



From Economic Recovery to Resilience

CITIZEN'S BUDGET 2024/25

For more information contact:

The Secretary to the Treasury
Ministry of Finance

PO Box 30049, Lilongwe, Malawi
Call: +265 1 789 355
Email: budget@finance.gov.mw

www.finance.gov.mw

With support from the European Union,
Government of Ireland and UNICEF.



Rialtas na hÉireann
Government of Ireland



THE COUNTRY'S ECONOMY

Malawi's economy slowed down in 2023 from the projected 1.9 percent growth to 1.5 percent. This was due to several factors, including foreign exchange shortages, which disrupted the supply of strategic commodities, including fuel and fertilizer. In 2024 and 2025 the economy is expected to grow by 3.2 percent and 4.8 percent respectively. The rebound is on account of expected large-scale mega-farm output and anticipated high growth in construction and manufacturing among others.

Inflation increased from 20.9 percent in 2022 to 28.8 percent in 2023. It is expected that inflation will slightly improve to 27.1 percent in 2024 and further improve in 2025.

TABLE 1 Budget Framework (MK millions)

Category	2023-24 Approved	2023-24 End-Year Revised	2024-25 Approved	2024-25 Budget (% of GDP)
Total Revenue and Grants	2,553,019	3,040,616	4,552,220	24.3%
Domestic Revenue	2,242,430	2,407,430	3,383,808	18.1%
Tax Revenue	2,128,090	2,198,090	3,257,273	17.4%
Other Revenue	114,340	209,340	126,535	0.7%
Grants	310,589	633,186	1,168,412	6.2%
from Foreign Governments	12,433	18,445	72,693	0.4%
from International Organisations	298,156	614,741	1,095,719	5.8%
Expenditure	3,788,319	4,329,068	5,998,834	32.0%
Recurrent Expenses	2,957,289	3,251,193	4,227,175	22.6%
Compensation of Employees	926,982	1,021,842	1,121,981	6.0%
Wages and salaries	900,442	980,491	1,075,232	5.7%
Government contributory pension	26,540	41,351	46,749	0.2%
Public Debt Interest	914,864	931,480	1,455,690	7.8%
Foreign interest	35,873	94,780	79,750	0.4%
Domestic interest	878,991	836,700	1,375,940	7.3%
Use of Goods and Services	547,563	615,884	845,543	4.5%
Generic goods and services	328,334	367,560	493,023	2.6%
Health sector	81,486	104,130	122,423	0.7%
Agriculture sector	24,778	29,982	74,138	0.4%
Education sector	52,513	52,416	73,060	0.4%
Arrears	1,000	1,800	500	0.0%
Storage levy expenses	5,800	5,992	7,303	0.0%
Maize purchases	12,000	12,000	22,000	0.1%
Elections	41,652	42,004	53,097	0.3%
Grants to Other Government Units	302,641	327,369	412,373	2.2%
Road Fund Administration	73,451	75,849	85,024	0.5%
Roads Authority	5,000	5,000	6,200	0.0%
Transfer to MRA	62,755	64,830	97,653	0.5%
Subvented Organisations	145,435	161,691	199,496	1.1%
Net Lending	16,000	20,000	24,000	0.1%
Social Benefits	248,763	297,716	358,613	1.9%
Affordable input programme	109,817	109,817	161,285	0.9%
Pensions and gratuities	135,546	184,288	193,169	1.0%
Social Cash Transfer - Government	2,800	3,010	4,159	0.0%
Other Expenses	16,475	56,902	32,975	0.2%
Other statutory expenditures	16,475	56,902	32,975	0.2%
Net Acquisition of Non-Financial Assets	831,030	1,077,875	1,771,658	9.5%
Foreign financed projects (Part I)	600,280	797,077	1,387,058	7.4%
Domestic financed projects (Part II)	230,750	280,798	384,600	2.1%
Total Financing	1,235,300	1,288,452	1,446,614	7.7%
Foreign financing (Net)	132,373	194,630	149,915	0.8%
Domestic borrowing (Net)	1,102,927	1,093,822	1,296,699	6.9%

2025 to 12.4 percent. This is on account of increase in agricultural output and economic recovery from recent economic shocks.

2024-25 BUDGET FRAMEWORK

The 2024/25 budget is 38.6 percent higher than the 2023/24 budget, moving from K4,329.1 billion in 2023/24 to K5,998.8 billion in 2024/25. This is primarily due to increased statutory budget lines such as wages and salaries, public debt interest, pensions and gratuities as well as development partner expenditure (DI).

