



Malawi Government

THE 2025/2026 BUDGET POLICY STATEMENT

The Budget Speech

Delivered in the
NATIONAL ASSEMBLY OF THE REPUBLIC
OF MALAWI

by

MINISTER OF FINANCE AND ECONOMIC AFFAIRS
HONOURABLE SIMPLEX CHITHYOLA BANDA, M.P.

at

THE PARLIAMENT BUILDING LILONGWE

On

Friday, 28th February 2025

MOTION

1. **Madam Speaker**, I beg to move that the estimates on the Recurrent and Development Accounts for the 2025/26 Budget of the Malawi Government be referred to the Committee of the Whole House to be considered vote by vote and, thereafter, be approved and adopted.

INTRODUCTION

2. **Madam Speaker**, in line with the requirement of Section 33 (3) of the Public Finance Management Act of 2022, I am mandated to present before this August House a statement of the estimated Government revenue and expenditure for the next financial year.
3. **Madam Speaker**, let me take this opportunity to thank His Excellency, Dr. Lazarus McCarthy Chakwera, President of the Republic of Malawi, for his visionary leadership in managing the country through the turbulent economic times. I would also like to thank my fellow Cabinet Ministers; Honourable Members of this August House, various Ministries, Departments, and Agencies (MDAs); the Private Sector; Non-Governmental Organisations (NGOs); the Faith Based Organisations; Civil Society Organisations; the Academia; Professional Bodies; Development Partners; the Youth and the general public for their support and contributions during the Pre-Budget consultations that my Ministry conducted across the country.

4. **Madam Speaker**, I stand before you today at a time when the country is facing a series of setbacks. Since the current administration assumed office in 2020, it has been navigating through various economic turbulences. As such, the economic landscape has not evolved as anticipated, with persistent pressures on key indicators such as economic growth, exchange rates, inflation and structural shifts in trade and production.

5. **Madam speaker**, Covid-19 pandemic and the geopolitical conflict in Europe affected global, regional and domestic economic performance. Globally, according to the January 2025 World Economic Outlook, the economy is projected to grow at 3.3 percent in both 2025 and 2026, within the region, economic growth has been rising from -1.6 percent in 2020 to 3.8 percent in 2024 which is still lower than the pre-pandemic growth targets.

6. The domestic performance is a reflection of the global economic trends. Specifically, Malawi's economy registered a slow growth of 0.8 percent in 2020 due to covid-19 restrictions, which limited economic activities across the globe. Economic growth started recovering in 2021 with a growth of 4.6 percent before dropping again to 0.9 percent in 2022. The slowdown in growth was due to the Russian-Ukraine war, which limited the supply of strategic commodities such as fertilisers, petroleum, gas and pharmaceuticals. In addition, cyclone Ana caused the destruction of Kapichira power station which significantly reduced power supply required for sectoral growth in industries, service sector and so many SMEs with a heavy dependence on steady power supply.

7. In recent years, the country registered a growth of 1.9 and 1.8 percent in 2023 and 2024 respectively, due to cyclones such as Freddy and El- nino weather related conditions, which reduced agricultural production. The Government remains hopeful that the economy will grow at 3.2 percent in 2025 owing it to the continued normal to above normal rainfall across the country and positive contributions from expected high investments in Agriculture, Tourism and Mining sectors as well as in growth enabling sectors of energy and infrastructure.
8. **Madam Speaker**, the slowdown in growth resulted in trade imbalances which led to the misalignment between the Malawi Kwacha and major trading currencies. This resulted to the Government taking a painful decision to realign the kwacha by 25 percent in May 2022 and 44 percent in November 2023. Despite these corrective measures, the Government is saddened by the behavior of unpatriotic Malawians who are trading the dollar at higher than the official exchange rate, thereby fueling speculative behaviors in the unofficial market for foreign currency.

9. **Madam Speaker**, it is this unscrupulous conduct plus the other economic challenges I have highlighted that are leading to the current high cost of living. This far, annual average inflation has moved from 28.8 percent in 2023 to 32.3 percent in 2024. However, the performance in commodity prices is expected to ease in the short to medium term with annual average inflation projected at 24 percent in 2025 owing to the planned significant investments in productive sectors of the economy which I will outline in details later.

MONETARY POLICY

10. **Madam Speaker**, the Government is implementing monetary policies that are complemented by fiscal measures to contain inflationary pressures. In this regard, the Reserve Bank of Malawi maintained the policy rate at 26.0 percent in January 2025. The RBM will continue to monitor economic developments and manage their impact on the prices of goods and services. However, the Reserve Bank, working with commercial banks is duty bound to compliment demand management approach with the incentive approach to allow the private sector to produce and export.

FOREIGN EXCHANGE RESERVES

11. **Madam Speaker**, to this date, the imbalances in foreign exchange reserves remain significant. However, the economy's foreign exchange reserves showed improvement between December 2024 and January 2025. To increase foreign exchange reserves, Government is implementing measures to incentivise productivity, generate foreign exchange and seal the loopholes in foreign exchange management.

12. **Madam Speaker**, the Government is also working with various stakeholders to implement financial sector reforms and provide incentives for the real sector. With these measures, I wish to assure the August House that the economy's official reserves are expected to improve over the short to medium term. Madam Speaker, Malawi has to produce and export, protect the foreign exchange reserves it generates against the malpractices of the very unpatriotic and speculative businesses that only aim at ripping and destroying our economy for their riches at the expense of Malawians.

Total Public Debt Stock and Management

13. **Madam Speaker**, as of September 2024, public debt stood at K16.19 trillion, representing 86.4 percent of GDP, of which total external debt reached K7.39 trillion, while domestic debt amounted to K8.79 trillion. Through fiscal consolidation and debt restructuring **Madam Speaker**, Government has demonstrated remarkable effort to ensure the country's public debt becomes sustainable. Government in principle has reached agreements with all official bilateral creditors and is still negotiating with commercial creditors to restructure debt. Once the negotiations are completed, the initiative will ease the pressure on foreign exchange and provide fiscal space necessary for productive investment. Madam Speaker, the most ideal way of dealing with the unsustainable debt is by enhancing the country's domestic revenue mobilization to cover Government expenditure without recourse to further borrowing, a situation which has not be attained due to the many shocks that this country has experienced, and affected the economic performance negatively. You will note Honourable Members that a significant proportion of this budget I am about to present is to cater for interest bill payment on past consumption, on salaries and wages and pensions, budget lines which are mandatory and can not be reduced.

14. **Madam Speaker**, to tame the growing debt, Government has stepped up its efforts to strengthen debt and cash management. Government has and will continue to contract concessional loans, targeting borrowing to fund projects in the priority sectors, particularly leveraging on alternative and innovative financing. We will ensure that our borrowing targets productive areas to maximize the benefits on our economy. Some of the key measures to contain public debt include the following: commitment controls to contain arrears and limiting issuance of guarantees. I am pleased to inform the August House that Government has developed a framework to assess and manage guarantees, on-lending and direct borrowing by State Owned Enterprises. Honourable Members might wish to note that in the 2024/25 Financial Year, Government has not contracted any non-concessional external loan and it has not issued any sovereign guarantees.

15. To achieve diversification of resource mobilization for financing sustainable national development, **Madam Speaker**, Government has developed the Integrated National Finance Framework, an architecture that provides innovative ways of engaging both public and private sectors at domestic and international level.

Economic Stabilisation Measures

16. **Madam Speaker**, in addressing the key economic challenges that have affected our economy, which are price instability and foreign exchange scarcity, Government is, therefore, implementing the following structural reforms:

a. Price Stability:

- i. Develop a comprehensive price stabilisation policy with input from the private sector and consumer protection bodies;
- ii. Strengthen the national supply chain for essential commodities through strategic reserves and supplier agreements; and
- iii. Ensure adequate maize supply on the market including the importation of maize from neighboring countries as a bridge supply before the eminent harvesting season.

b. Foreign Exchange Availability:

- i. Establish sustainable sources of generating foreign exchange, that includes direct participation of the banking sector to work with private sector companies with export potential and diversification of bank loans to productive and growth potential sectors of the economy;
- ii. Establish a national anti-forex crime unit to tackle parallel market activities and ensure compliance with forex regulations. The Unit shall also be responsible for combating illegal exportation of the country's minerals and agricultural produce;

- iii. Continue working with the Inspector General of Police to deploy Fiscal and CID police officers and all Intelligence institutions to raid places suspected to be dealing in illegal forex trading. It is therefore my plea to the general public to comply with their work and report any suspicious activities for the good of our country.
- iv. Develop a comprehensive export diversification strategy, including value-added sectors and digital trade promotion;
- v. Strengthen legal frameworks to empower the Ministry of Trade in key commodity sectors and improve export data transparency;
- vi. Implement measures that will prioritise manufacturing sector for value addition, employment generation and exportation by, among others, incentivising production, jealously guarding our foreign exchange and sealing the loopholes in foreign exchange management;
- vii. Diversify the economy to focus on production, through Agriculture, Tourism, Mining and Manufacturing;
- viii. Intensify efforts to curb smuggling in the informal mining sector';
- ix. Operationalise the Malawi Mining Company and the Malawi Development Corporation Holdings Limited;
- x. Ban importation of all nonessential commodities which are producible in Malawi; and

xi. Incentivise individuals and firms to venture into local production of such banned importations through various taxation measures. Government has also embarked on discussions with international investors in Malawi and all big companies to develop backward linkages with our SMEs sector for their raw materials and inputs requirement, thereby creating offtake markets to our SMEs and preserve the much needed forex.

