finance Committee

14. **Madam Speaker**, let me now respond to observations made by the Parliamentary Committee on Budget. The Committee expressed doubts on whether the projected domestic revenue targets will be achieved. **Madam Speaker**, I wish to assure this August House that revenue measures that the Tonse Alliance Administration is

putting in place have started bearing fruits. It is for this reason that the Malawi Revenue Authority is well on course to surpass its revenue target for the 2020/2021 financial year with only a few days to close the fiscal year. Government is therefore, optimistic that the set domestic revenue target for 2021/2022 financial year will be achieved.

15. **Madam Speaker**, the Chairperson of the Budget and Finance Committee further questioned how Government is expected to achieve the projected revenues when some of the proposed tax measures in the 2021/2022 fiscal year are revenue eroding. I would like to assure the Honourable Chairperson and the Committee that on the balance, the tax measures, have an additive impact on the resource envelope, both in the short and medium term by spurring private sector economic activity. **Madam Speaker**, our careful analysis shows that in the medium to long term, even the increase in the tax free bracket of the PAYE has revenue additive impact through increased disposable incomes and enhanced levels of consumption and private sector investment.

16. This said, **Madam Speaker**, I would like to agree with the Chairperson of the Budget and Finance Committee that performance of the non-tax revenue category remain below par. There is indeed an opportunity for Government to raise more resources through non-tax channels and lessen the burden of domestic revenue mobilisation on the tax payer. Government is seriously looking into this matter and consultations with all revenue collecting MDAs are already underway. My Ministry is putting in place measures to improve efficiency in non-tax revenue collection and to turn around the performance of parastatals.

17. **Madam Speaker**, I would further like to agree with the Chairperson of the Budget and Finance Committee on the importance of borrowing for impact development projects. This is why Tonse Administration has decided to use Local Currency Development Bonds to raise and ring-fence the proceeds for the intended purposes and not to finance consumption as has been the case in the past.

18. **Madam Speaker**, I also totally agree with the observation of the Budget and Finance Committee that in

order to contain public expenditures which oftentimes grow at a higher rate than the growth in revenue, there is need to implement strict fiscal consolidation measures. It is for this reason, **Madam Speaker** that apart from considering that the 2021/2022 financial year will have nine months instead of twelve, consideration has also been made of the limitation of our resource envelope hence decreases in Other Recurrent Transactions (ORT) for many Votes. There is need, **Madam Speaker**, to start accepting the reality that we cannot be allocated all the resources that we require as we have a limited resource envelope. This will enable us to live within our means thereby start to reduce budget deficits and public debt.

Issues from Cluster Committees

19. **Madam Speaker**, let me thank all Parliamentary Clusters for their analysis of the 2021/22 budget. As might be noted in most Cluster reports, every Cluster would like to have the allocations to various Votes increased. However, in most of these recommendations there is no indication as to where resources for the increase should come from. It is important, **Madam Speaker**, to remain consistent. While some in this

August House are calling on Government to reduce the budget deficit, it is quite strange to note that others in this same House are asking Government to increase allocations to various votes. This, **Madam Speaker**, is the reality and dilemma that as leaders we have to deal with on a daily basis.

20. **Madam Speaker**, in my pre-budget and post-budget consultations with various stakeholders including some Parliamentary Committees, there is a common concern that the country's public debt is very high and Government has to do something to reverse the situation. It is the Tonse Alliance Government's intention to ensure that public debt is at sustainable levels. With this in mind, any increase in the budgetary allocation without corresponding increase in revenue will increase the deficit and borrowing. It is therefore, important to contain public expenditures if we have to achieve the objective of reducing our public debt.

21. The Health, HIV/AIDS and Nutrition Cluster indicated that there is no provision in the budget for construction of health posts as outlined by His Excellency the State President

in his State of the Nation Address. **Madam Speaker**, I am pleased to inform the August House that under Global Fund, we have resources earmarked for construction of health posts. I want therefore to assure this Honourable House that the Tonse Alliance Government will deliver on the construction of health posts as outlined by His Excellency the State President in the SONA.

22. **Madam Speaker**, there was another concern from the Health, HIV/AIDS and Nutrition Cluster Committee that the 2021/2022 budget has no resources for the procurement of Covid-19 vaccine. Let me inform this Honourable House that Government has sourced funds for the procurement of Covid-19 vaccine from our cooperating partners. As I stand before this August House today, the World Bank has already given the Government of Malawi 30 million United States dollars for the procurement of vaccine.

23. **Madam Speaker**, the Honourable Members may wish to note that the current scarcity of the vaccine is not as a result of lack of resources but short supply of the vaccine as countries that are producing the vaccine have restricted its

export to other countries. Currently, even countries with resources have challenges in procuring the Covid-19 vaccine. **Madam Speaker**, let me therefore assure the August House that Malawi has adequate resources for the procurement of this very important vaccine. Once supply challenges that are currently being faced have been dealt with, enough vaccine will be procured.

24. **Madam Speaker**, the report from the Cluster on Agriculture and Natural Resources requested for an increase in the allocation for the purchase of maize and other produce by ADMARC. I am pleased to inform the August house that arrangements have been made to ensure that ADMARC has the required finance of K95.0 billion for the purchase of maize and other crops from farmers subject to the passing of the budget by this August House.

25. **Madam Speaker**, the Chairperson of Cluster on Transport and Public Infrastructure indicated that arrears in the roads sector continue to exert pressure on the budget for the Roads Fund Administration. Honourable Members may wish to note that Treasury is clearing all arrears that Ministries,

Departments and Agencies accumulated up to 30th June, 2020. The arrears are being cleared after the Auditor General has verified them. This means that the resources that have been allocated to the Roads Fund Administration are for new works and not arrears.