Total Revenue

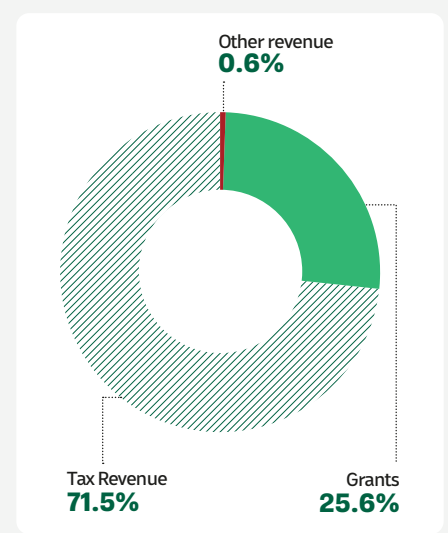
Total revenues and grants for the 2024-25 Financial Year (FY) are estimated at K4,552.2 billion (24.3 percent of nominal

GDP) comprising K3,383.8 billion in domestic revenues and K1,168.4 billion in grants. Out of the projected total revenue and grants, tax revenues estimated at K3,257.3 billion represents 71.5 percent; other revenues estimated at K126.5 billion represents 0.6 percent; and grants from development partners estimated at K1,168.4 billion represents 25.6 percent.

In 2024/25 FY, tax revenues that are projected at K3,257.3 billion represent a 32.5 percent increase from K2,198.1 billion in the revised 2023/24 FY. Other revenue (non-tax revenue) are projected to decline by 39.6 percent to K126.5 billion from the revised K209.5 billion but will slightly increase by 9.6 percent from K114.3 billion approved in 2023/24 FY mainly on account of anticipated increased economic activities due to stabilisation of the energy supply and increased construction activities.

Out of the projected grants of K1,168.4 billion, K72.7 billion will come from foreign Governments such as Norway and Germany while K1,095.7 billion will come from international organisations such as World Bank, African Development Bank, International Fund for Agricultural Development, the Flanders and Global Environmental Facility. Compared to 2023/24 FY, grants are projected to increase by 45.8 percent in 2024/25 FY.

FIGURE 1 Estimated Government Inflows for 2024-25 FY



Expenditure

In 2024/25 FY, Government expenditure is estimated at K5,998.8 billion (32 percent of GDP). This represents an increase of 38.6 percent from 2023/24 revised figure of K4,329.1 billion. Out of this total,

K4,227.2 billion is recurrent expenditure (salaries, interest payments, subsidies and Government operations), whereas K1,771.7 billion is development expenditure which is 30 percent of total expenditure. Out of which, K384.6 billion will be financed using domestic resources and K1,387.1 billion will be financed by foreign resources. The K384.6 billion domestically financed resources is split into K289.6 billion at Central Government Level and K95 billion at Local Government Level.

Budget Deficit

In 2024/25 FY, budget deficit is projected at K1,446.6 billion (7.7 percent of GDP). The deficit will be financed by foreign borrowing amounting to K149.9 billion (earmarked for projects) and domestic borrowing amounting to K1,296.7 billion.

ALLOCATIONS TO MAJOR CATEGORIES OF EXPENDITURE

Wages and Salaries

Wages and salaries for the 2024/25 budget are estimated at K1,075.2 billion, representing an increase of 9.7 percent from a 2023-24 revised figure of K980.5 billion. The growth in the wage bill is mainly on account of salary adjustments for civil servants and planned recruitments.

Other Recurrent Expenditures

The total allocation for other recurrent transactions is estimated at K3,459.5 billion, representing an increase of 38.8 percent from 2023/24 revised budget.

The composition of the other recurrent expenditure includes: Use of Goods and Services (K845.5 billion); Public Debt (K1,455.7 billion); Grants to other Government Units (K412.4 billion); Social Benefits (K358.6 billion); and other expenses (K32.98 billion).

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

BUDGET ALLOCATIONS BY PILLARS AND ENABLERS OF THE VISION 2063

Table 2 shows budget allocations by Malawi 2063 Pillars and Enablers for 2024-25 FY.

Pillars

As observed in Table 2, 10.1 percent of the total budget has been allocated to Agricultural Productivity, 1.9 per cent has been allocated to Urbanization and 0.9 percent to Industrialization.

Enablers

As observed in Table 2, 32.4 percent of the total budget has been allocated to Human Capital Development, 43.4 percent has been allocated to Effective Government Systems and Institutions, 0.35 percent to Enhanced Public Sector performance, and 7.3 percent to Economic Infrastructure.