17. **Madam Speaker**, as you are aware, the budgets are formulated in line with the First 10-Year Implementation Plan (MIP-1) of the Malawi 2063. I would like to assure all Malawians that the Government remains committed to achieving its aspirations as attested by His Excellency, Dr. Lazarus McCarthy Chakwera, President of Malawi, during his State of the Nation Address on 14th February 2025, titled ***Taking Our Development Forward to Continue the Progress we have Delivered.***

18. In the same vein, the 2025/26 budget aims to continue financing key existing and emerging projects in all the districts as highlighted by the President. Therefore, **Madam Speaker**, this budget is guided by the theme: ***Consolidating Gains, Strengthening Resilience and Inclusivity for Accelerated Social Economic Transformation.***

19. As we continue with the recovery process, **Madam Speaker**, it is with determination and hope that today I present to you a budget that aims not just to stabilize our economy, but to revitalize it by focusing on our key productive sectors of Agriculture, Tourism, Mining and Manufacturing (ATMM). As such, there is need for concerted efforts to further strengthen resilience against the economic challenges that the country is facing because without macroeconomic stability, our efforts to revamp it will be futile. It is very clear Honourable Members that the RDP Strategy that focused on Recovery, Diversify and Protecting our economy is much more suited now than ever before. As we focus on recovery, through the many economic governance reforms to enhance the country's resilience, and diversifying the economy through the numerous transformative Mega Farms initiative and the infrastructure projects such as roads, and the energy generation plants, Malawians must jealously guard and protect this economy from the unpatriotic elements amongst us who are ready and determined to destruct us and destroy the hard earned progress in the toughest environment ever for their selfish interests.

Investments in Key Productive Sectors

20. **Madam Speaker**, along with the macro stabilization process, Government is revamping the economy through strategic investments in productive sectors such as Agriculture, Tourism, manufacturing and Mining (ATMM). As such, the 2025/26 Budget has been designed to significantly finance these growth propelling sectors, details of which I will outline later in the Statement.
21. As such, **Madam Speaker**, the ATMM Strategy will remain crucial to achieving food security, ensuring sustainable sources of foreign exchange generation and ultimately drive economic growth that is not only sustainable, but also inclusive. All these efforts are focused on enhancement of our supply side of the economy to ensure that inflation is contained and start its downward trajectory. This budget, **Madam Speaker**, has been designed to deal with the actual problems more than just the symptoms.

2024/2025 BUDGET PERFORMANCE

22. **Madam Speaker**, I would like to briefly present the 2024/2025 budget performance to the August House. In the Financial Year, total revenue, including grants, is estimated to close at K4.35 trillion, representing 23.2 percent of GDP. Domestic revenue is expected to reach K3.11 trillion, of which tax revenue is estimated at K2.99 trillion, and K125.13 billion is other Revenue.

23. **Madam Speaker**, improving domestic revenue mobilization is key to addressing the Government's spending needs. The Government continues to focus on broadening the tax base; improving tax compliance; improving the perception of the tax system; strengthening the institutional capacity for revenue mobilization; and improving non-tax revenue collection as it implements the Domestic Revenue Mobilisation Strategy.

Expenditure Performance

24. **Madam Speaker**, Total Expenditure for the 2024/25 financial year is projected to close at K6.14 trillion, representing 32.8 percent of GDP. The expenditure comprises K4.52 trillion in Recurrent Expenditure and K1.62 trillion in Development Expenditure. The Development Expenditure comprises K314.13 billion from domestic resources and K1.31 trillion from foreign resources.

25. **Madam Speaker**, the recurrent expenditure for the 2024/25 Financial Year comprises K1.31 trillion for compensation of employees; K1.02 trillion for use of goods and services; K1.46 trillion for interest payment; K378.50 billion for grants to other General Government Units; K317.06 billion for social benefits; and K34.44 billion for other expenses. It is clear Honourable Members that our Budget is highly skewed towards the mandatory expenditures on interest bills for past borrowing and consumption, wages and salaries and social benefits to protect the most vulnerable segments of our population. This has left tended to leave few resources for government service delivery and development projects. Thus, Madam Speaker, the many infrastructure projects that you see, are indeed achieved in the very constrained budgetary space as demonstrated above.

Fiscal Balance

26. **Madam Speaker**, based on the preliminary outturn of revenue and expenditure in the 2024/25 financial year, the overall deficit is estimated at K1.79 trillion, representing 9.6 percent of the country's GDP. The deficit is estimated to be financed through domestic borrowing, amounting to K1.59 trillion and foreign borrowing amounting to K196.49 billion.

Progress on Selected Key Achievements in the 2024/25 Financial Year

27. **Madam Speaker**, despite the challenges that the economy has been encountering, I reiterate that remarkable progress in a number of sectors has nonetheless been registered. I would, therefore, like to present some of the milestones that have been registered in various sectors as follows:

a. Health Sector

28. **Madam Speaker**, improving the health and well-being of all Malawians by providing equitable, quality, and accessible health services is a catalyst of human capital development, which is a determinant of a productive labor force. Malawi is determined and is on course to achieve human capital development that will complement the fast advancing technological era.

29. Thus, **Madam Speaker**, Government is focused on enhancing health infrastructure development, providing quality health workforce, improving health financing, and fostering good governance for sustainable health outcomes. The Government has, among other vital milestones:

- i. Constructed the radiotherapy bunkers for the National Cancer Centre and two machines have already been installed and commissioned;
- ii. Commenced the construction of superstructures at Mponela Community Hospital, which is at an advanced stage; and
- iii. Construction of Domasi Community Hospital phase 1 has been completed.

30. **Madam Speaker**, as a way of accelerating the decentralization process, the Government deployed the Direct Facility Financing arrangement, which was first piloted in Rumphi from 2022/23 and it is scaling up to thirteen other districts in 2025/26 and these are Chitipa, Nkhotakota, Kasungu, Ntchisi, Lilongwe, Salima, Dedza, Machinga, Blantyre, Chikwawa, Nsanje, Balaka and Mangochi.

b. Agriculture Sector

31. **Madam Speaker**, in the agriculture sector, the Government's priority is investing in irrigation infrastructure and mega farms across the country as a way of expanding our export base and become self-food sufficient. Some of the initiatives that have been undertaken include:

- i. Construction of the Shire Valley Transformation Irrigation Project phase I, which is at 98 percent;
- ii. Construction of Utale Irrigation scheme;
- iii. Delivered 23,000 MT of maize to ADMARC and NFRA, under the Mega Farms Programme;
- iv. Exported 3500 MT of beans under Demeter Mega farm;
- v. Rehabilitation of 1,625 hectares of Limphasa, Kanjedza, Salankhuku, Muona, Masenjere and Nambuna irrigation schemes;

- vi. Local manufacturing of Agricultural mechanisation equipment such as handheld tractor, planter, harvester, and maize sheller under the Malawi University of Business and Applied Science Project; and
- vii. Registered customary land parcels using the Land Information Management System with over 60,000 parcels from Chikwawa, Nsanje, Machinga, Kasungu, Nkhatakota, Phalombe, Nkhatabay, Rumphi, Chitipa, Karonga and Zomba districts.

32. **Madam Speaker**, the Government continued to implement the Affordable Inputs Program (AIP) in the 2024/25 farming season with a budget of K161 billion. As of 24th January, 2025 the Government distributed 3,771.2 MT of seed, and; 22,644 MT of NPK and 23,704.9 MT of Urea fertilizers.

33. **Madam Speaker**, as part of Government's efforts to reducing hunger and strengthening Malawi's food security, the National Economic Empowerment Fund (NEEF) has been actively supporting smallholder farmers through the Farm Input Loan Program. As of February 2025, NEEF has successfully distributed 18,908 MT of fertilizer valued at K65.1 billion to 65,834 farmers across the country. These efforts reflect the Government's commitment to enhancing agricultural productivity, and ensuring sustainable food supply for all Malawians and create jobs in this sector.