26. **Madam Speaker**, during post-budget consultations, we took note of the concern by the Honourable Members of this August House on the condition to have a tax clearance certificate when being considered for any public office. This, **Madam Speaker** is a tax measure aimed at enhancing compliance. As a tax measure, it will be applicable to everyone and to all professions in Government. Considering the concern from the Members, I am pleased to inform the House that the Bill on this matter will not reflect this as a requirement to be elected to a public office but it will remain a requirement to access the different business and economic services from the Government. I am confident that as leaders, we must be the first to live exemplary by being tax compliant. This, **Madam Speaker**, is our duty and obligation.

Issues from Individual Honourable Members of Parliament

27. **Madam Speaker**, there was an assertion by the Honourable Member of Parliament for Mzimba North that the International Monetary Fund has suspended the Malawi Extended Credit Facility programme. This, **Madam Speaker**, is not true. A programme which has not yet started cannot be suspended. **Madam Speaker**, the truth of the matter is that Government started negotiations with the IMF for a new ECF programme since the last ECF programme was cancelled by the Tonse Alliance as it was off track and the new Administration wanted a programme that could be aligned to the Tonse Alliance development agenda. The new ECF programme is expected to be in place soon once negotiations with the IMF are concluded.

28. **Madam Speaker**, the Honourable Member for Rumphu West expressed fear that the K1.0 trillion development bond may fail resulting in failure to start the construction of the Rumphu – Nyika road. **Madam Speaker**, let me assure the Honourable Member and the whole House that the issuance of the development bond will not fail. As I have said earlier, the financial market is waiting with

excitement on the issuance of this bond. **Madam Speaker**, if there are projects which are assured of steady flow of resources are those to be financed by the development bond.

29. **Madam Speaker**, let me agree with what Honourable Member for Lilongwe South said that the success of this budget will depend on how it will be implemented. **Madam Speaker**, it is always disheartening when we have adequate resources but fail to absorb those resources due to slow progress in project implementation. It is my expectation, **Madam Speaker** as it is also the expectation of the whole House that with huge resources allocated to development projects, implementation of these projects will be done timely.

Adjustments made to the 2021/2022 National Budget

30. **Madam Speaker**, after listening to the reports from all Political Party spokespersons on Finance, Parliamentary Committee on Budget, Cluster Committees and contributions by the Honourable Members to the budget and

also taking into account our resource constraints, the following adjustments have been made to the budget:

- (i) Additional resources of K2.8 billion have been made to the National Assembly Vote for its operations and oversight function;
- (ii) Additional K500 million has been allocated to the Office of the Vice President for the procurement of motor vehicles;
- (iii) Additional K394.3 million has been allocated to the Director of Public Prosecution for prosecution of cases;
- (iv) Additional K363.0 million has been allocated to National Audit Office for the auditing of Government institutions including Embassies;
- (v) Additional K350.0 million has been allocated to The Judiciary to meet mandatory payments for the newly appointed Judges;

- (vi) Additional K300.0 million has been allocated to Malawi Electoral Commission (MEC) for the constituency and ward demarcation exercise;
- (vii) Additional K273.9 million has been allocated to Ministry of Transport for Civil Aviation and Headquarters operations;
- (viii) Additional K218.0 million has been allocated to the delinked universities to meet the cost of University Councils and Delinking Task Force;
- (ix) Additional K157.0 million has been allocated to National Local Government Committee for their operations;
- (x) Additional K120.1 million has been allocated to Registrar General for enhancement of revenue collection;

- (xi) Additional K100.0 million has been allocated to The Anti-Corruption Bureau for setting up of the forensic laboratory and modernization of ICT services;
- (xii) Additional K96.3 million has been allocated to Ministry of Homeland Security for their operations;
- (xiii) Additional K89.1 million has been allocated to the National Statistics Office to meet their mandatory payments;
- (xiv) Additional K66.2 million has been allocated to Financial Intelligence Authority for investigation of cases;
- (xv) Additional K47.0 million has been allocated to Law Commission to meet their mandatory payments;
- (xvi) Additional MK33.7 million has been allocated to Administrator General for administration of deceased estates; and

(xvii) About K405.0 million has been reduced from Public Procurement and Disposal of Assets Authority as they have capacity to generate their own revenue.

31. **Madam Speaker**, it should however be noted that these adjustments have resulted into an increase in the deficit by about K5.5 billion since the increases have no corresponding increase in revenues.

Conclusion

32. In conclusion, **Madam Speaker**, I wish to assure this August House that My Ministry has understood all the comments and although we could not accommodate all suggestions and comments at once, Government will keep reflecting on all the suggestions for consideration in subsequent budgets.

33. **Madam Speaker**, as we implement this budget, my Ministry will continue counting on the support of this House to ensure that it is implemented to the expectations and satisfaction of our people. I therefore wish to assure this

August House that Government, through My Ministry and all other monitoring Agencies will, more than ever before work very closely with all budget implementing MDAs to ensure that this budget achieves its intended purpose.

34. **Madam Speaker**, the Budget is the only instrument through which leaders of this great nation, including all of us in this August House can bring the well-deserved social services to our people. Although we may differ in some aspects, the need to deliver better living standards, employment, infrastructure development and all the much needed social services to the people of Malawi is our unifying factor.

I thank you, **Madam Speaker**.