MALAWI GOVERNMENT

THE 2026-27 BUDGET POLICY STATEMENT

Delivered in the

NATIONAL ASSEMBLY OF THE REPUBLIC OF MALAWI

by

MINISTER OF FINANCE, ECONOMIC PLANNING AND DECENTRALISATION

HONOURABLE JOSEPH MATHYOLA MWANAMVEKHA, M.P.

Friday, 27th February, 2026

MOTION

1. **Mr. Speaker Sir,** I beg to move that the estimates on the Revenue, Recurrent and Development Accounts for the 2026-27 Budget be referred to the Committee of the Whole House, to be considered vote by vote and, thereafter, be approved and adopted.

INTRODUCTION

2. **Mr. Speaker Sir**, in compliance with the Public Finance Management Act of 2022 Section 33 Sub-section 3, I am mandated as the Minister responsible for Finance to present before this August House, a statement of estimated Government revenue and expenditure.

3. I would like, therefore, **Mr. Speaker Sir,** to take this moment to express my sincere gratitude to our State President, His Excellency Professor Arthur Peter Mutharika, for his unwavering commitment to embark on a journey of restoring the country's macroeconomic stability and rebuild the economy. Within the first four months of the Democratic Progressive Party (DPP) Administration, our President has demonstrated remarkable decisiveness and visionary leadership in protecting the most vulnerable Malawians, instill renewed confidence in our institutions and strengthen fiscal discipline. These seemingly difficult steps have set Malawi on a remarkable path towards economic recovery and prosperity.

4. Furthermore, **Mr. Speaker Sir**, I would like to thank His Excellency the State President for trusting me to continue carrying out this noble duty of being Minister of Finance, Economic Planning and Decentralization, amongst

many capable professionals in our country. It is with a sense of humility that I stand before you to present the 2026-27 National Budget.

5. **Mr. Speaker Sir,** I wish to highlight that the formulation of this 2026-27 Budget has also been informed by input from the general public solicited during the National Pre-Budget Consultations, which were conducted across all the three regions of the country. I am therefore, particularly grateful to participants drawn from the Academia, Youth groups, Civil Society Organizations (CSOs), Non-Governmental Organizations (NGOs), Faith-Based Organizations, the Private sector, Professional bodies, Development Partners, Parliamentary Committees and other interest groups. Their constructive engagement and valuable contributions remain a cornerstone of sound and inclusive public financial management.

6. With this input, **Mr. Speaker Sir,** it is with great honour and privilege that I deliver the first budget since the DPP Administration returned to power in October 2025, at a time when our economy was facing multiple challenges. When the DPP Administration took over Government, economic growth was stagnant, inflation was high, foreign exchange reserves were below 2 weeks of import cover while fiscal deficit and public debt were at unacceptable levels. This situation exerted a heavy burden on households, businesses and Government. It is for this reason that this Government embarked on a number of interventions and reforms to restore macroeconomic stability. **Mr. Speaker Sir,** I am pleased to report that there are positive signals, such as stable supply of fuel,

reduced inflation and interest rates, including reduction in prices of selected commodities.

7. It is against this background **Mr. Speaker Sir,** that the 2026-27 Budget has been framed and formulated under the theme **"Driving Economic Recovery and Sustainable Growth through Impactful Reforms and Fiscal Consolidation."** This reflects our commitment to restore macroeconomic stability, rebuild confidence, and lay the foundation for inclusive and resilient growth. The 2026-27 Budget provides the fiscal context to this theme and creates an opportunity for the new administration to strategically articulate its policy direction and implement its commitments. I am pleased to report that the Budget am presenting before you **Mr. Speaker Sir,** is people-centered, pro-poor, developmental and transformative.

8. In view of this theme, **Mr. Speaker Sir,** our immediate priority is macroeconomic stabilization. Let me emphasize from the onset **Mr. Speaker Sir,** that this Administration is geared to pursue prudent fiscal policies aimed at reducing the budget deficit and consequently public debt stock. As such, Government will strengthen domestic revenue mobilization efforts including broadening the tax base, enhancing compliance, and modernizing tax administration, while protecting low-income households and productive sectors.

9. On the expenditure side, Government will continue to implement austerity measures to eliminate waste, reduce non-essential spending,

and improve efficiency in public service delivery. Resources will be redirected towards high economic impact sectors that drive productivity, create jobs, promote and support growth.

10. In the same vein **Mr. Speaker Sir,** I would like to unveil the National Economic Recovery Plan (NERP), whose overarching objective is to restore macroeconomic stability and promote inclusive growth through investments in key productive sectors of Agriculture, Tourism, Mining and Manufacturing. The Plan is aligned to the DPP Manifesto and the Malawi 2063 First 10-Year Implementation Plan (MIP 1).

11. **Mr. Speaker Sir,** let me now provide context of the economic environment we are operating in at global, regional, and national levels. Thereafter, I will present the performance of the 2025-26 fiscal year and progress made on the reforms and measures announced during the 2025-26 Mid-Year Budget. This will be followed by the macroeconomic assumptions, key overarching policy objectives and reforms that will anchor the revenue and expenditure estimates of the 2026-27 Budget. Lastly, I will present the public sector reforms that will support the upcoming Budget.

WORLD, REGIONAL AND NATIONAL ECONOMIC OUTLOOK

12. **Mr. Speaker Sir**, you will appreciate that our economy does not operate in isolation but is also driven by global and regional developments. Allow me therefore, to present the global, regional and domestic economic developments to this August House.

World Economic Outlook

13. **Mr. Speaker Sir,** the January 2026 World Economic Outlook (WEO) Report by the International Monetary Fund states that the global economy is expected to remain steady amidst divergent forces. Economic growth is expected to remain steady at 3.3 percent in 2025 and 2026, declining marginally to 3.2 percent in 2027. On the other hand, global inflation is projected to continue its decline, with headline inflation falling from 4.1 percent in 2025 to 3.8 percent in 2026 and 3.4 percent in 2027.

Regional Economic Outlook

14. **Mr. Speaker Sir**, economic growth in Sub-Saharan Africa is projected to accelerate, rising from 4.4 percent in 2025 to 4.6 percent in 2026 and 2027. The growth is expected to be driven by on-going macroeconomic stabilization and reform efforts in larger economies alongside investments to support growth. Across the region, many countries are also undertaking fiscal consolidation measures to recover from aid

withdrawals, reductions in Official Development Assistance (ODA), elevated public debt levels and constrained fiscal space.

Domestic Economic Developments

Economic Growth

15. **Mr. Speaker Sir,** the country's economic outlook remains cautiously positive, with growth projections maintained at the levels announced in the November 2025 Mid-Year Budget Statement. Real GDP growth is projected to increase from 2.7 percent in 2025 to 3.8 percent in 2026 and further strengthen to 4.9 percent in 2027. This growth will be supported by strategic investments in key productive sectors of Agriculture, Tourism, Mining, Manufacturing, and Small and Medium Enterprises. Special focus will be put on increased production and value addition, export diversification and import substitution.

Inflation

16. **Mr. Speaker Sir,** inflation has remained elevated since 2021 largely due to food and foreign exchange supply constraints. The annual inflation rate has declined from 32.3 percent in 2024 to 28.5 percent in 2025, mainly with food inflation easing significantly. Moving forward, inflation is projected to take a downward trajectory to 15 percent by the end of the 2026-27 financial year, signaling a gradual restoration of macroeconomic stability.

Money Supply

17. With regards to money supply, **Mr. Speaker Sir,** annual growth rate of broad money remains a concern as it stood at 44.9 percent in December 2025. Private sector credit growth exceeded 40.0 percent in 2025, well above the 25.0 percent that was recorded in 2024.

18. As highlighted above **Mr. Speaker Sir,** inflation in 2025 remained elevated above the medium-term target, largely due to persistent supply-side constraints. Accordingly, the Reserve Bank maintained a tight monetary policy stance to tame inflation. These measures coupled with the importation of maize from Zambia, contributed to lower inflation outcomes in 2025 compared to 2024.

Foreign Exchange Development

19. **Mr. Speaker Sir,** the subdued economic growth in 2025 resulted in low exports while imports increased sharply thereby aggravating external sector imbalances. In 2025, the trade deficit was estimated at about US$2.0 billion, reflecting import growth that continued to outpace export earnings. Looking ahead, the trade deficit is expected to narrow as productivity-enhancing initiatives to boost export capacity take shape while simultaneously enhancing import substitution.