34. **Madam Speaker**, in order to increase agricultural productivity, the Government is also investing in the Promotion of Mechanised Farm Operations by establishing hiring centres within the Agricultural Development Divisions. To this end, eight (8) machinery sets have already been procured.

35. **Madam Speaker**, the Government continued to commit resources to promote livestock development in the country through good extension advice on improved management practices. As a result of this, Cattle population increased by 4 percent from 2,187,583 to 2,269,055; Goat and sheep population both increased by 8 percent; Pigs increased from 11,507,091 to 12,475,657; and Indigenous chicken increased from 103,397,473 to 113,860,549.

c. Tourism Sector

36. **Madam Speaker**, the Government prioritizes the promotion of tourism for the country's socio-economic development, by focusing on executing a robust marketing framework, conducting promotional activities, collaborating with key market representatives, and utilizing tourism levy funds for effective marketing. The contribution of the tourism industry represented 4.8 percent and 5.4 percent of GDP in 2023 and 2024, respectively. The following are some of the key achievements in the Tourism Sector:

- i. Completion of designs for a mid-market eco lodge at Wang'ombe Rumen;

- ii. Construction of the Mulanje Porters Race Sports under the Malawi Gaming and Lotteries Authority is underway; and
- iii. Signing of a contract for the development and management of an eco-friendly picnic site at Domwe Island, with a budget of USD60,000.

37. **Madam Speaker**, targeted campaigns have been launched in countries such as the United Kingdom, the United States of America, Germany and the Netherlands, showcasing Malawi's unique attractions, including Lake Malawi, wildlife safaris and cultural heritage. Innovative marketing promotional activities have also been piloted, such as advertising through international football clubs, and taxis in London and Germany.

d. Mining Sector

38. **Madam Speaker**, the Government is committed to ensuring that Malawi derives maximum benefits from its mineral wealth. Thus, the Government undertook the following:

- i. Operationalizing the Malawi Mining Investment Company, which is a subsidiary of the Malawi Development Corporation;
- ii. Construction of the State-of-the-Art Mineral Laboratory Complex, and procurement of laboratory equipment has commenced;
- iii. Establishment of the Mines and Minerals Regulatory Authority;

- iv. Successfully negotiated and signed two Mining Development Agreements;
- v. Formalization of Artisanal and Small-scale Miners. Work is in progress to formalize the following five new mining cooperatives: Milepa in Zomba; Tigwirizane in Chitimbe in Balaka; Kasiya in Lilongwe; Chintheche in Nkhatabay and Chitantha-Mapiri in Kasungu; and
- vi. Creation of Structured Market for Gold and Gemstones. As of November 2024, the Reserve Bank of Malawi, through Export Development Fund (EDF) purchased 293 kilograms of gold worth MK34 billion.

e. Transport Sector

39. **Madam Speaker**, infrastructure development is pivotal to spur economic growth in the country. Thus, the Government, through the Ministry of Transport and Public Works, has made tremendous effort to establish a sustainable, safe, efficient, and reliable transport system. I, therefore, **Madam Speaker**, would like to present to the House progress on some of the transport infrastructure developments as follows:

- i. Completion of the M1 road from Crossroads to Kanengo with support from the People's Republic of China;
- ii. Completion of capacity improvement of Mzimba street with funding from the Government;
- iii. The capacity improvement of Kenyatta Road and Sharrar Street;

- iv. The expansion of M1 road from Junction with Bwaila Hospital and Junction with Murray Road;
- v. Commencement of capacity improvement of Kaunda and Chendawaka road; and
- vi. The construction of Likoma Port is at 90 percent and expected to be completed in the 2025/26 Financial Year.

40. **Madam Speaker**, I, further, would like to highlight that significant progress continues in the rehabilitation of the following projects:

- i. M1 road from KIA Junction to Mzimba Turn off and Kacheche to Chiweta;
- ii. Kaphatenga –Nkhotakota-Dwangwa (M005) road;
- iii. Nsipe-Chingeni-Liwonde Road which has commenced;
- iv. Phase I of upgrading the Ntcheu–Tsangano – Neno-Mwanza Road;
- v. Upgrading of Thyolo-Makwasa–Muona-Bangula road;
- vi. Upgrading of Phase III of Chitipa-Ilomba road; and
- vii. Thyolo–Thekerani-Makhanga road.

41. **Madam Speaker**, the country in 2024 witnessed the resumption of train services between Blantyre and Lilongwe following the completion of rehabilitation of the Nkaya – Lilongwe railway line. In addition, the construction of Marka –Bangula railway line is in progress.

f. Education Sector

42. **Madam Speaker**, the Government recognizes the role played by the education sector as an enabler of socioeconomic transformation of this administration. Since 2020, the Government has focused on promoting equitable access to education, improving quality and enhancing governance and management of the education sector.

43. **Madam Speaker**, under the basic education the following are the major achievements:

- i. Commenced the construction works for 2,170 classrooms in 1,085 primary schools;
- ii. Procured 116,066 tablets under Building Education Foundation through Innovations and Technology;
- iii. Provided additional K34,000 to the existing Rural Allowance Scheme to 12,000 primary school teachers in 1,537 hard-to-reach schools; and
- iv. Procured and distributed 390,000 text- books to senior primary school learners.

44. **Madam Speaker**, with support from development partners, Government rolled out the National Mathematics Curriculum Reforms Programme for Standards 1 and 2 in all primary schools across the country. Government also supplied 2 million learners' workbooks and trained 30,000 teachers and 730 specialist teachers to implement the Programme.

45. **Madam Speaker**, the Government, in collaboration with the World Bank, has constructed 668 classrooms in 334 primary schools across the country.

46. **Madam Speaker**, under the Secondary Education, Government has:

- i. Completed expansion works of 35 CDSS under the World Bank EQUALS Project;
- ii. Constructed 59 cost effective classroom blocks under the World Bank EQUALS project;
- iii. Trained 1,432 secondary school head teachers and deputies on School Management and Instructional Leadership;
- iv. Procured 328,177 textbooks, 1,895 computers, and 27,100 desks for secondary schools across the country;
- v. Expanded access to virtual science laboratories in 55 Community Day Secondary Schools;
- vi. Introduced coding innovation laboratories in 9 secondary schools under Malawi “Girls Can” Code Project in partnership with UN Women;
- vii. Constructed 75 smart ICT laboratories in CDSSs; and
- viii. Completed the designs for the construction of 6 secondary schools of excellence.

47. **Madam Speaker**, under the Higher and Tertiary Education the Government has:

- i. Increased students upkeep loans from K350,000 to K560,000 and the number of loan beneficiaries from 26,000 in 2023 to 31,000 in 2024;
- ii. Continued with the construction of the University of Malawi Administration Complex;
- iii. Completed the construction of the University Innovation Pod at the Malawi University of Business and Applied Sciences and this was commissioned by His Excellency the President; and
- iv. Constructed the Confucius Institute at the Kamuzu University of Health Sciences – Lilongwe campus, with support from the Government of China.

48. **Madam Speaker**, in order to increase access to tertiary education, Government with financial support from the World Bank, under the Skills for a Vibrant Economy Project, registered the following achievements:

- i. Commenced the construction of 3 lecture theatres at MUST;
- ii. Construction of a teaching complex hosting 4 Classrooms, 2 Science labs and an Open and Distance e-Learning space at KUHeS, Lilongwe campus Site has also started; and
- iii. Construction of the new administration block and classroom blocks at UNIMA.

g. Water and Sanitation

49. **Madam Speaker**, recognizing the catalytic role that water and sanitation play in the socio-economic development of our country and the need for every Malawian to have access to safe water and improved sanitation services, the Government is implementing the following water supply projects:

- i. Malawi Watershed Services Improvement amounting USD 160 million, which will cover parts of Ntcheu, Neno, Blantyre, Machinga, Mangochi, Zomba, and Balaka Districts;
- ii. Solar powered water supply schemes including solar powered boreholes and irrigation schemes through the Malawi Resilience and Disaster Risk Management Project ;
- iii. Solar Powered Groundwater Water Supply Systems projects in all 193 constituencies targeting 579,000 households;
- iv. Kholongo Multipurpose Dam Water Supply and Irrigation Project targeting 191,000 beneficiaries;
- v. Salima-Lilongwe Water Supply Project;
- vi. Karonga Town Water Supply Project;
- vii. Northern Region Water Board Water Efficiency Project, with the project having commenced in Mzuzu and Ekwendeni.

GOVERNMENT REFORM PROGRAMS

50. **Madam Speaker**, allow me to update the August House on the progress of implementing various public sector reforms undertaken to improve the effectiveness and efficiency of service delivery.

