

CITIZENS BUDGET

Investing in the future



Government of Malawi

Ministry of Finance and Economic Affairs



THE MALAWIAN ECONOMY

The country's economy slowed in 2022 from the projected 4.6 per cent growth to 1.2 per cent. It is however, expected to rebound to 2.7 per cent in 2023 and 4.0 per cent in 2024. This is on account of expected high yield in agriculture, stabilization of the energy supply and increased output in other economic sectors like mining and construction.

Inflation increased from 9.3 per cent in 2021 to 20.9 per cent in 2022. It is expected to slightly decrease to 18.2 per cent in 2023 due to expected increase in agricultural output and economic recovery from recent economic shocks. Government will continue to pursue its monetary policy objective of attaining a lower headline inflation rate (single digit) by 2025.

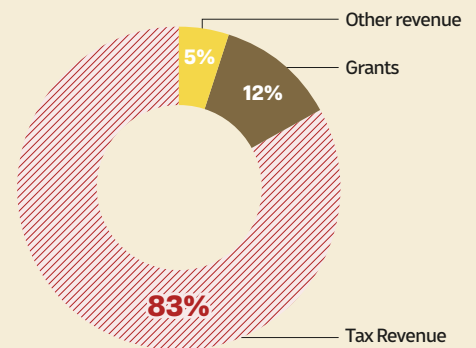
2023-24 BUDGET FRAMEWORK

The 2023/24 budget is 14.2 per cent higher than the 2022/23 budget. This is mainly due to the need to clear maturing debt, increased expenditure in Health and Education Sectors and precursor activities for 2025 quadripartite elections.

2.1 Total Resources

Total revenues and grants for the 2023-24 Financial Year (FY) are estimated at K2,553.93 billion (16.8 per cent of nominal GDP), comprising K2,242.43 billion in domestic revenues and K311.50 billion in grants. Out of the projected total revenue and grants, tax revenues are estimated at K2,128.09 billion (83.3 per cent); other revenues are estimated at K114.34 billion (4.5 per cent); and grants from development partners are estimated at K311.50 billion (12.2 per cent).

Figure 1: Estimated Government Inflows for 2023/24



In 2023/24 FY, tax revenues that are projected at K2,128.09 billion represents a 38.7 per cent increase from K1,534.78 billion in 2022/23 FY. Other revenue (non-tax revenue) are projected to go up by 13.5 per cent to K114.34 billion from K100.74 billion in 2022/23 FY mainly on account of positive economic outlook for 2023/24 FY on account of anticipated increased economic activities due to stabilisation of the energy supply.

Inflation increased

from 9.3% in 2021 to 20.9% in 2022

K2,553.93 billion

in total revenue and grants for 2023-24

Out of the projected grants of K311.49 billion, K12.43 billion will come from foreign Governments such as Norway and Germany while K299.07 billion will come from international organisations such as World Bank, African Development Bank, International Fund for Agricultural Development, the Flanders and Global Environmental Facility. Compared to 2022/23 FY, grants are projected to decline by 2.8 per cent in 2023/24 FY.

2.2 Expenditure

In 2023/24 FY, Government expenditure is estimated at K3,788.32 billion (24.9

per cent of GDP). This represents an increase of 33.4 per cent from 2022/23 approved figure of K2,839.89 billion. Out of this total, K2,957.29 billion is recurrent expenditure (salaries, interest payments, subsidies and Government operations), whereas K831.03 billion is development expenditure. Out of which, K230.75 billion will be financed using domestic resources and 600.28 billion will be financed by foreign resources. The K230.75 billion domestically financed resources is split into K170.32 billion at Central Government Level and K60.43 billion at Local Government Level.

2.3 Budget Deficit

In 2023/24 FY, budget deficit is projected at K1,234.39 billion (8.1 per cent of GDP). The deficit will be financed by net foreign borrowing amounting to K131.46 billion (earmarked for projects) and net domestic borrowing amounting to K1,102.93 billion.

ALLOCATIONS TO MAJOR CATEGORIES OF EXPENDITURE

3.1 Compensations of Employees

Compensation of employees for the 2023/24 budget are estimated at K926.98 billion, representing an increase of 34.6 per cent from a 2022-23 approved figure of K688.78 billion. This increase is on account of the planned recruitment of teachers and general recruitment in various MDAs, 8 per cent salary adjustment for civil servants. The increase will also cater for newly introduced transport allowance for civil servants. An amount of K26.5 billion has been allocated for the contributory pension, a 43.5 per cent increase from the 2022-23 Approved provision of K18.5 billion.