20. It is worth noting, **Mr. Speaker Sir,** the Malawi Kwacha depreciated against most major trading partner currencies in 2025,

due to excess demand for foreign exchange and limited supply. The ongoing initiatives to enhance foreign exchange generation are expected to support the stability of the Kwacha and mitigate further depreciation pressures.

Public Debt Management

21. **Mr. Speaker Sir,** Malawi's path towards managing public debt is constrained by the current stock levels which stand at K23.9 trillion, which is 90.9 percent of GDP as of December 2025. Of this amount, 65 percent is domestic debt, translating to K16 trillion. The high level of debt is on account of domestic borrowing. The debt stock remains worrisome and unsustainable, posing heightened risks to macroeconomic stability. You may wish to appreciate that this debt is exerting a lot of pressure on the country's fiscal space.

2025-26 BUDGET PERFORMANCE

22. **Mr. Speaker Sir,** allow me to briefly highlight the performance of the 2025-26 Budget.

Revenue Performance

23. Revenue and grants for the 2025-26 financial year are estimated at K5.528 trillion to the end of the year, compared to the Mid-Year revised projection of K5.461 trillion, translating to an overperformance of 1.2 percent. Domestic revenue is estimated at K4.545 trillion against the Mid-year revised figure of K4.478 trillion representing a 1.5 percent overperformance. The strong rebound in revenue performance is attributed to policy measures introduced during the Mid-year budget review.

Tax and Non-Tax Revenue

24. To the end of the year, tax revenue is estimated at K4.392 trillion compared to the Mid-Year revised estimate of K4.328 trillion while non-tax revenue is estimated at K149.5 billion. However, the likely outturn for tax revenue during the period is estimated at K4.392 trillion, reflecting a slight overperformance of 1.5 percent, while non-tax revenue is estimated at K153.6 billion, representing an overperformance of 2.7 percent.

25. For the fourth quarter of the financial year, tax revenue is projected at K1.214 trillion against a quarterly projection of K1.125 trillion, translating to a 7.9 percent overperformance. This performance is attributed to the measures announced during the

Mid-Year Budget Review, including adjustments to Value Added Tax (VAT) and Pay As You Earn (PAYE).

Grants

26. **Mr. Speaker Sir,** total revised provision for grants from Foreign Governments and International Organizations in the 2025-26 financial year is maintained at the Mid-Year revised figure of K983.0 billion.

Total Expenditure

27. Total Mid-Year revised expenditure provision for the 2025–26 financial year is estimated at K8.589 trillion and is expected to close at K8.431 trillion representing an under-expenditure of 1.8 percent on account of implementation of expenditure control measures and under-performance in the project implementation introduced during the Mid-Year Budget review. This expenditure comprises K6.668 trillion in recurrent expenditure and K1.763 trillion in development expenditure. Compensation of employees is estimated to close at K1.691 trillion; public interest payments at K2.328 trillion; use of goods and services at K1.450 trillion; grants to Other Government Units at K545.2 billion; social benefits at K607.7 billion; and other expenses at K45.7 billion.

Fiscal Deficit and Financing

28. The fiscal deficit for the 2025-26 financial year is estimated at K2.903 trillion, which is a slight drop from the revised midyear projection of K3.128 trillion representing a 7.2 percent reduction. This drop is as a result of the decrease in expenditure coupled with an increase in revenue.

PROGRESS ON THE 2025-26 MID-YEAR BUDGET REVIEW REFORMS

29. **Mr. Speaker Sir,** I now wish to report that the reform measures announced during the November 2025 Mid-Year Budget Review Statement were not merely policy pronouncements but have been translated into concrete actions. Allow me to highlight some of the key achievements to date.

Food Situation

30. **Mr. Speaker Sir,** the 2025 National Food Balance Sheet revealed that the country's maize supply was estimated at 2.7 million metric

tonnes against a national requirement of 3.72 million metric tonnes, resulting in a deficit of 1.02 million metric tonnes.

31. **Mr. Speaker Sir,** as at February 2026, the Strategic Grain Reserve stands at 81,576.75 metric tonnes, representing the nation's maize stocks held for food security and market stabilisation purposes. To date, the Government has successfully procured 58,029 metric tonnes, comprising 42,200 metric tonnes imported from Zambia and 15,829 metric tonnes sourced through local procurement.

32. **Mr. Speaker Sir,** I would like to report that the maize market has seen significant reduction in prices where a 50kg is now selling between K38,000 and K45,000, down from around K100,000, thereby enhancing affordability and accessibility to all Malawians even during the lean period and has averted hunger situation in the country.

Farm Input Subsidy Programme (FISP)

33. **Mr. Speaker Sir,** the Government successfully increased the number of beneficiaries under Farm Input Subsidy Programme (FISP) from 528 thousand to 1.1 million households. Over 65 percent of targeted beneficiaries under this year's FISP have successfully redeemed their farm inputs despite the delay in starting the Programme following the September 2025 General Elections,

compared to 45 percent same time last year, marking significant progress.

Pension Arrears and Gratuities

34. **Mr. Speaker Sir,** the Government has made substantial progress in reducing normal and death gratuities for retired and deceased civil servants, respectively, following an additional K196 billion approved in the 2025-26 Mid-Year Budget. As a result, it is expected that by end-March 2026, about 11,000 retirees will have received their terminal benefits representing approximately 92 percent from the end year target of 12,000 retirees. This means **Mr. Speaker Sir**, the waiting period for pensions and gratuities will be reduced substantially to 3 months from the previous average of over 36 months which is a significant improvement.

Free Public Primary and Secondary Education

35. **Mr. Speaker Sir,** this Administration has introduced free public primary and secondary education effective 1st January 2026. As a result of this transformative reform, parents and guardians are not paying general purpose, MANEB and identity card fees in public primary schools. In addition, parents and guardians are not paying development, tuition and MANEB fees in public secondary schools. This reform has significantly increased enrolment levels and is

expected to reduce school drop-out rates thereby increasing human capital development for the nation.

Resuscitation of the Automatic Pricing Mechanism (APM)

36. **Mr. Speaker Sir**, Government has resuscitated the use of Automatic Pricing Mechanism to ensure cost-reflective fuel pump price and reduce losses incurred by fuel importers and the Price Stabilization Fund. As a result, there is increased availability and accessibility of fuel in the country and that there are no fuel queues, as has been the case in the past few years.

Revenue Measures

37. **Mr. Speaker Sir,** Government has commenced implementation of the revenue measures announced in the 2025-26 Mid-Year Budget Statement. I am pleased to report that the VAT adjustments, levy on transactions, and PAYE are in full effect.

38. In this regard, **Mr. Speaker Sir**, I wish to clarify that withholding tax on rental income is not a new tax, it has long existed under the Fourteenth Schedule of the Taxation Act. As such, the Mid-Year Budget announcement was intended to strengthen enforcement by the Malawi Revenue Authority (MRA). I, therefore, call upon all Malawians to support this initiative as part of our efforts to restore our economy.

Expenditure Control Measures

39. **Mr. Speaker Sir,** a number of expenditure control measures and reforms were introduced during the 2025-26 Mid-Year Budget Review. This was done to reduce expenditure on travel related budget lines and the fiscal deficit. I therefore would like to report that to the end of the year, expenditure is projected to go down by about K158 billion.

KEY ACHIEVEMENTS IN THE 2025-26 FISCAL YEAR

Agricultural, Tourism and Mining

40. **Mr. Speaker Sir,** in the agriculture sector, Government registered significant progress in irrigation development under the Shire Valley Transformation Project (STVP), including expansion of irrigation schemes covering 4,194 hectares. In addition, matching grants were provided to farmer's cooperatives under Agriculture Commercialization (AGCOM) and Malawi Watershed Services Improvement Project (MWASIP).

41. In the Tourism sector, **Mr. Speaker Sir,** Government revised the 1968 Tourism Act and facilitated the establishment of the Malawi Tourism Authority. This was complemented by continued

implementation of the National Tourism Investment Masterplan. The Plan comprises of 103 projects focusing on strategic infrastructure development across the country in order to boost the sector.

42. **Mr. Speaker Sir,** in the Mining sector, key achievements include recommissioning of Kayerekera Uranium Mine in Karonga under a new Mining Development Agreement with Lotus Resources Limited. Government is developing mining regulations to operationalize the raw mineral export ban, and targeted research was undertaken on agro-minerals, industrial minerals, and onshore oil and gas exploration in partnership with Press Trust Malawi and Africa Fortesa Limited.