PUBLIC FINANCIAL MANAGEMENT REFORMS

51. **Madam Speaker**, to facilitate the attainment of sound financial management, Government will continue to implement public financial management reforms outlined in the Public Finance Management Strategy.
52. **Madam Speaker**, to enhance revenue generation, Government has completed the development of an automated Stamp and Estate Duty System in the Department of Registrar General.
53. Government through the Public Procurement and Disposal of Assets Authority will embark on the roll out of electronic procurement system commencing March, 2025. Electronic-procurement will streamline procurement processes to achieve transparency and efficiency in procurement. The electronic procurement system will further assist Government to curb corruption related to procurement in the public service.

54. **Madam Speaker,** Government is developing a new beneficial ownership module on the Malawi Business Registration System, which will be fully interfaced with the Malawi National Electronic Procurement System. With this integration, the Public Procurement and Disposal of Assets Authority will be able to access beneficial ownership information for companies participating in public procurement.

a. State-Owned Enterprises Performance

55. **Madam Speaker,** Government continues to strengthen its oversight role over state-owned enterprises through monitoring performance, implementing necessary reforms and ensuring remittance of the returns to its investments in the state-owned enterprises.

56. In light of the above, I am pleased to report to this August house that some state-owned enterprises have registered good performance from loss making to profit making with some remitting dividends to Government, which amounted to over K13.5 billion in 2024/25 Financial Year. In this regard, I would like to commend the following SOEs for their continued remittance of dividends and surpluses, the Malawi Communications Regulatory Authority, The Malawi Gaming and Lotteries Authority, Malawi Bureau of Standards, Tobacco Commission, National Construction Industry Council, National Oil Company of Malawi, Lilongwe Water Board, Air Cargo Malawi, Malawi Accountants Board. Airport Developments Limited, and Umodzi Holding Limited, among others.

57. **Madam Speaker**, I am delighted to report that Government has successfully negotiated the renewal of the Malawi Airlines management contract with Ethiopian Airlines, which will be signed this year. The new agreement aims at enhancing the operational efficiency, financial sustainability, and strategic positioning of Malawi Airlines as a key regional aviation hub of connectivity in Southern Africa.

58. **Madam Speaker**, to support the accomplishment of this strategic direction, the Government has put in place significant investment plans to modernize our airports including construction of the Airport City at Kamuzu International Airport in Lilongwe through a Private Public Partnership arrangement. The Government has also put aside resources for the establishment of the Malawi Air Cargo Airline.
59. **Madam Speaker**, the rejuvenation of NEEF into a revolving fund has spurred economic growth in key economic sectors through the provision of crucial financial support to farmers and micro-entrepreneurs. To date NEEF has disbursed over K200 billion through both cash and farm input loan products. As many as 210,000 Malawians have been served and an average loan collection rate of 80 percent. This is unprecedented **Madam Speaker**.
60. **Madam Speaker**, the efforts by the Government to reach out and economically empower the ordinary and marginalized Malawians cannot go unnoticed. Government has continuously supported the National Economic Empowerment Fund by injecting K180 billion in just 4 years.

61. As you are aware, **Madam Speaker**, Government established Malawi Development Corporation Holdings Limited to spearhead investments in the strategic sectors. Currently, the company is in discussion with various investors in the transport, agriculture, food processing and mining among others to roll out its operations in these strategic sectors. Meanwhile, various business cases from the investors are being reviewed.

62. **Madam Speaker**, as this August House is aware, in 2023/24 Financial Year, Government restructured ADMARC Limited resulting into a rightsized workforce and a more commercial orientated organization. Government continues to support ADMARC in its commercial drive to not only trade in maize, but also to go into crop production, value additions and trading in other commercial commodities thereby transitioning into a lead aggregator of agricultural commodities and contributing towards food price stabilisation.

Information and Digitalization Reforms

63. **Madam Speaker**, to achieve improved operational efficiency, the Government is in the process of amalgamating ICT based institutions, which provide similar services to the general public. As part of this process, Government is acquiring Malawi Telecommunication Limited, which will be merged with Malawi Digital Broadcasting Network Limited, ESCOM Optical Fiber Communication, and Government Wide Area Network.

64. **Madam Speaker**, this amalgamation will streamline operations, enhance service quality, and optimize resource utilization through building a more resilient and interconnected digital infrastructure thereby ensuring that Malawi's digital future is both robust and sustainable.

INTEGRATED FINANCIAL MANAGEMENT AND INFORMATION SYSTEM (SAP BASED IFMIS)

65. **Madam Speaker**, Government will continue building on the gains that have been registered from the implementation of the SAP based IFMIS. In the 2024/25 Financial Year, the following milestones related to:

- i. expanded transaction coverage to include Foreign Missions transactions, Local Council transfers, Debt transactions and all Central Government Ministries, Departments and Agencies;
- ii. Introduction of Revenue Management Module and IFMIS-MRA interface.

66. **Madam Speaker**, the core banking system within RBM called FLEXCUBE was upgraded to directly interface with IFMIS, resulting into efficiencies in payment processing and reconciliation. Additionally, the IFMIS datacenter within Capital Hill has been completed and is currently also hosting other systems for NRB, DODMA and MRA.

67. In the 2025/26 Financial Year, **Madam Speaker**, Government will introduce the Human Capital Management Module for payroll processing to replace the HRMIS for better management of the civil service workforce including payroll and pension processes.
68. Government will in the 2025/26 Financial Year begin upgrading the IFMIS for Local Councils following a successful business process re-engineering. The upgraded system will bring about efficiency in accounting for expenditures and revenues in the Local Authorities.

Poverty Reduction and Social Protection

69. **Madam Speaker**, the Social Cash Transfer Program has reached over 292,449 households nationwide in all the 28 districts. However, retargeting of beneficiary households is underway and the targeted total number of households is being estimated at 382,457.
70. **Madam Speaker**, the Climate Smart Enhanced Public Works Program is focused on building community assets through watershed management interventions. The program is targeting over 520,000 ultra-poor households across the country, which contain members with labour capacity and are not on the Social Cash Transfer Program.

THE 2025/2026 BUDGET

71.**Madam Speaker**, allow me to present to this August House the 2025/2026 fiscal targets and the assumptions underpinning the estimates.

Major Assumptions for the 2025/2026 Budget

72.**Madam Speaker**, the 2025/2026 budget has assumed a fiscalised real GDP growth rate of 3.4 percent and average inflation rate of 22.3 percent.

Total Revenue and Grants

73.**Madam Speaker**, total revenue and grants for the 2025/2026 financial year are estimated at K5.58 trillion, representing 21.5 percent of GDP. Domestic Revenues are estimated at K4.44 trillion, representing 17.1 percent of GDP, of which, tax revenues are estimated at K4.33 trillion and other revenues have been projected at K106.02 billion.

74.**Madam Speaker**, Grants are estimated at K1.14 trillion, of which K1.10 trillion will come from International Organisations and K86.36 billion from Foreign Governments.

75.

Expenditure

76.**Madam Speaker**, total expenditure for the 2025/2026 financial year is programmed at K8.05 trillion, representing 31.1 percent of GDP. Of the total expenditure, recurrent expenses are estimated at K6.04 trillion, representing 23.3 percent of GDP and 75.0 percent of total expenditure.

77.**Madam Speaker**, Development Expenditure for the 2025/26 Financial Year is estimated at K2.01 trillion, of which K1.44 trillion is for foreign financed projects and K578.60 billion is for domestic financed projects.

Fiscal balance and Financing

78.**Madam Speaker**, the 2025/2026 Financial Year's overall balance is estimated at a deficit of K2.47 trillion, which is 9.5 percent of GDP. This deficit will be financed through domestic borrowing amounting to K2.33 trillion, representing 9.0 percent of GDP and K145.78 billion foreign borrowing.

HIGHLIGHTS OF THE 2025/2026 BUDGET

79.**Madam Speaker**, let me now turn to the highlights of the 2025/2026 Financial Year's budget as follows:

Wages and Salaries

80.**Madam Speaker**, in the 2025/26 financial year wages and salaries are projected to grow to K1.53 trillion representing 5.9 percent of GDP. This includes resources amounting to K10 billion for recruitment and K176 billion reserved for general salary increment.

Pensions and Gratuities

81.**Madam Speaker**, Pensions and Gratuities is estimated at K170.4 billion, which will cater for the continued clearance of the backlog and monthly pension obligations. **Madam Speaker**, the waiting period has significantly reduced following the additional injection of K100 billion facility that the Government specifically obtained for this purpose.

Interest payment

82.**Madam Speaker**, public debt interest is projected at K2.17 trillion which is 8.4 percent of GDP and 49.2 percent of domestic revenues. Of the total public debt interest, foreign debt interest is estimated at K61.2 billion while Interest for domestic debt is estimated at K2.11trillion.