3.2 Other Recurrent Expenditures

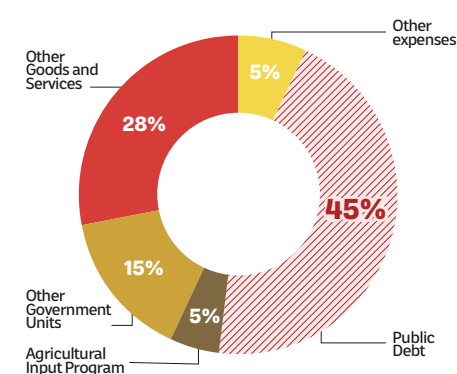
The total allocation for other recurrent transactions is estimated at K2,030.31 billion, representing an increase of 52.4 per cent from 2022/23 approved budget. The composition of the other recurrent expenditure includes: Use of Goods and Services (K547.56 billion); Public Debt (K914.86 billion); Grants to other Government Units (K302.64 billion); Social Benefits (K248.76 billion); and other expenses (K16.47 billion).

The allocations are also highlighted in percentage terms in Figure 2.

Budget Framework (MK Millions)

Category	2022-23 Approved	2022-23 End-Year Revised	2023-24 Estimates	2023-24 Budget (% of GDP)
Revenue and Grants	1,955,847.88	2,050,326.68	2,553,929.91	17%
Domestic Revenue	1,635,516.94	1,661,408.83	2,242,430.01	15%
Tax Revenue	1,534,777.72	1,572,890.71	2,128,090.28	14%
Other Revenue	100,739.23	88,518.12	114,339.73	1%
Grants	320,330.94	388,917.85	311,499.90	2%
from Foreign Governments	41,909.75	54,258.36	12,433.10	0%
from International Organisations	278,421.19	334,659.48	299,066.80	2%
Expenditure	2,839,891.46	3,317,331.48	3,788,318.96	25%
Recurrent Expenses	2,021,018.50	2,355,477.73	2,957,288.60	19%
Compensation of Employees	688,782.65	772,155.54	926,982.40	6%
Wages and salaries	670,282.65	747,581.43	900,442.36	6%
Government contributory pension	18,500.00	24,574.10	26,540.03	0%
Public Debt Interest	520,737.91	626,978.96	914,864.27	6%
Foreign interest	19,680.05	38,668.19	35,873.34	0%
Domestic interest	501,057.86	588,310.77	878,990.93	0%
Use of Goods and Services	363,580.68	425,051.83	547,562.89	4%
Generic goods and services	225,696.77	280,982.68	328,333.82	2%
Health sector	70,385.88	53,561.54	81,485.62	1%
Agriculture sector	9,200.69	26,502.43	24,778.42	0%
Education sector	41,286.37	42,445.55	52,512.68	0%
Arrears	1,000.00	754.67	1,000.00	0%
Storage levy expenses	990.97	5,211.34	5,800.00	0%
Maize purchases	12,000.00	12,593.63	12,000.00	0%
Other crop purchases	2,500.00	2,500.00	-	-
Elections	500.00	500.00	41,652.35	0%
Grants to Other Government Units	219,063.68	246,855.11	302,640.59	2%
Road Fund Administration	40,288.94	50,319.91	73,450.91	0%
Roads Authority	4,116.44	6,966.44	4,999.73	0%
Transfer to MRA	45,550.08	46,306.54	62,755.27	0%
Subvented Organisations	117,058.22	131,262.23	145,434.69	1%
Net Lending	12,000.00	12,000.00	16,000.00	0%
Social Benefits	213,578.18	269,542.15	248,763.05	2%
Affordable input programme	109,572.50	151,310.30	109,817.48	1%
Pensions and gratuities	101,413.68	116,256.18	136,145.57	1%
Social Cash Transfer - Government	2,592.00	1,795.68	2,800	0%
Other Expenses	15,275.40	14,894.14	16,475.40	0%
Other statutory expenditures	15,275.40	14,894.14	16,475.40	0%
Net Acquisition of Non-Financial Assets	818,872.96	961,853.75	831,030.36	5%
Foreign financed projects (Part I)	580,931.69	731,468.48	600,279.88	4%
Domestic financed projects (Part II)	237,941.27	230,385.27	230,750.48	2%
Net Lending / Net Borrowing	884,043.57	1,276,004.80	1,234,389.05	8%
Total Financing	884,043.57	1,276,004.80	1,234,389.05	8%
Foreign financing (Net)	230,067.92	253,711.94	131,462.32	1%
Domestic borrowing (Net)	653,975.65	1,013,292.86	1,102,926.73	7%