FIGURE 2 Composition of ORT

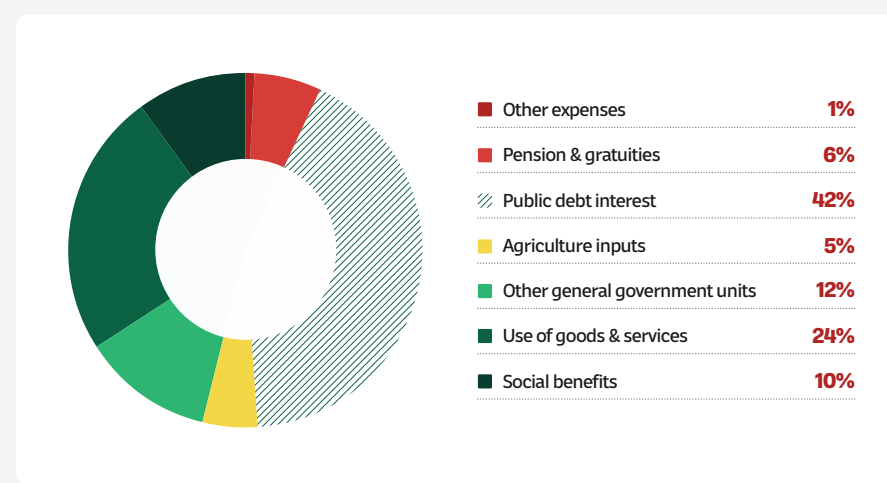


FIGURE 3 Sectoral Allocations

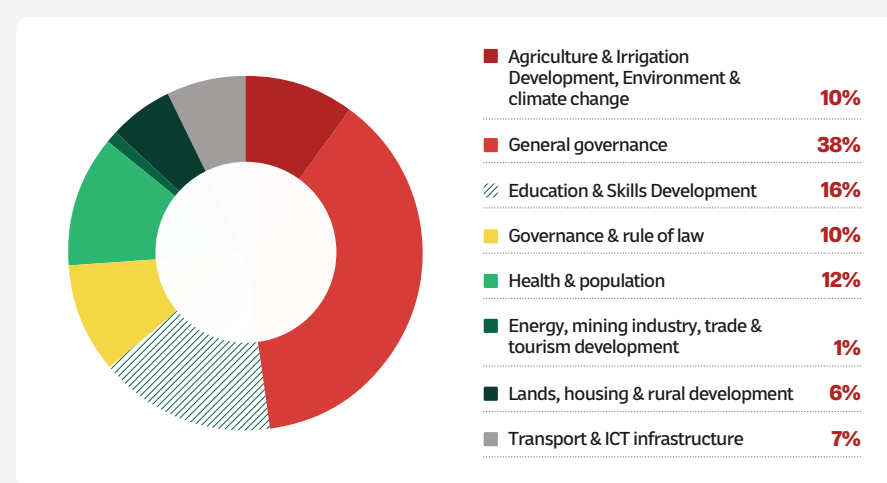


TABLE 2 ALLOCATION TO MIP1 PILLARS & ENABLERS (MK millions)

Category	2023-24 Approved	2024-25 Approved	2024-25 (%)
Agricultural productivity and commercialization	383,509	497,746	8.33%
Economic infrastructure	206,329	435,050	7.28%
Effective governance systems and institutions	1,622,947	2,592,599	43.37%
Enhanced public sector performance	234,532	262,327	4.39%
Environmental sustainability	63,660	21,206	0.35%
Human capital development	1,161,837	1,939,285	32.44%
Industrialisation	33,233	64,570	1.08%
Mindset change	2,392	6,297	0.11%
Private sector dynamism	7,273	3,714	0.06%
Urbanization	72,606	155,527	2.60%
Grand total	3,788,319	5,978,322	100.00%

SECTORAL ALLOCATIONS

As observed in Figure 3, 10 percent of the budget has been allocated to Agriculture, water development and climate change management sector, 16 percent to Education Sector, 7 percent to Transport Sector, 12 percent to Health and Population, and 6 percent to Rural Development.

Budget lines directly benefiting the Citizens

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

(in MK billions)

AGRICULTURE, IRRIGATION & WATER DEVELOPMENT

- 199.7B water supply & sanitation projects
- 89.8B irrigation projects
- 161.3B affordable input programme
- 22B maize purchases
- 43.5B ARDMAC recapitalization
- 5.2B agriculture machinery
- 14.2B for mega farms
- 30B NEEF agriculture loans

Note: that AIP is being complemented by irrigation and mega farms allocation to enhance production.

TRANSPORT INFRASTRUCTURE

- 218.7B road infrastructure
- 1.5B water transport infrastructure
- 3B air transport infrastructure
- 0.35B rail transport (excluding Bangula railway project)

HEALTH SECTOR

- 57.95B for drugs for Central & District hospitals
- MM24.5B Central
- MM33.4B District
- 7.05B construction of hospitals
- 1.08B cancer centre operations
- 17.2B provision of integrated Tertiary Health Care
- 1.5B for referrals abroad

SOCIAL SECTOR

- 4.1B social cash transfer
- 20.2B early years for growth & productivity
- 9.97B operations for MoGCDSW
- 0.45B Albinism Action Plan & Disability Fund
- promotion of labour exports to generate forex

EDUCATION & SKILLS SECTOR

- 125.1B operations of public universities
- 128.8B operations of primary and secondary schools, including teaching & learning materials
- 209B Ministry of Education projects
- 24B university student loans

RURAL DEVELOPMENT

- 224.6B rural development projects
- 38.6B Constituency Development Fund (CDF)
- 2.3B construction of water structures
- 6.2B District Development Fund (DDF)
- 20.1B construction of city roads
- 14B rehabilitation of District hospitals