83.**Madam Speaker**, to mitigate the debt interest burden, Government is now focusing on production in order to enhance domestic revenue collection. This is coupled with the implementation of the Domestic Revenue Mobilization Strategy that is expected to broaden the tax base; improve tax compliance, strengthen the capacity for revenue mobilization and improve non tax revenue collection.

Maize Purchases and Allocation to ADMARC

84.**Madam Speaker**, in order to provide easy and timely access to maize markets for all the farmers, the 2025/26 financial year's budget has allocated, K60 billion towards maize purchases. **Madam Speaker**, this is coupled with the K53 billion that has been allocated to ADMARC to revamp its operations.

Affordable Inputs Programme (AIP)

85.**Madam Speaker**, I wish to inform the August House that the reforms on AIP programme are ongoing. The Government's focus is enhancing production for the attainment of household and national food self-sufficiency and increasing disposable income for all Malawians. To achieve this, various initiatives such as AIP, Mega Farms, Irrigation, and Farm Input Loans being administered by NEEF are working in complementarity for this purpose. **Madam Speaker**, in light of this, the 2025/26 financial year's budget for AIP has been pegged at K131.6 billion.

Grants to other General Government Units

86.**Madam Speaker**, grants to other General Government Units are estimated at K543.1 billion. The composition of this includes, K129.7 billion transfer to Malawi Revenue Authority; K101.1 billion for Roads Fund Administration; K8 billion for Roads Authority; K268.3 billion for Subvented Organisations; and K36 billion for Tertiary Education students' loans.

Elections

87.**Madam Speaker**, another notable allocation in the 2025/26 financial year amounting to K162.9 billion has gone to the Malawi Electoral Commission to enable them manage the forth coming tripartite general elections. These resources are specifically for polling and all the remaining activities in the electoral process. **Madam Speaker**, the allocation represents an increase of 207 percent from the 2024/25 revised provision of K53.1 billion.

2025/2026 KEY SECTOR ALLOCATIONS AND DEVELOPMENT PROJECTS

Agriculture, Tourism and Mining (ATM)

88.**Madam Speaker**, in order to stimulate economic growth through job creation; reduced dependence on imports; increased export opportunities and other resultant multiplier effects to the economy, Government has deliberately allocated substantial resources to a number of productive sectors including Agriculture, Irrigation, Tourism, Mining and Trade.

Agriculture Sector and Irrigation Development

89.**Madam Speaker**, cognizant of the significant contribution of agriculture to the social economic growth and development of this country, the sector has been allocated a total of K693.3 billion, representing 9 percent of the total budget.

90.**Madam Speaker**, some of the notable allocations under this sector include:

- i. K99.5 billion for Irrigation Development;
- ii. K38.3 billion for Mega Farms;
- iii. K53.1 billion for ADMARC;
- iv. K60 billion for Maize purchases
- v. K131.6 billion for Affordable Input Programme (AIP)
- vi. K 70 billion for Farm Input Loan Program administered by NEEF.

91.**Madam Speaker**, to mitigate the impact of El Niño-induced dry spells and ensure food security, the Government has allocated K99.5 billion for Irrigation Development. With rainfed agriculture dominating food production, irrigation is critical to stabilizing maize yields, reducing food shortages, and protecting smallholder farmers from economic shocks.

92.**Madam Speaker**, the Government aims to maximize utilization of 56,113 hectares of irrigable land, targeting a maize yield of about 337,000 metric tonnes. The following are some of the key activities to be undertaken:

- i. Developing 6,000 hectares of new irrigation infrastructure;
- ii. Rehabilitating 9,000 hectares of irrigable land; and
- iii. Supporting farm groups covering 46,706 hectares.

93.**Madam Speaker**, regarding development projects, Government has prioritized the following, aimed at enhancing productivity and commercialization:

- i. Agricultural Commercialization project with an allocation of K143.5 billion;
- ii. Shire Valley Transformation project has K71.9 billion. This is aimed at improving Irrigation Infrastructure and optimizing land use;
- iii. Programme for Rural Irrigation Development has been provided K30.9 billion;
- iv. K30.1 billion is for Transforming Agricultural Production and Transformation and Entrepreneurship;
- v. A provision of K6.8 billion has been made for Agricultural Infrastructure and Youth in Agribusiness Project, which focuses on empowering young farmers;

- vi. For the Livestock Infrastructure Development for Sustainable Animal Health, Production and Marketing Project, K2.5 billion is provided to improve veterinary services and enhance livestock productivity;
- vii. Agriculture Machinery Production being implemented by the Malawi University of Business and Applied Sciences; and
- viii. Promotion of Mechanised Farm Operations through Hiring Centres in Malawi with a provision of K500 million kwacha.

Tourism Sector

94.**Madam Speaker**, Tourism remains one of Malawi's fastest-growing service sectors, with the potential to drive economic growth, job creation, and foreign exchange earnings. To fully harness this potential, Government is committed to creating conducive environment that will enable the sector to thrive and meaningfully contribute to the national development.

95.**Madam Speaker**, in the 2025/26 financial year, Government has allocated K13.9 billion compared to the K4.8 billion in the 2024/2025 budget representing 192 percent increase to boost the sector. Of this allocation, K4.2 billion is earmarked for Tourism Promotion and Development; K3.7 billion for Wildlife Management and Conservation; and K6 billion for the implementation of various development projects aimed at enhancing Malawi's tourism potential.

96. **Madam Speaker**, some of the strategic focus areas for the sector in the 2025/26 financial year include:

- i. Development of Ecolodges and support infrastructure in Kasungu National Park;
- ii. Development of Public Beaches across the shores of Lake Malawi;
- iii. Development of Access Roads to Tourist resort areas;
- iv. Capacity building for frontline staff and tourism industry players;
- v. Completion of the Malawi Institute of Tourism Mzuzu Campus;
- vi. Safeguarding of the Wildlife in all the protected areas;
- vii. Domestic, Regional and International Tourism promotion;
- viii. Automation of revenue collection;
- ix. Hosting of Takulandilani Malawi International Expo; and
- x. Strengthening the legal framework and Tourism Institutional capacity.

Mining Sector

97. **Madam Speaker**, Mining is a key priority for the Government due to its vast potential to create employment opportunities, generate foreign exchange earnings, and drive economic growth and development. The Government is committed to unlocking the full potential of this sector to ensure its meaningful contribution towards Malawi's transformation.

98. **Madam Speaker**, in the 2025/26 financial year, a total of K14.2 billion has been allocated under this sector from K5.5 billion that was allocated in the 2024/25 financial year, representing a 160 percent increase. Specifically, **Madam Speaker**, K5.1 billion has been earmarked for Mining Regulatory Authority; K4 billion for the establishment of the Mining Company; K4.1 billion for Mining and Geological Services; and K1 billion for the Mineral Laboratory.

99. **Madam Speaker**, through the Malawi Mining Investment Company, a nationwide survey to identify and assess gold mining sites will be undertaken. This initiative will inform strategic investments in gold mining, buying, and selling, thereby ensuring that all gold produced in Malawi enters the formal market for the benefit of the nation. **Madam Speaker**, this is against the background that Malawi is losing significant revenue through illegal gold trade.

100. **Madam Speaker**, the Government is implementing key programmes and projects to strengthen the mining sector and maximize its economic potential. These include:

- i. Reviewing gemstone export procedures to enhance transparency and accountability in management of foreign exchange earnings from gemstones;
- ii. Facilitating the commencement of large-scale mining projects;
- iii. Strengthening enforcement and inspections to ensure compliance with mining regulations;
- iv. Conducting geological mapping to identify more potential mineral deposits of high value;
- v. Conducting mineral processing research and analytical laboratory services to improve mineral value addition; and
- vi. Carrying out mining investment promotion to attract investors and stimulate sector growth.

Transport, Public Works, and ICT Infrastructure sector

101. **Madam Speaker**, in the 2025/26 financial year, the Transport and ICT infrastructure sector has been allocated resources amounting to K422.3 billion. These resources have been allocated to Ministry of Transport and Public Works; Roads Fund Administration; Ministry of Information and Digitalisation for their routine operations and implementation of development projects. Some of the notable projects under this sector include:

Transport and Public works

- i. Reconstruction and Rehabilitation of Limbe-Bangula-Marka Railway Section;
- ii. Rehabilitation of Government Offices at Capital Hill;
- iii. Completion of the construction of Likoma port;
- iv. Development of Central Materials Laboratory; and Modernisation of Kamuzu International Airport.