43. **Mr. Speaker Sir**, in the transport sector, Government has strengthened connectivity by significantly progressing works on the M001 Road between Lilongwe and Chiweta with 155 kilometres surfaced and opened to traffic. In addition, Government has also constructed 30 kilometres of the Lakeshore Road, and also completed key city roads to improve traffic flow and safety. Furthermore, Government has completed the rehabilitation of the Nkaya-Kanengo Railway section which has enabled the resumption of train services.

44. **Mr. Speaker Sir,** in the energy sector, Government has significantly expanded electricity access across the country.

Through the Malawi Rural Electrification Programme (MAREP) and the Malawi Electricity Access Project (MEAP), over 186,000 households have been connected to power. In addition, a 60-kilowatt peak solar-powered mini-grid has been commissioned at Mwansambe in Ntcheu District, further advancing inclusive and sustainable energy access. **Mr. Speaker Sir,** negotiations for the financing of Mpatamanga Hydro power project are at an advanced stage.

45. **Mr. Speaker Sir,** to enhance local governance and ensure people-centred development, Government has completed over 700 development projects under the World Bank-funded Governance to Enable Service Delivery Project (GESD) in key sectors such as health, education and agriculture over the past few years. In addition, through Government financing, the Thyolo District Council Office has been completed, while works on the M'mbelwa and Mzuzu civic offices are at advanced stages. Further, 24 Traditional Authorities' houses have been completed, with 31 more currently under construction.

Health Sector

46. **Mr. Speaker Sir,** despite the reduction in donor funding for the health sector, Government, recruited 5,992 health workers and promoted 898 health workers. Out of this, 4,250 were recruited with support from Global Fund and 1,742 workers with support from Government. In addition, **Mr. Speaker Sir,** Government also completed the following projects:

    i. Construction of radiotherapy bunkers at the National Cancer Centre;

    ii. Infectious Disease Unit at Queen Elizabeth Central Hospital;

    iii. Pediatric Eye Clinic at Mzuzu Central Hospital; and

    iv. Construction of Khwisa and Chiponde Health Centres in Balaka and Lilongwe, respectively.

Education Sector

47. **Mr. Speaker Sir,** Government has made notable progress in the education sector, including the completion of 2,158 classrooms and 321 sanitation blocks to improve learning conditions. Progress has also been registered in a number of projects in public

universities including the construction of a 400-student capacity training facility for tourism and hospitality management at Mzuzu University and University of Malawi Administration Complex.

THE 2026-27 FINANCIAL YEAR BUDGET

48. **Mr. Speaker Sir**, allow me now to present to this August House the 2026-27 Budget estimates.

Macroeconomic Assumptions for the 2026-27 Budget

Mr. Speaker Sir, the following are the macroeconomic assumptions that have been used in formulating the 2026-27 proposed National Budget:

i. Fiscalised GDP growth rate of 4.1 percent;

ii. End-period inflation estimated at 15 percent;

iii. Nominal GDP of K31.5 trillion; and

iv. Policy rate of 18 percent.

Key Policy Objectives of the 2026-27 Budget

49. **Mr. Speaker Sir**, the 2026-27 Budget estimates have been formulated on the basis of the following key policy objectives:

i. To reduce the fiscal deficit from 11.9 percent to 9.0 percent of GDP and consequently reduce Government borrowing and debt. This will be achieved by implementing revenue enhancement and expenditure control measures;

ii. To create fiscal space through debt restructuring;

iii. To prioritize allocation of resources to key productive sectors of the economy such as Agriculture, Tourism, Mining, Manufacturing, and Small and Medium Enterprises;

iv. To enhance export promotion and import substitution strategies so as to improve generation of foreign exchange and boosting the country's Balance of Payment (BoP) position;

v. To undertake accelerated fiscal decentralisation by providing significant resources to Local Councils through the Reformed Constituency Development Fund (CDF); and

vi. To strengthen fiscal discipline through performance-based disbursement of resources for projects and all key Government programs.

Total Revenue and Grants

50. **Mr. Speaker Sir,** the Total Revenue and Grants are estimated at K8.126 trillion, which is 25.8 percent of GDP. This represents an increase of 48.8 percent from the 2025-26 revised figure of K5.461 trillion. Domestic Revenue is projected at K6.454 trillion, which is 20.5 percent of GDP. This represents an increase of 44.1 percent from the 2025-26 Mid-Year revised figure of K4.478 trillion. This is on account of revenue enhancement measures coupled with automation of non-tax revenues and revision of user fees and charges.

51. **Mr. Speaker Sir,** Tax Revenue is estimated at K6.203 trillion which is 19.7 percent of GDP, representing an increase of 43.3 percent from the 2025-26 Mid-Year revised figure of K4.328 trillion. This growth is largely on account of revenue enhancement measures introduced at Mid-Year. Specifically, growth is expected mainly in Taxes on Income and Profits; Taxes on Goods and Services; and Taxes on International Trade. Non-Tax Revenue is projected at

K250.5 billion representing an increase of 67.6 percent from the Mid-Year revised figure of K149.5 billion. **Mr. Speaker Sir**, this is on account of review of user fees and charges; automation and expected increase in dividends and surpluses.

52. **Mr. Speaker Sir,** Grants from International Organizations and Foreign Governments are projected at K1.672 trillion representing an increase of 70.1 percent from the 2025-26 Mid-Year revised figure of K983.0 billion. The increase is mainly from projected disbursements from International Organizations.

Total Expenditure

53. **Mr. Speaker Sir,** the 2026-27 total expenditure is estimated at K10.978 trillion, which is 34.8 percent of GDP representing an increase of 27.8 percent from the 2025-26 Mid-Year revised figure of K8.589 trillion. This increase emanates from legacy commitments, statutory expenditures and development expenditure. This notwithstanding, the expected deficit to GDP ratio will improve to 9.0 percent from 11.9 percent in 2025-26 Budget.

54. **Mr. Speaker Sir**, total expenditure comprises K7.581 trillion recurrent expenditure and K3.397 trillion development expenditure representing 69.1 percent and 30.9 percent, respectively. Within the recurrent expenditure, total statutory expenditure consisting of

wages and salaries, public debt interest, pensions and gratuities and other statutory expenses, is projected at K5.092 trillion, representing 78.9 percent of domestic revenue which is a drop from 97.5 percent in 2025-26 Financial Year.

KEY HIGHLIGHTS OF THE 2026-27 BUDGET

Wages and Salaries

55. **Mr. Speaker Sir,** Wages and Salaries are projected at K1.923 trillion from the 2025-26 Mid-Year revised figure of K1.631 trillion, translating to an increase of K288 billion. This increase has taken into account current personnel on the ground, salary adjustments and prioritised recruitments in key sectors.

Pensions and Gratuities

56. **Mr. Speaker Sir,** Pensions and Gratuities have been allocated K296.0 billion in the 2026-27 Budget. This provision will ensure that pensioneers are paid timely on a monthly basis and the backlog on payments for gratuities continues to drastically reduce. **Mr Speaker Sir,** this Government is targeting at reducing the waiting period for receiving gratuities to at least 3 months.

Public Debt Interest

57. **Mr. Speaker Sir,** Public Debt interest is projected at K2.793 trillion, representing an increase of 22.9 percent from the 2025-26 Mid-Year revised figure of K2.272 trillion, largely due to past committed debt. With the ongoing external and domestic debt restructuring, Government expects further reduction in the debt interest payment.

Use of Goods and Services

58. **Mr. Speaker Sir**, use of goods and services is projected at K1.503 trillion, representing a reduction of 0.3 percent from the 2025-26 Mid-Year revised provision of K1.508 trillion. This is mainly on account of one-off expenditure on tripartite elections; logistics for the procurement of maize from Zambia; and reallocation of irrigation development resources from Other Recurrent Transactions to the Development Budget.

Grants to other General Government Units

59. **Mr. Speaker Sir,** the total allocation for grants to Other General Government Units stands at K867.8 billion, representing an increase of 59.9 percent from the 2025-26 Mid-Year revised provision of K542.8 billion. This increase is mainly on account of the resumption of road levy remittances to Road Fund Administration; transfers to

Malawi Revenue Authority based on the upward adjustment of revenue projection; and transfers to Subvented Organisations, including Public Universities.