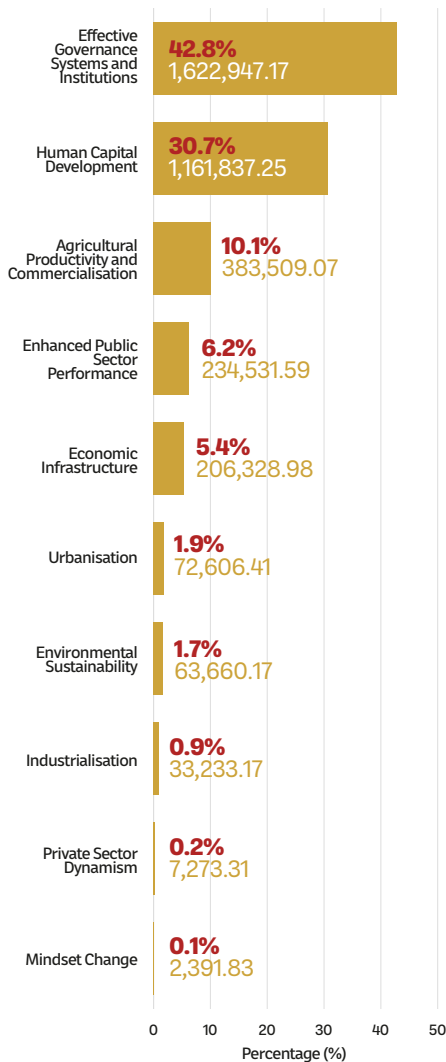
Figure 2: Composition of ORT



BUDGET ALLOCATIONS BY PILLARS AND ENABLERS OF THE VISION 2063

Figure 3 shows budget allocations by Malawi 2063 Pillars and Enablers for 2023-24 FY.

Figure 3: Composition of Allocations by MW2063 Pillars/Enablers



Pillars

As observed in Figure 3, 10.1 per cent of the total budget to Agricultural Productivity, 1.9 per cent has been allocated to Urbanisation and 0.9 per cent to Industrialisation.

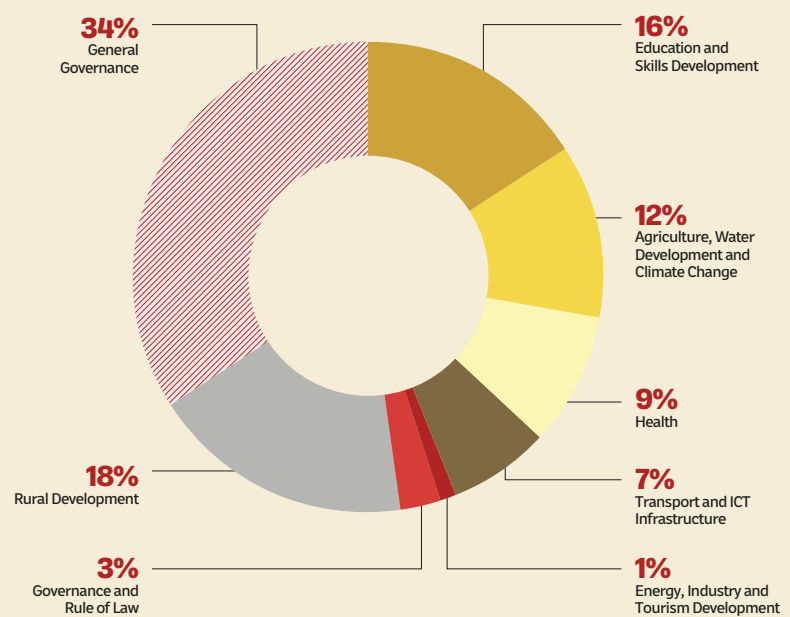
Enablers

As observed in Figure 3 amongst the enablers, 30.7 per cent of the total budget has been allocated to Human Capital Development, 42.8 per cent to Effective Government Systems and Institutions, 6.2 per cent to Enhanced Public Sector performance, and 5.4 per cent to Economic Infrastructure.

SECTORAL ALLOCATIONS

As observed in Figure 4, 12 per cent of the budget has been allocated to Agriculture, water development and climate change management sector, 16 per cent to Education Sector, 7 per cent to Transport Sector, 9 per cent to Health and Population, and 18 per cent to Rural Development.

Figure 4: Composition of Expenditure by Sectoral Allocations



Budget lines directly benefiting the Citizens

The following are some of the expenditure lines that will directly benefit the citizens

Agriculture, irrigation and water development sector

K44.6B

water supply and sanitation projects



K12B

maize purchase to restock strategic grain reserves



K109.8B

affordable input programme targeting **1,750,000 farm families**. Each family will buy 2 bags.



Social welfare



K8.7B

Ministry of Gender, Community Development and Social Welfare; Gender and Community Development Sectors in District Councils



K10.9B

social cash transfer



K14.7B

investing in early years for growth and productivity

K0.2B

implementation of the National Action Plan on Albinism and recapitalisation of the Disability Fund



Transport infrastructure

K138.7B

road infrastructure



K3B

water transport infrastructure



K3.4B

air transport infrastructure

K1B

rail transport



Education and skills sector

K120.3B

operations of public universities



K91.9B

operations of primary and secondary schools, including teaching and learning materials



K16B

university student loans

Health sector

K35.4B

drugs for hospitals



K15.3B

central

K20.1B

other districts

K4.6B

construction of hospitals



K12.4B

provision of Integrated Tertiary Health Care (Blood operations)

K1.4B

referrals abroad



K1.3B

cancer centre operations

Rural development

K194.2B

rural development projects



K19.6B

construction of city roads



K2.3B

construction of water structures, including boreholes



K13.6B

rehabilitation of District Hospitals

K19.3B

Constituency Development Fund (CDF)

K4.8B

District Development Fund (DDF)



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