102. **Madam Speaker**, you may wish to note that of the K422.3 billion under the Transport and ICT Infrastructure Sector, K144.8 billion has been earmarked for the roads sub sector for implementation of various projects. Some of the roads include:

- i. Rumphu-Nyika Turn Off – Hewe Road;
 - i. Chitipa – Ilomba Road;
 - ii. Rumphu – Nyika – Chitipa Road;
 - iii. Karonga-Songwe Rehabilitation Project;
 - iv. Kacheche – Bwengu – Chiweta Road;
 - v. Njakwa -Phwezi - Livingstonia Road;
 - vi. Jenda -Embangweni- Edingeni Road;
 - vii. Mzimba – Mzarangwe Road;

- viii. KIA Junction – Kasungu – Jenda – Mzimba Road
- ix. Dedza Boma Loop Road;
- x. Ntcheu – Tsangano – Mwanza Road;
- xi. Capacity Improvement of Lilongwe City Roads;
- xii. Kaphatenga- Benga- Dwangwa Road;
- xiii. Santhe-Nkhota-Kapiri Road;
- xiv. Chimwaza- Nambuma-Kasiya Road;
- xv. Msulira- Nkhotakota Road;
- xvi. Mtunthama – Wimbe – Chamama Road;
- xvii. Ntchisi – Malomo Road;
- xviii. Nkhoma – Mayani – Dedza Road;
- xix. Nsundwe – Chileka- Kasiya Road;
- xx. Upgrading of Kasungu Municipal Roads;
- xxi. Nguruyanawambe/S114 - Kasungu National Park;
- xxii. Lintipe-Lobi road;

- xxiii. Matutu- Bua- Nambuma Road;
- xxiv. Nsipe -Liwonde -Zomba road;
- xxv. Chikwawa – Chapananga – Mwanza Road (Sidik Mia Highway);
- xxvi. Chikwawa – Thabwa – Fatima Road (Gwanda Chakuamba Highway);
- xxvii. Mangochi – Makanjira Road;
- xxviii. Thyolo – Thekerani- Muona –Bangula Road;
- xxix. Monkeybay-Cape Maclear Road;
- xxx. Lirangwe - Namatunu – Machinga Road; and
- xxxi. Chiringa Muloza Road.

a. Information and Digitalisation

- i. Last mile rural area connectivity project;
- ii. Digital Malawi Project;
- iii. Digital Migration Project;
- iv. NACIT Enhancement project.

Education and Skills Development Sector

103. **Madam Speaker**, Education and Skills Development serve as a catalyst in the Social Economic growth and transformation of any country due to the resultant increased productivity, higher earning potential and reduced social inequalities among the population. In recognition of this, the Government will continue to provide quality, relevant, and equitable education to the people of Malawi.
104. **Madam Speaker**, in the 2025/26 financial year, Government has allocated K1.3 trillion to the Education and Skills Development Sector, representing 16.6 percent of the total expenditure. These resources are earmarked for Basic and Secondary Education; Higher Education and various projects. Some notable allocations include:
- i. K36 billion for Higher Education student loans and upkeep allowances;
 - ii. K182.7 billion for the Universities and other Subvented Organizations within the sector;
 - iii. K363.6 billion to the Ministries of Basic and Secondary Education and Higher Education; and
 - iv. K26.3 billion to the Education Sector within the Local Councils.

105. **Madam Speaker**, with regard to infrastructure Development, Government is implementing a number of projects in the Education sector including:

- i. Construction of 34 Secondary Schools of Excellence;
- ii. Expansion and Rehabilitation of the University of Malawi;
- iii. Construction of Mzuzu University Library;
- iv. Construction of Inkosi Ya Makhosi Mmbelwa University
- v. Equity with Quality and Learning at Secondary;
- vi. Malawi Education Reform Project;
- vii. Skills for Vibrant Economy;
- viii. Construction of Inclusive Education Resource Centre;
- ix. Construction of Luranga Secondary School;
- x. Construction of Teachers Houses;
- xi. Gwanda Chakwamba Centre of Education Excellence;
- xii. John Chilembwe Center of Excellence in Chiladzulu district, and
- xiii. Construction of Science Laboratories and Libraries.

Health and Population Sector

106. **Madam Speaker**, the importance of investing in Health for the enhanced productivity and wellbeing of the country's citizens cannot be overemphasized. In this regard, the 2025/2026 Financial Year's budget has allocated K741.05 billion, representing 9.2 percent of the total national budget, towards the Health and Population sector.

107. **Madam Speaker**, the following are some of the key projects to be implemented:

- i. Completion of the Cancer Centre;
- ii. Construction of Mponela Community Hospital;
- iii. Construction of 55 Health Posts;
- iv. Malawi Emergency project to protect essential Health Services;
- v. Contribution to the health sector joint fund

Water and Sanitation

108. **Madam Speaker**, access to clean water and sanitation is essential for human health, dignity and wellbeing of the citizenry. Water and Sanitation is therefore, one of the priority areas of the Government and a critical component of sustainable development and human capital development. In the Water and Sanitation Sector, some of the priority projects include:

- i) Karonga Town Water Supply project;
- ii) Water Supply Centres for Thondwe, Migowi, Ulongwe, Zalewa, Fatima and Makanjira;
- iii) Rehabilitation and Expansion of Dowa, Dwangwa, Salima, Nkhotakota, Ntchisi , Ntcheu and Dedza Schemes;
- iv) Ground Water Extraction for Rural Piped Water Development Programme;
- v) Rumphi Water and Sanitation Services Improvement Project;
- vi) Lilongwe Water and Sanitation project;
- vii) National Water and Sanitation Project;
- viii) Improvement of Water Supply Services in Dowa District;
- ix) Kholongo Multi- Purpose DAM for Mponela Town;
- x) Nkhata-bay Town Water Supply and Sanitation Project;

- xi) Salima-Lilongwe Water Project;
- xii) Makanjira Water Supply Scheme; and
- xiii) Upgrading, Rehabilitation and Extension of Nchalo Water Supply Project.

Environment and Climate Change Management

109. **Madam Speaker**, effective management of environment and climate change is critical for mitigating climate risks, conserving natural resources and ensuring a sustainable future. In this regard, Government has allocated K28.4 billion to support environmental protection, climate resilience, and sustainable resource management. To strengthen climate action and environmental conservation, the Government will implement the following reforms:

- i. Develop the Climate Change Bill to establish a legal framework for climate governance;
- ii. Review the National Environment Policy;
- iii. Build capacity of key stakeholders on accessing the Climate Change Adaptation Fund and Green Climate Fund;
- iv. Revise the National Waste Management Strategy;
- v. Strengthen implementation of the National Clean-Up Campaign;

- vi. Promote cross sectoral coordination among stakeholders for harmonization of climate change interventions; and
- vii. Develop restoration plans for degraded ecosystems in the country.

Climate Change Management

110. **Madam Speaker**, In line with Malawi 2063, the Government continues to prioritize environmental sustainability. In an effort to achieve this, **Madam Speaker**, the Government has developed a draft Article 6 Framework to guide and regulate the implementation of carbon trading initiatives in the country. This Framework will ensure that the country achieves its ambitious targets under the Nationally Determined Contributions (NDC) as stipulated in the Paris Agreement Global Goals that will see Malawi having projects in various sectors.
111. Consequently, 47 carbon developers have been registered to embark on the process of developing carbon projects to sell carbon credits in various sectors including; renewable agriculture, energy, transport, waste management, manufacturing, construction, and sustainable forestry management.
112. **Madam Speaker**, currently 6 of the projects have been authorized to allow these investors to proceed with implementation of the carbon projects in the country. It is projected that these projects will generate 5.9 million carbon credits after successful

implementation and verification which is expected to translate to around USD 60 million.

113. **Madam Speaker**, due to the economic challenges the country is facing, the Government is implementing the Biodiversity Finance Initiative. This initiative will unlock and identify financial solutions from all sources including the private sector to increase the amount of resources available for funding biodiversity conservation.
114. **Madam Speaker**, I am pleased to report that the project has managed to develop a Biodiversity Financing plan which has identified 11 innovative solutions for funding biodiversity conservation including payment for ecosystems services, carbon trade for biodiversity conservation and mainstreaming of biodiversity in the national budget.
115. **Madam Speaker**, the August House may wish to note that, during the 2024/25 financial year, the nation received funds in excess of \$9.5 million realised from carbon trading on credits that were generated from projects that were implemented in the previous financial year.

Energy Sector

116. **Madam Speaker**, energy is a vital component of the country's economic growth and social economic development. With regard to development projects, **Madam Speaker**, some of the projects that the sector will implement in the 2025/26 financial year include the following:

- i. Development of Mpatamanga Hydropower Plant;
- ii. Malawi Electricity Access Project;
- iii. Malawi-Mozambique Interconnector;
- iv. Battery Energy Storage System (BESS) at Kanengo Substation;
and
- v. Accelerating Sustainable and Clean Energy Access Transformation (ASCENT)

117. **Madam Speaker**, fuel is another strategic commodity required to drive the economy. In view of this, the Government is strengthening fuel procurement through Government-to-Government (G-to-G) arrangements to ensure a stable and sustainable fuel supply and reduce pressure on foreign exchange resources by streamlining transactions.