60. **Mr. Speaker Sir,** one of the allocations within the Subvented Organisations is K4 billion under Small and Medium Enterprise Development Corporation for the expansion of local production of uniforms for security institutions such as boots to reduce demand for foreign exchange.

61. **Mr. Speaker Sir,** it is worth noting other strategic allocations under the Subvented Organisations as follows:

   i. K2 billion for Youth Innovation Fund under the National Youth Council of Malawi;

   ii. K1.1 billion for Assembling Laptops and Tablets under the Malawi University of Science and Technology; and

   iii. K3 billion for Agricultural Machinery Production under the Malawi University of Business and Applied Sciences.

2026-27 KEY SECTOR ALLOCATIONS AND DEVELOPMENT PROJECTS

Allocations to Agriculture, Tourism, Mining and Manufacturing (ATMM)

62. **Mr. Speaker Sir,** Government continues to prioritise key productive sectors of Agriculture, Tourism, Mining and Manufacturing because of their potential to stimulate socioeconomic growth and development of the country. **Mr. Speaker Sir,** the 2026-27 budget has allocated a total of K1.334 trillion towards these sectors representing 12.2 percent of the total budget.

Agriculture Sector

63. **Mr. Speaker Sir,** resources amounting to K931.1 billion have been allocated to the sector in the 2026-27 budget. Of this amount, K111.45 billion is earmarked for Fertilizer Input Subsidy Program for the 2026-27 growing season. In order to reduce the price of seed, save foreign exchange and increase availability, K11.3 billion has been allocated for Maize Seed to be produced and purchased locally.

64. **Mr. Speaker Sir,** it is the intention of Government to ensure that the Strategic Grain Reserves are replenished to their full capacity to achieve national food self-sufficiency. In this regard, K60 billion has been allocated in the 2026-27 budget for Maize Purchases. This

allocation is over and above the 103,000 metric tonnes bought from Zambia. In addition, resources amounting to K60 billion have been allocated to ADMARC for purchase of commercial maize and other crops. Furthermore, an allocation of K26.7 billion has been provided for Contract Farming activities.

65. **Mr. Speaker Sir,** to reduce the country's overdependence on rain fed agriculture, resources amounting to K40 billion have been allocated for the National Irrigation Development Program. This is complementary to other initiatives including the Shire Valley Transformation Project and Programme for Rural Irrigation Development with allocations of K241.1 billion and K3 billion, respectively.

66. **Mr. Speaker Sir,** an allocation of K14 billion has been made to various Mega Farms initiatives currently being undertaken by Malawi Prison Services; Lilongwe University of Agriculture and Natural Resources; Department of Fisheries; and Malawi Defence Force. It is therefore pleasing to note that the Mega Farm initiative has diversified to include Aquaculture Mega Farms that have been allocated resources amounting to K3 billion. This is deliberate effort by Government to boost fish production both for local consumption and exports.

67. **Mr. Speaker Sir,** other notable allocations under this sector include

i. K18.1 billion for Mega Farms Coordinating Unit;

ii. K2.68 billion for National Food Reserve Agency (NFRA) operations and rehabilitation of the Silos;

iii. K1 billion for Promotion of Mechanised Farm Operations through Hiring Centres; and

iv. K2.5 billion for Livestock Infrastructure Development for Sustainable Animal Health, Production and Marketing.

Tourism and Manufacturing Sector

68. **Mr. Speaker Sir**, K51.2 billion has been allocated to this sector in the 2026-27 budget. Of this amount:

i. K7.4 billion for the Establishment of Special Economic Zones under Malawi Investment and Trade Centre (MITC). Of this amount, K6.4 billion is for completion of Chigumula site and K1 billion is earmarked to kick-start works for Magwero, Matindi and Dunduzu Industrial Parks;

ii. K5.4 billion has been allocated for Industrial Development; establishment of commodity exchange market; and Small-Scale Business Development;

iii. K2.17 billion has been allocated for Wildlife Management and Conservation;

iv. K4.6 billion for International Tourism Promotion; Product development in Kasungu National Park and development of public beaches along the shores of Lake Malawi; and

v. K500 million has been allocated to facilitate designs and other preparatory works for Salima Integrated Tourism Resort and it is Government's plan to use resources under the CDF for the construction of the Likoma Activity Center.

Energy and Mining Sector

69. **Mr. Speaker Sir,** in order to harness the potential of the Mining Industry, to create employment, earn foreign exchange and develop infrastructure, a total of K352 billion has been allocated towards this sector.

70. **Mr. Speaker Sir,** as you are aware, Government established Malawi Mining Company (MAMICO) whose mandate is to promote

optimal development of the mining sector and maximise national revenue generation. This institution has been allocated resources amounting to K17 billion to kick-start their operations.

71. **Mr. Speaker Sir,** with regard to the regulation of the sector, Government established the Mining and Minerals Regulatory Authority. An allocation of K5.6 billion has been provided to the Authority to regulate the mining industry and create an enabling environment for the sector to thrive. In addition, a total of K3.67 billion has also been allocated to Geological Services; and Mining Services under the Ministry of Energy and Mining.

72. **Mr. Speaker Sir,** in light of the fact that mining activities require a lot of energy, there are several interventions that the Government is pursuing in the energy sector to promote mining in particular and other economic activities in general. To this effect, a total of K219.8 billion has been allocated towards the energy sector in the 2026-27 budget.

Transport and ICT Infrastructure Sector

73. **Mr. Speaker Sir,** now let me turn to the Transport and ICT infrastructure sector. This has been allocated K664.4 billion in the 2026-27 budget. These resources are for both operations and development projects in the sector consisting of the Ministry of

Transport and Public Works; Roads Fund Administration; Roads Authority; and the Ministry of Information and Communication Technology.

74. **Mr Speaker Sir,** with regards to the roads subsector, the policy will continue to focus on completing the existing projects before contracting new ones. I am also pleased to inform the August House that with the resumption of remittances for the road levy to the Roads Fund Administration, it is expected that a lot of maintenance works on our roads will be done seamlessly.

75. **Mr Speaker Sir,** some of the notable projects under the sector include:

a) Rehabilitation of M5 Road from Kaphatenga–Benga-Dwangwa;

b) Continuation of Rehabilitation Works on sections of the M1 Road from KIA Turn-off - Mzimba Turn-off- Kacheche- Chiweta;

c) Rehabilitation of Nsipe-Liwonde-Zomba Road

d) Rehabilitation of Masasa-Golomoti-Monkeybay turn-off Road;

e) Rehabilitation of Mangochi-Monkeybay Cape Maclear Road;

In addition, **Mr Speaker Sir**, the following roads and bridges will be upgraded and rehabilitated:

a) Lirangwe-Chipini-Namatunu-Machinga Road;

b) Ntcheu-Tsangano-Neno-Mwanza Road;

c) Chimwaza- Nambuma Road;

d) Rumphi -Nyika Turn-off-Chitipa;

e) Dyeratu to Chikwawa Boma Road;

f) Mwanga-Chitekesa-Zanjo Road;

g) Katuli-Idrusi Road;

h) Chiringa-Swang'oma Road;

i) Migowi-Phaloni-Swang'oma Road;

j) Lilongwe City West Bypass (Kaunda and Chendawaka);

k) Mangochi-Makanjira Road;

l) Chitipa-Ilomba Road;

m) Karonga-Songwe Road;

n) Dedza Boma Loop Road;

o) Thuchira Bridge; and

p) Nsanama-Nayuchi Road.

76. **Mr Speaker Sir,** I wish to highlight that the above list is not exhaustive. Honourable Members can therefore, refer to Budget Document Number 6 for more details on the portfolio of roads under construction.

Aviation and Rail

77. **Mr. Speaker Sir,** in the 2026-27 fiscal year, Government will:

i. Rehabilitate Bakili Muluzi Airport; Kamuzu International Airport and carry out preparatory works and designs for the new Mzuzu Airport;

ii. Expedite the signing of a Memorandum of Understanding for the Nacala Rail Corridor;

iii. Carry out advance works on the Kanengo–Mchinji line; and

iv. Commence feasibility and designs for rail expansion from the Central to the Northern Region. The Chinese Government has expressed interest to finance the project.

Marine and Water Transport

78. **Mr. Speaker, Sir**, in the 2026-27 Financial Year, this Government will complete construction of Likoma Port and rehabilitate and upgrade Chipoka Port.