Trade and Industrial Development

118. **Madam Speaker**, the Government recognizes the importance of trade and industrial development in driving economic growth and job creation. In the 2025/26 financial year, K14 billion has been allocated to the Ministry of Trade and Industry to promote industrialization, support Small and Medium Enterprises, and expand export markets.
119. **Madam Speaker**, to combat illegal trade, the Ministry of Industry and Trade, in collaboration with the Malawi Revenue Authority, Malawi Police Service, and the Malawi Bureau of Standards, will launch a nationwide anti-smuggling initiative. Additionally, business inspections will be intensified to ensure fair trade and expand market access.
120. **Madam Speaker**, to enhance trade and Industrial development, the Government will implement the following initiatives:
- i. Develop Special Economic Zones in Blantyre, Lilongwe, and Mzuzu to boost industrial growth
 - ii. Train and register 100 cooperatives, equipping them to diversify into high-value sectors such as mining;
 - iii. Construct value addition centres in Kasungu and Karonga;
 - iv. Expand export markets through leveraging on existing market protocols for soya and groundnuts by securing new agreements for Macadamia nuts;

Youth and Sports Development

121. **Madam Speaker**, the future of Malawi is in the youth as such this budget has also prioritized Youth and Sports Development as a means of unlocking their potential and fostering economic growth. In the 2025/26 financial year, K30.9 billion has been allocated to advance this agenda.
122. **Madam Speaker**, to promote innovation and creativity, the Government has allocated K2 billion to recapitalize the Youth Innovation Fund to support young entrepreneurs and innovators. It is expected, **Madam Speaker**, that this provision will progressively be increased in the subsequent financial years to allow more youths to access this fund.
123. In addition **Madam Speaker**, I am pleased to inform this August House that Government has increased the monthly stipend for the Graduate Internship programme from K80,000.00 to K150,000.00.
124. **Madam Speaker**, with regard to development projects, some notable ones include:
- i) Construction of National Indoor Sports Complex;
 - ii) Reconstruction of Kamuzu Institute for Sports;
 - iii) Reconstruction of BAT Stadium;
 - iv) Construction of Achinyamata Centre;

- v) Construction of Youth Centre in Mzuzu; and
- vi) National Youth Service.

Homeland Security

125. **Madam Speaker**, Government through the Ministry of Homeland Security and all the security agencies will continue to ensure safety and security of the country and all its citizen's life and property. In the 2025/26 financial year, the following projects will be undertaken:

- i) Construction of New Blantyre Police Station;
- ii) Construction of New Premises of C Division of Malawi Police Service;
- iii) Development of Homeland Security Management Information System;
- iv) Establishment of a Forensic Laboratory for the Malawi Police Service;
- v) Migration of Police Communication System from Analogue to Digital Platform;
- vi) Rehabilitation of Police Staff Houses;
- vii) Programme for Self Constructed and Rehabilitation of Prison cells and staff houses;
- viii) Revitalisation of Industrial Workshops in Prisons; and
- ix) Sewerage Ponds in Prison.

Lands and Housing sector

126. **Madam Speaker**, in the 2025/26 financial year, the Lands and Housing sector has been provided with resources amounting to K39.1 billion towards land management and administration and housing services to the general public. This is aimed at ensuring orderly physical development across the country and improving access to housing and public infrastructure.

127. **Madam Speaker**, in the 2025/26 Budget, the sector will undertake the following development projects:

- i) Construction of 10,000 Security Houses;
- ii) Construction of Houses for people with albinism;
- iii) National Land reform roll out programme; and
- iv) Public Land Infrastructure Development in Cities.

Gender, Community Development and Social Welfare

128. **Madam Speaker**, Government continues to promote gender equality, community development and social welfare through programmes and policies that address the needs of vulnerable populations and uphold social justice. In the 2025/26 Financial Year, the Ministry of Gender will implement the following projects and interventions:

- i) Investing in Early Years for Growth and Productivity in Malawi;
- ii) Social Cash Transfer Programme;
- iii) Construction of Early Childhood Centres;
- iv) Construction of Library and Lecture Theatre at Magomero College.
- v) Develop foster care guidelines and strengthen child protection services.
- vi) Support persons with disabilities through the Disability Trust Fund and vocational training programs and promote elderly care services.

Local Councils

129. **Madam Speaker**, it is Government's policy to strengthen fiscal decentralization so that Local Councils deliver public services that are tailored to the local needs in a transparent and equitable manner. In this regard, the following are the key resource allocation highlights in the Local Councils:

- i. K33.5 billion for the procurement of drugs in the councils;
- ii. K188.5 billion under Malawi Social Support for Resilient Livelihoods;
- iii. K43.8 billion under Governance to Enable Service Delivery;
- iv. K42.5 billion under the Constituency Development Fund, translating to K220 million per constituency;
- v. K35 billion for the construction of City Roads;
- vi. K17 billion for the rehabilitation of district hospitals;
- vii. K7.6 billion for the District Development Fund;
- viii. K2.3 billion for the construction of water structures under the Water Resources Fund; and
- ix. K1 billion for Infrastructure Development Fund.

130. **Madam Speaker**, the revenue policy and administrative measures I am about to announce today have been carefully formulated to account for the current social and economic landscape while aligning with the Government's strategic focus on key sectors of Agriculture, Tourism, Mining, and Manufacturing, commonly known as the ATMM strategy.

131. But before I delve deep into the specific measures, allow me, **Madam Speaker**, to make two key pronouncements;

a. First, I want to extend my sincere appreciation to all individuals and institutions that actively participated and provided invaluable insights during the Pre-Budget Consultation Meetings held across the country. Their feedback and suggestions remain instrumental in improving our tax system; and

b. Second, I wish to clarify that there is no import duty or excise tax on mobile phones. Only VAT is payable, and for businesses registered for VAT purposes, what they remit to the Malawi Revenue Authority is the difference between import VAT and sales VAT and in some instance, they receive a VAT refund when applicable.

132. Now, let me move to the tax and nontax policy measures for the next financial year.

TAX POLICY MEASURES FOR THE 2025/2026 BUDGET

133. **Madam Speaker**, in a departure from tradition, the Customs and Excise tax measures I announce today will take effect on 1st April 2025 rather than at midnight tonight, as has been customary. This adjustment is intended to provide businesses and importers with ample time to factor in these changes when making key financial and operational decisions. Similarly, as per established practice, the Income Tax, Value Added Tax, and Administrative Measures I am presenting now, will come into force on 1st April 2025, contingent upon the passage of the relevant Bills by this August House and the subsequent assent by His Excellency the President.

CUSTOMS AND EXCISE TAX MEASURES

134. **Madam Speaker**, allow me to begin with a measure directly affecting your office. Recognising that the conditions of service for the Speaker, Deputy Speakers, and the Leader of Opposition provide for duty-free clearance of three motor vehicles, the Government is amending the relevant Customs Procedure Code (CPC) to formally accommodate this provision. Since these positions are held by Members of Parliament who are already entitled to duty-free clearance of two motor vehicles, this amendment will grant an additional exemption, bringing the total number of motor vehicles to be cleared duty free by individuals occupying these offices to three.

135. **Madam Speaker**, in alignment with the ATM&M strategy, particularly within the tourism sector, the Government is implementing a reduction in the applicable import duty and excise tax on all materials imported for the construction of amusement parks. To facilitate this initiative, the relevant Customs Procedure Code will be amended accordingly. This measure aims to stimulate investment in the sector, enhance tourism infrastructure, and drive economic growth.

136. Continuing with the promotion of the ATMM strategy, this time for the agriculture sector, **Madam Speaker**, the Government is amending the Customs Procedure Code for duty-free clearance of various irrigation sector items to include pump engine of any size.

137. Continuing with the tax measures, **Madam Speaker**, the Government has observed that, in some instances, hybrid electric vehicles (HEVs) attract a higher excise tax rate than their petrol or diesel counterparts. To promote the adoption of fuel-efficient hybrid vehicles, the Government is implementing a significant reduction in excise tax rates as follows:

- For hybrid vehicles less than 8 years old, the excise tax will be reduced from 45 percent to 0 percent.
- For hybrid vehicles between 8 and 12 years old, the excise duty will be lowered from 70 percent to 35 percent.
- For hybrid vehicles older than 12 years, the excise tax will be reduced from 100 percent to 60 percent.

These measures reinforce the Government's commitment to environmental sustainability by encouraging cleaner and more energy-efficient transportation.