ALLOCATIONS TO SOCIAL SECTORS

79. **Mr. Speaker Sir,** investing in human capital development is critical for socioeconomic growth and transformation of the country. A healthy and skilled workforce is more productive and efficient, thereby positively contributing to growth, development and resilience of the economy. It is for this reason that a total allocation of K2.7 trillion has been provided towards the Human Capital Development Pillar of MIP-1.

Education and Skills Development

80. **Mr. Speaker Sir**, a total of K1.28 trillion has been allocated to the education sector, representing 11.7 percent of the total budget. To increase equitable access to education and provide a fair chance to access knowledge to all the pupils regardless of their socioeconomic background, Government introduced free Primary

and Secondary education effective 1st January 2026, as alluded to above.

81. **Mr. Speaker Sir,** the 2026-27 budget has therefore ring-fenced resources amounting to K47.6 billion for this purpose. Of this amount, K31.7 billion is for Free Secondary Education to cater for development fees and K15.9 billion for Free Primary Education to cater for general purpose fees.

82. **Mr. Speaker Sir,** a total of K11.3 billion has been allocated in the budget to cater for free examinations and students' identity cards.

83. **Mr. Speaker Sir,** an allocation of K11 billion has been provided for Teaching and Learning Materials in both Primary and Secondary Schools. This represents a 122 percent increase from the 2025-26 revised provision of K4.96 billion. In addition, a total of K45.7 billion has been allocated to the operations of Secondary Schools and Teacher Training Colleges in the amounts of K31.4 billion and K14.3 billion, respectively.

84. **Mr. Speaker Sir,** I wish to report to this August House that Government has allocated resources amounting to K234.3 billion to the country's six (6) Public Universities. These resources are broken down as follows: K171.97 billion for operations; K45.2 billion for development projects; and K17.1 billion for repayment of Service

Gratuity loans. It is Government's intention that public universities should not predominantly rely on Government subvention. To this effect, after thorough consultations with various stakeholders, students with capacity to pay will be required to pay cost-reflective fees so that student loan subsidies should only be provided to those who cannot afford. To achieve this, all universities' management are directed to categorise those students who can afford and those who cannot.

85. **Mr. Speaker Sir,** the 2026-27 budget has also set aside resources amounting to K42 billion for student loans and upkeep allowances to cater for 40,000 students in public universities as announced in the SONA by His Excellency the President, Professor Arthur Peter Mutharika.

86. **Mr. Speaker Sir,** to provide requisite job skills and make our graduates employable, ready and competent for absorption into job market, there is an allocation of K4.5 billion for Graduate Internship program. Additionally, resources amounting to K3 billion have been allocated to prioritise completion of community technical colleges.

Health Sector

87. **Mr. Speaker Sir,** a total of K1.02 trillion has been allocated to the health sector, representing 9.2 percent of the total budget. Of this amount, K108.3 billion has been set aside for Procurement of Medicines and Medical Supplies, representing a 13.1 percent increase from the 2025-26 revised provision of K95.8 billion. This allocation is in the amounts of K58.3 billion and K50 billion for Central and District Hospitals, respectively. This allocation is in addition to the support from the Development Partners.

88. **Mr. Speaker Sir,** as you are aware, Central and District Hospitals owe Central Medical Stores Trust (CMST), outstanding payments for the medicines and medical supplies drawn down from the Trust in the previous financial years. Government has therefore, allocated K20 billion as a part payment to these arrears. This will ensure consistent supply of medicines in our hospitals.

89. **Mr. Speaker Sir,** a total of K65.7 billion has been allocated for operations of all the Central Hospitals and the Procurement and Maintenance of Medical Equipment in these hospitals. This represents an increase of 34.4 percent from the 2025-26 revised provision of K48.9 billion.

90. **Mr. Speaker Sir**, resources amounting to K25.3 billion have been earmarked for the operations of District Hospitals. This represents a 10 percent increase from the 2025-26 revised amount of K23 billion.

91. **Mr. Speaker Sir,** I am pleased to report that the Malawi Government has secured financing amounting to US$744 million from the Government of the United States of America. These resources are aiming at strengthening health systems in combating TB, Malaria and HIV/AIDs and other infectious diseases.

92. **Mr. Speaker Sir,** in order to address the challenges in renal ailments and treatment, K3 billion has been allocated for the establishment of Dialysis Centres in a phased approach starting with Mzuzu Central Hospital. Other notable allocations in the sector include:

    i. K11 billion for blood transfusion service of which K5 billion is for Central Hospitals and K6 billion is for District Hospitals;

    ii. K3 billion for Referral medical cases abroad;

    iii. K1 billion for the Procurement of Ambulances; and

    iv. K1 billion for ART Co-financing with Global Fund.

93. **Mr. Speaker Sir,** it is evidently clear that there are a lot of areas that require financial support to achieve universal health

coverage, through improving access and quality of health care services to all Malawians.

94. **Mr. Speaker Sir,** it is therefore, important for Government to come up with innovative means of mobilising and pooling resources for this sector to strengthen its service delivery. In this regard, Government has introduced paying wards in all the Central and District Hospitals so that people that can afford to pay for healthcare services should do so, thereby subsidisizing those that are unable to pay.

95. **Mr. Speaker, Sir,** regarding healthcare infrastructure, Government will commence construction of Blantyre and Chikwawa District Hospitals in the 2026-27 Financial Year with financing from both Government and Development Partners.

Social Protection

96. **Mr. Speaker Sir,** Government will continue to mitigate against the negative impact of economic downturn and price escalations on the poor and vulnerable groups. In this regard, various interventions have been put in place to safeguard the underprivileged sections of the society. Some of these interventions include:

i. Distribution of relief maize to households that have been severely affected by drought and hunger consistent with the recent Malawi Vulnerability Assessment Committee Report;

ii. Allocation of K7 billion for the Social Cash Transfer Program, representing an increase of 58.6 percent from the 2025-26 revised provision of K4.4 billion. This has been done with the intention to progressively increase coverage to 4 additional districts namely: Mwanza, Neno, Ntchisi and Nkhotakota, with collaboration from our Development Partners; and

iii. Allocation of K2.0 billion for the Disability Trust Fund. Of this amount K250 million has been earmarked for grants to persons with disabilities. In addition, K1.0 billion has been allocated to the National Children's Commission to promote the rights and welfare of children.

Development Expenditure

97. **Mr. Speaker Sir,** in the 2026-27 FY, total development expenditure is projected at K3.397 trillion, representing an increase of 76.4 percent from the 2025-26 Mid-Year revised provision of K1.926 trillion. Out of this amount, K2.034 trillion is for foreign financed projects and K1.363 trillion is for domestically financed projects.

98. **Mr. Speaker Sir,** the projected total development expenditure of K3.397 trillion, represents 30.9 percent of the total estimated expenditure. This is a significant improvement compared to 2025-26 Budget, which had only allocated 20.9 percent.

99. **Mr. Speaker Sir,** I invite Honourable Members to refer to budget document number 6 and all the other budget documents that provide more details on the projects being implemented by Central Government throughout the country.

Reformed Constituency Development Fund

100. **Mr. Speaker Sir,** as this Honourable House is aware, one of the key commitments of this Government is to provide people centred and community driven development, through enhanced governance systems and performance-based financing. In fulfilment of this commitment, **Mr. Speaker Sir,** I am pleased to inform the nation that starting from 1st April 2026, Government will introduce the Reformed Constituency Development Fund, with a total allocation of K1.145 trillion, translating to K5 billion per constituency.

101. **Mr. Speaker Sir,** in view of this development, various projects that were initially implemented by Central Ministries, Departments and Agencies (MDAs) have been devolved to the Local Councils.

Consequently, the 2026-27 Budget for Central MDAs, will not reflect allocations to these projects. However, it must be noted **Mr. Speaker Sir,** that some of the projects will remain with Central Government solely for the purpose of clearing outstanding certificates that have already been submitted to my Ministry.

102. **Mr. Speaker Sir,** I am pleased to inform the August House that the CDF Guidelines will be finalised after consultations with key stakeholders.

Local Currency Bond Financed Projects

103. **Mr. Speaker Sir,** to expedite the completion of targeted projects, a special financing instrument called "Development Bond" will be issued to allow some projects to draw resources for their on-going works. A total of K78 billion is earmarked for this purpose targeting the following projects:

i. Construction of Mombera University;

ii. Construction of 10,000 Housing Units for Security Institutions;

iii. Construction of Kholongo Multi-Purpose Dam for Mponela Town;

iv. Reconstruction and Rehabilitation of Limbe-Bangula-Marka Railway Section;

v. Rehabilitation of Kaphatenga-Dwangwa Road;

vi. Upgrading of Chitipa-Ilomba Road; and

vii. Construction of Ntchisi-Malomo Road

Fiscal Deficit

104. **Mr. Speaker Sir**, the 2026-27 fiscal deficit is projected at K2.852 trillion, which is 9.0 percent of GDP. This is 8.8 percent improvement when compared to the 2025-26 Mid-Year revised fiscal deficit of 11.9 percent confirming the new Administration's commitment to fiscal consolidation and macroeconomic stability.

PUBLIC SECTOR REFORMS AND MEASURES

Public Finance Management

105. **Mr. Speaker Sir,** in order to enhance efficiency and effectiveness on public procurement and disposal operations in all procuring and disposing entities (PDEs) the use of Malawi National Electronic Procurement System (MANePS) will be mandatory effective 1st April, 2026. As such, all Government MDAs are required to procure goods and services through this system.

106. **Mr. Speaker Sir,** to evaluate the extent of Public Finance Management systems, Government will undertake Public Expenditure and Financial Accountability Assessment (PEFA). The results of the assessment will inform the mid-term review of the Public Finance Management Reform Strategy.

107. **Mr. Speaker Sir**, in order to strengthen transparency and accountability in the use of public funds, Government will establish Audit Committees in all Ministries, Departments and Agencies in accordance with the Public Finance Management Act (2022). The audit committees will oversee and provide advice on systems and practices for governance and risk management; compliance with laws, policies and standards of ethical conduct; fraud prevention and ensure recurring audit issues are addressed.

Administrative Budget Measures

108. **Mr. Speaker Sir**, in order to achieve the 2026-27 Budget objectives, all the austerity measures announced by Government in November 2025 will continue to be in force as follows: administrative budget measures:

a) **Procurement of motor vehicles:** Government has put a moratorium on procurement of new vehicles and high value assets until further notice.

b) **Recruitments:** Recruitments have been suspended, including non-established posts until further notice. Recruitment in essential and critical Government services will be considered.

c) **Promotions:** Promotion of officers from Grade F and below will require prior authority from Treasury and Department of Human Resource Management and Development (DHRMD) to verify availability of funds. Promotions made without this approval will be rendered invalid.

d) **Payroll:** All Controlling Officers are being reminded to personally verify and approve all payroll submissions made to the Department of Human Resource Management and Development (DHRMD).

e) **Meetings:** Ministries, Departments and Agencies (MDAs) are encouraged to hold physical meetings within their office premises and conduct virtual meetings, conferences, workshops, board meetings, interviews, shortlisting exercises, procurement negotiations and any other activities to save resources on travel.

f) **External Travel**: Government will limit external travel and size of delegations to save foreign exchange. All Controlling Officers and Senior Management of State-Owned Enterprises (SOEs) shall seek approval for any external travel from the Chief Secretary. In case of fully funded trips by Development Partners, there shall be no top-up allowances towards such travel.

g) **Procurement:** According to the Public Finance Management Act (2022), it is illegal to commit Government where there are no resources. Accordingly, all MDAs will be required to procure goods and services based on the quarterly allotments provided by Treasury. Suppliers will be required to supply their goods or services only when they have received an IFMIS-generated Local Purchase Order (LPOs). All goods and services supplied without a system-generated LPO will not be paid by Government.

h) **Extra-budgetary requests:** Extra-budgetary requests are not allowed and shall not be entertained by Treasury, except on special cases. MDAs expenditures will be restricted to the approved budget provision.

i) **Fuel entitlement:** Fuel entitlements for public officers including Ministers, Deputy Ministers and Senior Government Officials shall be reduced by 30 percent.

j) **Mineral Contracts:** Government will review all mining licences and contracts. Any mining licences which have been idle for more than five (5) years shall be revoked.

k) **Staff in Embassies**: Government will reduce number of embassies and staff. Each embassy shall have not more than five officials including the Ambassador/High Commissioner.

109. **Mr. Speaker Sir,** I wish to reiterate that no MDA should enter into a contract seeking Engineering, Procurement, Construction and Financial Model services without prior approval from the Ministry of Finance, Economic Planning and Decentralisation. Further to this, I wish to direct that:

a. No Controlling Officer, Government Officer or Chief Executive Officer should sign a contract binding the

Government without prior scrutiny and written approval from Treasury, Ministry of Justice, Public Procurement and Disposal of Public Assets Authority, and Government Contracting Unit;

b. No Controlling Officer, Government Officer or Chief Executive Officer should commit Government through Assignment of Proceeds Agreements with Banks or any other financial institution on behalf of suppliers/contractors/ service providers;

c. All projects and contracts must be executed within the agreed timeframe. No cost and time extensions shall be allowed, except on special cases where such extensions shall be at no cost to avoid budget overruns;

d. Controlling Officers and Chief Executive Officers must ensure that relevant financial rules and regulations are strictly adhered to during project initiation, execution and closure to avoid declaration of mis-procurement and ineligible expenditures; and

e. Government Guarantees and Consents shall only be issued on a special case and where there is no recourse to Government.

110. **Mr. Speaker Sir**, Government has put in place additional measures in order to further contain the expenditures as follows:

i. Government will review the operations of all the Subvented Organizations and State-Owned Enterprises with a view to streamline their activities, merge or close them, where deemed necessary; and

ii. Security institutions will be supported to produce various crops such as maize and legumes to supplement ration provision and thereby reducing on their expenses on food.

111. **Mr. Speaker Sir**, to minimise demand on foreign exchange, the following measures will be pursued:

i. Subscriptions to international organisations that various MDAs are affiliated to, is being reviewed to ensure that only strategic organisations are prioritised, and

ii. Encourage local production of uniforms for security institutions in order to boost local manufacturing.

Monetary Policy

112. **Mr. Speaker Sir,** Government will work with all financial institutions to bring down interest rates and reduce the spread between

lending and deposit rates to allow our private sector to access credit at affordable rates.

Foreign Exchange Management

113. **Mr. Speaker Sir,** regarding foreign exchange management, Government has put in place strict measures to safeguard the foreign exchange and ensure that it is channeled to the formal system. To curb illegal externalization of forex, the Bank in collaboration with law enforcement agencies including Malawi Revenue Authority (MRA), Financial Intelligence Authority (FIA) and Fiscal Police have stepped up investigations on suspicious transactions and prosecution of such cases.

114. **Mr. Speaker Sir,** the Bank will regulate Money Transfer Agencies and Operators to mitigate forex leakage and prevent exchange rate exploitation. In addition, the licensing regime for authorized dealers has been enhanced to a robust, two-year renewable licenses issued on the basis of strict compliance requirements.

OTHER REFORMS

Structured Markets

Mr. Speaker Sir, Government in the 2026-27 Budget will establish a National Commodity Exchange Market to provide structured and

transparent markets for our key commodities. The Commodity Exchange will not only serve the agriculture sector but will also extend to mining and other strategic commodities.

Repatriation of Export Proceeds

115. **Mr. Speaker Sir,** foreign exchange regulations are currently under review to improve market functioning and supply. Strategic imports are prioritised to sustain production and essential services. The RBM is closely monitoring repatriation of export proceeds through enforcement of CD1 forms. Further, the mandatory repatriation period for export proceeds has been reduced from 120 days to 90 days to enhance market liquidity.

REVENUE POLICY AND ADMINISTRATIVE MEASURES

116. **Mr. Speaker Sir**, the revenue policy and administrative measures I now present are designed to strengthen domestic resource mobilisation, protect local industry, promote import substitution, and enhance tax administration efficiency.

117. **Mr. Speaker Sir**, My Ministry held extensive engagements with the private sector representatives, professional bodies, civil society organisations, and development partners. Written submissions were

also received from companies and private citizens proposing reforms to improve efficiency and fairness of our tax system. The contributions provided have enriched this Budget. I, therefore, would like to thank all those that contributed their ideas toward the development of these revenue measures.