138. **Madam Speaker**, while many of the measures outlined thus far reduce Government revenue, we must also implement revenue-generating measures to sustain domestic revenue collection. Accordingly;

139. **Madam Speaker**, the Government is introducing a 25 percent import duty on motor vehicle engines classified under tariff headings 84.07 and 84.08, which encompass engines for motor vehicles, locomotives, marine vessels, and tractors. However, I wish to clarify that while complete units such as locomotives, marine vessels, and tractors are imported duty-free, this adjustment applies only to engines imported separately. The objective is to ensure that while actual vehicles continue to benefit from duty exemptions, import duties are levied on replacement engines to prevent potential abuse of these concessions.

140. **Madam Speaker**, we have observed a significant rise in the use of electronic cigarettes or e-cigarettes. The World Health Organization (WHO) has emphasised that both traditional tobacco products and e-cigarettes pose health risks, with the safest approach being complete avoidance. Of particular concern is the increasing prevalence of e-cigarettes use among children and adolescents. Accordingly, to discourage the use of e-cigarettes, just as we do with tobacco products, the Government is increasing import duty on e-cigarettes and similar personal electric vaporising devices classified under tariff subheading 8543.40.00 from 10 percent to 30 percent under column 5 and from 5 percent to 25 percent under column 6 of the Customs and Excise (Tariffs) Order.

141. In the same vein, **Madam Speaker**, the Government is introducing an excise duty of 200 percent on electronic cigarettes and other smoking-related products classified under tariff subheadings 8543.40.00 and 9614.00.00. This measure aims to curb accessibility and deter usage, particularly among young people, while reinforcing public health priorities.

142. **Madam Speaker**, in line with environmental conservation efforts, the excise tax on plastic carrying bags with handles will increase from 10 percent to 250 percent, thereby encouraging the adoption of eco-friendly paper bags.

143. **Madam Speaker**, the Government is amending Customs Procedure Code 405, which is used for duty-free clearance of health-related imports, to include a title reading: "Goods for the use of Hospitals, Nursing Homes, Clinics, Surgeries, and Dispensaries as approved by the Principal Secretary for the Ministry of Health" and Part (c) of this CPC, which covered essential goods for COVID-19 prevention, treatment, and management, will be removed following the World Health Organization's declaration that COVID-19 is no longer a global health emergency.

144. **Madam Speaker**, regarding plastic packaging bags under tariff subheading 6305.33.00, several adjustments will be made.

- First, this tariff will be split into 6305.33.10 for cereal packaging bags and 6305.33.90 for cement packaging bags, thereby allowing the Malawi Bureau of Standards to ensure that only food packaging materials undergo necessary food safety tests.
- Secondly, PP Woven Cement Bags under tariff subheading 6305.33.00 will be removed from the Industrial Rebate Scheme (IRS) for the Cement and Allied Products Manufacturing Industry, as they are now locally produced and are available duty-free within SADC and COMESA regions.

- Thirdly, the 10 percent surcharge on tariff subheading 4819.40.10, which covers paper cement bags, will be removed as it was erroneously introduced on this tariff subheading, while a 10 percent surcharge will be imposed on PP woven bags for cereals, grains, and cement under tariff subheadings 6305.33.10 and 6305.33.90.

These measures are designed to safeguard the local packaging industry by slightly increasing the cost of imported alternatives.

145. **Madam Speaker**, lastly, on the customs and excise tax measures, the Government will increase the Customs Agency Bond under Form No. 123 from MK1.5 million to MK2 million. This adjustment is necessary as the bond was last revised in 2013, and an increase is warranted to account for inflation and changing economic conditions. This measure aims to strengthen compliance, enhance revenue security, and align with current fiscal realities.

VALUE ADDED TAX MEASURES

146. **Madam Speaker**, one of the foods that has become a necessity for most Malawians is bread or buns, and confectioneries. **Madam Speaker**, as you are aware, the Government does not impose Value Added Tax (VAT) on most basic commodities to ensure affordability for consumers. In line with this policy, Government is removing VAT on bread, buns, and confectioneries to ease the financial burden on households, promote affordable access to essential food items, and support local bakeries and the broader food industry.

INCOME TAX MEASURES

147. **Madam Speaker**, as you are aware, the Priority Industry Scheme provides qualifying companies with a tax holiday of up to 10 years and duty-free importation of capital items, serving as a key incentive to stimulate investment and drive economic growth. However, concerns have been raised regarding unclear eligibility criteria and the exclusion of other critical sectors that could significantly benefit from these incentives. In response, **Madam Speaker**, the Government is introducing mega farms as a priority sector and undertaking a comprehensive review of the Priority Industry Scheme Regulations. This reform aims to enhance transparency, streamline eligibility criteria, and ensure broader access to these incentives. This initiative aligns with the ATM&M strategy, particularly in the agriculture sector, and is designed to encourage greater participation in priority industries while driving sustainable economic development.

148. **Madam Speaker**, you will have noticed that Government is introducing various incentives, especially targeting the ATM&M sectors. With these types of incentives from the Government, it is evident that the ATM&M strategy has undeniably taken off. However, **Madam Speaker**, I take this opportunity to urge the financial sector, particularly lending institutions, to step forward and complement this initiative by offering specialised lending products or facilities tailored to support the ATM&M Strategy. It is deeply concerning, **Madam Speaker**, that banks, institutions that directly benefit from farmers, agro-processors, and other players in the ATM&M sectors, continue to impose the same stringent and exorbitant lending conditions as they do on other industries. This approach stifles growth and undermines the Government's efforts to transform these sectors. as an incentive to the banks, **Madam Speaker**, the Government is exploring incentives to benefit financial institutions that develop tailored financing solutions in support of the ATM&M strategy.

149. In the same spirit, **Madam Speaker**, Government is reducing the corporate income tax rate for companies incorporated outside Malawi from 35% to 30% to align with the treatment of locally incorporated companies and international best practices thereby promoting a non-discriminatory business environment.

150. **Madam Speaker**, Government is also amending the marginal note to Section 127A of the Taxation Act from "Transfer to defraud and artificial transactions" to "Transfer pricing and other arrangements between related parties," to better reflect the section's intent.

151. Lastly, on the income tax measures, **Madam Speaker**, the Government is introducing various offences related to tax stamps management. This measure is intended to enhance tax compliance, curb illicit trade, and safeguard government revenue.

NON-TAX REVENUE MEASURES

152. **Madam Speaker**, one of the most lucrative yet largely untapped sectors in terms of taxation is artisanal and small-scale mining. This sector is primarily made up of individuals and small groups engaging in mining activities using basic tools and minimal technology, often operating outside formal regulatory frameworks. To address this, **Madam Speaker**, the Government, through the Mining Authority and other relevant stakeholders, is actively developing strategies to formalise the sector. A key initiative is to encourage the small-scale miners to form associations, which will facilitate licensing, regulation, and compliance. By bringing these miners into the formal economy, they will be able to contribute their fair share to Government revenues through the payment of appropriate fees, levies, and taxes thereby broadening the revenue base.

153. Also, **Madam Speaker**, as part of the Government's commitment to digitalisation, significant progress has been made in payment systems. Starting in the next fiscal year, most Government payments, will be made via mobile money or online platforms.

154. **Madam Speaker**, as I conclude on the tax and non-tax measures, I wish to emphasise that while election years often witness the removal of taxes or the introduction of generous incentives, such short-term measures can undermine the long-term stability and sustainability of our tax system. As you may have noted, this Government has taken a responsible and pragmatic approach, avoiding short-sighted decisions and instead implementing only those measures that are beneficial to the nation in both the short and long term. These reforms are designed to strengthen revenue generation, promote economic growth, and ensure fiscal discipline. I, therefore, call upon all Honourable Members of this August House to support these critical tax measures as they are fundamental to the continued progress and prosperity of our nation.

CONCLUSION

155. As I am winding up, **Madam Speaker**, I wish to inform this August House, and all Malawians that Government is optimistic that despite all the challenges that have been encountered, the economy is getting back and will surely get back on the recovery trajectory. The dividends of our focus on enhancing production, through strategic investments in Agriculture, Tourism and Mining, will soon materialise.

156. **Madam Speaker**, let me take this opportunity to thank our Development Partners, Non- Governmental Organisations, Civil Society, Faith Based Organisations, the business community, professional bodies, the youth, and all the stakeholders for their unwavering support in the implementation of all the Government initiatives.
157. **Madam Speaker**, in a special way, let me thank all the officials from my Ministry for their tireless efforts and invaluable contributions in coming up with this Budget.
158. **Madam Speaker**, I wish to urge my fellow Honourable Members to constructively deliberate on this budget.
159. **Madam Speaker**, I call upon all Malawians to work together to ensure the attainment of our development aspirations in the spirit of one Malawi, one People and one Nation.
160. **Madam Speaker**, I beg to Move.