TAX POLICY MEASURES FOR THE 2026-27 BUDGET

118. **Mr. Speaker Sir**, the Customs and Excise Tax measures that I am about to announce today will become effective mid-night tonight, while the Taxation and Value Added Tax measures will take effect on 1st April 2026, subject to the approval of the Bills by this Honourable House, and subsequent assent by His Excellency the State President.

CUSTOMS AND EXCISE TAX MEASURES

119. **Mr. Speaker Sir**, recognising the important role that Community Technical Colleges play in equipping the youth in our rural areas with vocational and technical skills, Government will remove import duties and taxes on essential teaching and learning equipment

used specifically by the community technical colleges. These include, sewing machines, plumbing tools, welding machines and accessories, and electrical installation tools. This measure will strengthen skills development, enhance youth employability and economic empowerment.

120. **Mr. Speaker Sir**, in a move to support persons with disabilities, Government will remove taxes on supportive devices and equipment that covers all forms of disabilities. These include motor vehicles specially adapted for persons with disabilities, prosthetic limbs, hearing aids, and other specialised support equipment. This measure promotes inclusivity and equal participation in economic and social activities.

121. **Mr. Speaker**, Government had previously issued a moratorium on motorcycle clearance, allowing Kabaza operators to pay reduced import taxes to clear their motorcycles with the Malawi Revenue Authority, and register them with the Directorate of Road Traffic and Safety Services. That moratorium has since expired. However, Government has observed that numerous motorcycles remain unregistered. Accordingly, Government is extending the moratorium for an additional six months, effective 1st April 2026. Under this extension, motorcycles of engine size 100cc and below will be required to pay MK56,000, whilst motorcycles of 101 to 250cc

will be required to pay MK77,000 in lieu of import duties. I would like therefore to take this opportunity to urge all Kabaza motorcycle operators that have not yet cleared their motorcycles with MRA and registered them with Road Traffic Directorate to make use of this 6 months moratorium period noting that this is a second extension of the moratorium period, and in this regards, the window will close at the expiry of the moratorium.

122. **Mr. Speaker Sir**, to harmonise the tax treatment of religious materials that are ordinarily duty-free, Government will remove import taxes on Bibles, the Qur'an, and other religious audio materials. These items will now be imported duty-free under Customs Procedure Code 422.

123. **Mr Speaker Sir,** to reduce the influx of products that are readily produced domestically and to protect emerging local industries, Government is introducing import surcharges on selected imported goods. These include, among others, dressed poultry, maize seed, eggs, sweets, biscuits, crisps, matches, toothpicks, vegetables, aluminium pots, diapers, mono cartons, treated electricity poles,

plastic furniture, ballpoint pens, and other specified products. The full list of these materials are attached to my statement.

124. **Mr. Speaker Sir**, Government has noted a growing influx of powdered soft drink flavours, typically packaged in sachets. People mix these powders with water to produce beverages such as orange, lemon, or cola-flavoured drinks. To discourage their consumption, particularly due to potential negative health effects they bring on people, Government is introducing an excise tax of 20 percent on these powdered drink flavours.

125. **Mr. Speaker Sir**, in order to ensure that export proceeds are repatriated back to Malawi, especially on the exports of sugar, effective immediately, VAT will be applied on all sugar exports but be refunded upon proof of export supported by evidence of repatriation of export proceeds to Malawi.

126. **Mr. Speaker Sir**, in order to discourage export of scrap metal, Government is introducing export duty on scrap metal. This measure addresses concerns related to vandalism of electricity cables, telecommunications infrastructure, railways and bridges.

127. **Mr. Speaker Sir,** in the quest to strengthen local manufacturing, deepen value addition, and advance the "*Buy Malawi Strategy*", all security agencies will henceforth be required either to manufacture their uniforms themselves or procure their uniforms from local manufacturers. To support this initiative and ensure competitiveness and quality production, these institutions will be permitted to import on duty free basis all raw materials used in the manufacture of uniforms.

128. **Mr. Speaker Sir**, to support agricultural modernisation and climate-resilient farming, Government is removing import duties on greenhouses. This will enhance productivity and promote sustainable agricultural practices.

129. **Mr. Speaker Sir**, in order to improve service delivery in the education and health sectors, Government will remove import duties on heavy-duty generators exceeding 75 KVA when imported by registered and licensed educational institutions and hospitals.

130. **Mr. Speaker Sir**, to enhance domestic revenue collection, Government is introducing excise taxes on selected luxury goods. These include wristwatches, perfumes, necklaces, earrings, bangles, bracelets, cufflings, and video game consoles.

131. **Mr. Speaker Sir**, Government is also increasing the carbon tax payable by foreign registered motor vehicles, noting that the rates were last revised several years ago. This adjustment ensures alignment with Government's environmental objectives associated with curbing carbon emissions into the atmosphere.

132. **Mr. Speaker Sir**, Government will introduce import duty on artificial flowers, excluding wreaths, which will continue to be imported duty-free.

133. **Mr. Speaker Sir**, this August House is aware that currently, fully electric motor vehicles and hybrid motor vehicles are exempt from import duty and excise tax. While this policy has supported the transition toward cleaner transport, Government now seeks to further promote the adoption of fully electric vehicles, which offer

greater environmental and fuel-efficiency benefits. In this regard, Government will introduce an excise tax of 10 percent on hybrid motor vehicles with an engine capacity of 1501 to 2500cc, and 20 percent on hybrid motor vehicles with an engine capacity of 2501cc and above.

134. **Mr. Speaker Sir**, in line with COMESA Principles of international trade, Government through the Malawi Revenue Authority approved some cross-border operators confirmed as secure and compliant tax payers, to enjoy the benefits of smooth and faster clearance of their goods through a Scheme known as "Authorised Economic Operators (AEO)". In order to strengthen compliance monitoring and enhance integrity of the Scheme, Government will review the Authorised Economic Operators Regulations to also be in line with regional practice.

135. **Mr. Speaker Sir**, finally, under the Customs and Excise Tax measures, Government will revise various administrative fees charged by the Malawi Revenue Authority, including processing fees and escort fees, to ensure cost recovery and improved service delivery.

VALUE ADDED TAX MEASURES

136. **Mr. Speaker Sir**, after thorough consultations with various stakeholders, Government is raising the mandatory registration threshold for Value Added Tax (VAT) from the current annual turnover of MK25 million to MK50 million. Further, businesses with an annual turnover below the new MK50 million threshold will no longer be registered for VAT and will not be required to operate under the Electronic Invoicing System (EIS). This means that smaller and medium enterprises as well as cross border traders will be excluded from the EIS. However, companies with an annual turnover exceeding MK50 million will be obliged to register for VAT and comply with the EIS requirements. This decision has been taken deliberately to ease the compliance burden on small and medium enterprises and cross border traders, while ensuring that businesses with sufficient capacity continue to operate within the VAT and EIS framework.

137. **Mr. Speaker Sir**, some international companies are providing services to Malawians over the internet and earning income from users in Malawi without being physically located in our country. Examples of these international companies include platforms such

as Netflix, Facebook, and YouTube, among others. Malawians are paying these service providers to watch movies, listen to music, advertise products, download software or phone applications and access many other digital services. However, these services currently do not attract Value Added Tax (VAT), whereas if the same services are provided by local companies, VAT is charged. This creates an uneven playing field between foreign digital service providers and local businesses. Thus, to capture locally generated value by foreign companies that is presently escaping taxation and to promote fairness and equity between digital and traditional businesses offering similar services, Government is introducing VAT on digital services supplied by foreign companies. I will be presenting a bill on this detailing how the tax will operate. Allow me to point out, **Mr. Speaker Sir**, that this tax is already operational in other countries within the region such as Zambia, Kenya, and Uganda.

138. **Mr. Speaker Sir**, Government is undertaking a review of the VAT Act with regards to the list of exempt goods or individuals and institutions that import some goods duty free to ensure that there is a proper balance between revenue needs and social considerations. I will be presenting a detailed bill highlighting the areas where we are making these adjustments.

139. **Mr. Speaker Sir**, Government is harmonising and realigning the period for claiming tax refunds under the VAT Act and the Tax Administration Act to six (6) months, to ensure consistency in tax administration and enhance clarity for taxpayers.

INCOME TAX MEASURES

140. **Mr. Speaker Sir**, irrigation farming represents the future of agriculture if this country is to achieve food self-sufficiency and significantly boost its agricultural sector. In recognition of this, the Government will allow the construction of dams and other farm water infrastructure to be treated as a deductible expense, similar to the provisions currently applicable to rice and sugar farming. We believe this initiative will promote irrigation based farming across a variety of crops, including high value crops such as macadamia, thereby enhancing productivity and sustainability in the sector.

141. **Mr. Speaker Sir**, following constructive engagements with various stakeholders in the gaming industry, stock market traders, and the banking and telecommunications sectors, I am pleased to provide the following clarifications and make targeted adjustments to

certain taxes and levies to ensure fairness, efficiency, and alignment with economic growth objectives.

a. With regard to the Motor Vehicle Insurance Accident Levy which I announced in my 2025-26 Mid-Year Budget Statement, Government is taking further steps to strengthen its administration. To that end, the responsibility for its collection will be assigned to the Malawi Revenue Authority. The necessary amendments will be made to the Taxation Act to give effect to the operationalisation of this measure.

b. With regard to Capital Gains Tax on the sale of listed shares, Government has, following thorough consultations with key players in the financial and capital markets industry, resolved to simplify the current regime. In this regard, the existing Capital Gains Tax on the disposal of listed shares will be replaced with a final withholding tax of two percent (2%) on the gross proceeds from the sale of such shares. This withholding tax will be deducted at source by the broker, the Malawi Stock Exchange, or any other person designated under the law.

c. In addition, **Mr. Speaker, Sir**, following extensive consultations with stakeholders in the gaming and lotteries sector, including the regulator, the Malawi Gaming and Lotteries Authority (MAGLA), Government has resolved to reform the taxation of winnings in this sector. In order to simplify administration and enhance compliance, Government will move away from taxing winnings and instead introduce a final withholding tax of 10 percent on the wagered amount for casinos; and 15 percent final withholding tax on withdrawals for lotteries and sports betting.

d. On Bank Levy, the levy will not apply on transfer of Government funds to or from the Reserve Bank of Malawi and commercial banks

e. Government is further simplifying the administration of residential rental income tax by introducing a final withholding tax of 15 percent. However, rental income derived from commercial property will continue to be subject to withholding tax under the existing framework. No changes are being made in that regard.

142. **Mr. Speaker Sir**, Government is also introducing several administrative amendments to the Taxation Act to strengthen tax administration and compliance. These include:

i. Providing for electronic service of documents under Section 37 of the Tax Administration Act, thereby modernising communication between taxpayers and the tax authority;

ii. Defining the mineral royalty period as one month under the 17th Schedule to the Taxation Act, thereby ensuring clarity and consistency in administration;

iii. Clarifying that the Bank or Money Transfer Levy is not an allowable deduction for income tax purposes;

iv. Introducing a provision under Section 39 sub-section 3 of the Tax Administration Act allowing transfer pricing audits to go back up to 9 years; and

v. Re-writing the taxation of supernormal profit tax to improve clarity.

NON-TAX REVENUE MEASURES

143. **Mr. Speaker Sir**, Government is undertaking a comprehensive review of all user fees, fines, and charges collected by various Ministries, Departments, and Agencies (MDAs). This exercise is aimed at improving service delivery in the public sector by ensuring that fees and charges are cost reflective.

144. Further, **Mr. Speaker Sir**, in line with the directive by His Excellency the State President, Prof Arthur Peter Munthalika, we are automating most Government functions, especially the collection of non-tax revenues. Our objective is to eliminate cash transactions across all MDAs to enhance transparency, reduce leakages, and improve accountability. Under this reform, payments for public services such as police fees and fines, will only be made through mobile money, bank transfers, Visa payments via point-of-sale machines, or direct bank deposits. This reform will be rolled out on 1st April 2026, starting with the Malawi Police Service, and subsequently extended to all other Ministries, Departments, and Agencies.

145. Finally, on the non-tax measures, **Mr Speaker Sir**, Government will be undertaking a reviewing of all Concessions and Treasury Funds with a view to assess their effectiveness and value addition to the budget. Consequently, Concessions and Fund Orders for all non performing Treasury Funds will be revoked.

Conclusion

146. In conclusion **Mr. Speaker Sir,** I wish to express my sincere appreciation to all Malawians for their constructive contributions throughout the budget formulation process.

147. **Mr. Speaker Sir,** I would also like to extend our sincere appreciation to the following Cooperating Partners: the World Bank, the African Development Bank, the Flanders, International Fund For Agricultural Development (IFAD), the Republic of Zimbabwe, India, the Kingdom of Morocco, Norway, Foreign Commonwealth and Development Office (FCDO) of the United Kingdom (UK), Japan, Ireland, Iceland, Switzerland, Korea, our Private Sector especially the Financial institutions and corporate organizations: First Capital Bank, First Discount House, Standard Bank, Press Corporation, National Bank, Eco Bank, Airtel Malawi, Nyasa Tobacco Company and Petroleum Importers Limited, NICO Group in partnership with NBS Bank for their unwavering support.

148. Furthermore, **Mr. Speaker Sir,** I would like to recognize and commend support by the private sector particularly Pacific Limited in rehabilitating boreholes covering every constituency in the country, which has improved access to safe and portable water.

149. In addition, **Mr. Speaker Sir,** I also thank the International Monetary Fund for the continued support being provided to the country and it is Government's expectation that in the short to medium term we will negotiate for a new programme.

150. **Mr Speaker Sir,** Let me also appreciate the United Nations, European Union; United States of America for the support to the Health Sector; Global Fund for the support in the Health Sector; the Federal Republic of Germany for the pledges under new bilateral Government to Government compact. Saudi Fund and Kuwait Fund for the commitment to finance the Blantyre District Hospital; Abhu Dhabi for the commitment to support the rehabilitation of the Bakili Muluzi International Airport. Furthermore, **Mr. Speaker Sir**, I would like to express our profound appreciation to the People's Republic of China for the grant financing in support of the Extension of the Lilongwe Dual Carriage Way from Kanengo to Kamuzu International Airport and Digitalization of Government service.

151. **Mr. Speaker Sir,** I beg to Move.

ANNEX 1: LIST OF FOREIGN IMPORTED PRODUCTS WHERE SURCHARGE WILL APPLY IN ORDER TO ENCOURAGE LOCAL PRODUCTION

HS Code	*Description*	*Rate*
02.07	Dressed Poultry	30%
03.02, 03.03, 03.04, 03.05	Fish	10%
04.01	Milk	15%
0403.20.00	Yoghurt	15%
04.07	Eggs	30%
0409.00.00	Natural Honey	20%
07	Vegetable	40%
08	Fruits	15%
0904	Pepper of the genus Piper	15%
1005.10.00	Maize seed	25%
1101.00.10	Wheat flour	5%
1507.90.00, 1508.90.10, 1508.90.90, 1511.90.11, 1511.90.19, 1511.90.21, 1511.90.29,	Refined Oils	10%

HS Code	*Description*	*Rate*
1511.90.90, 1512.19.00, 1512.29.00,		
1701.13.10, 1701.13.20, 1701.13.90, 1701.14.10, 1701.14.20, 1701.14.90	Cane sugar	15%
1702.90.90	Artificial Honey	20%
1704.90.00	Sweets	20%
1905.31.00	Biscuits	20%
2005.20.00	Crisps	20%
20.01-20.08	Vegetables	40%
2103.90.00	Chilli Sauce	15%
22 excluding 2202.99.10, 22.09.00.00	i. Alcoholic beverages ii. Non- alcohol beverages	15%
2402.20.00	Cigarettes containing tobacco	US$4/1,000 sticks
2523.29.00 excluding 2523.10.00	Portland Cement	30%
3605.00.00	Matches	25%

HS Code	*Description*	*Rate*
3924	Tableware, kitchenware, other household articles and hygienic or toilet articles, of plastics	20%
44.03	Treated poles	25%
44.19	Toothpicks	40%
4819.20.30	Monolayer cartons	15%
4819.40.10	Bags for packing cement	20%
4820.20.10	Exercise books with soft cover	10%
4901.99.10	Textbooks	10%
63.01	Blankets	25%
6305.33.10	Polypropylene woven bags for the packing of cement	20%
6305.33.90	Polypropylene woven bags	20%

HS Code	*Description*	*Rate*
	for the packing of grain, flour and other cereals	
7615.10.30	Aluminum pots	15%
9403.70.90	Plastic Furniture	20%
9608.10.00	Ball point pens	15%
9619.00.90	Diapers	25%