



Malawi Government

THE 2024/2025 BUDGET POLICY STATEMENT

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, 23rd February 2024

MOTION

1. **Madam Speaker**, I beg to move that the estimates on the Recurrent and Development Accounts for the 2024/2025 Budget of the Malawi Government be referred to the Committee of the Whole House to be considered a vote by vote and, after that, 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 receipts in the form of tax revenue, grants, and all other revenues, as well as details of the Government's proposed expenditure.
3. **Madam Speaker**, this is my first Budget Statement since I was appointed Minister of Finance and Economic Affairs by His Excellency the State President, Dr Lazarus McCarthy Chakwera, on 7 October 2023. I, therefore, wish to first thank His Excellency the President for entrusting me with this noble task of managing the fiscal affairs of this country, especially at a time when the economy is facing challenges. I pledge to do my best to discharge my required duties. In addition, I would like to take this opportunity to thank my fellow Cabinet Ministers; various Ministries, Departments,

and Agencies (MDAs); the Private Sector; Non-Governmental Organisations (NGOs); the Academia; Professional Bodies; Development Partners and the general public for their support and contributions during the Pre-Budget consultations that my Ministry undertook. The constructive contributions portrayed a true reflection of the situation in our economy. The Government takes these contributions seriously and has incorporated some into this budget, while others will be considered in upcoming budgets and policy formulation processes.

4. Therefore, **Madam Speaker**, this budget reflects the views of the people of Malawi regarding their aspirations and how those aspirations will be achieved. I want to urge the Honourable Members of this August House to support this budget through balanced scrutiny and constructive contributions for the betterment of all Malawians.

5. **Madam Speaker**, I also wish to thank all the Honourable Members of this August House, including all committees, for the oversight role they played during the implementation of the 2023/24 budget, which my predecessor, Honourable Sosten Gwengwe M.P, ably crafted. I was privileged to oversee part of its implementation when I took over from him four months ago. The expectation is to have the same dedication during the execution of the 2024/2025 national budget, which I am about to present.

6. Similarly, **Madam Speaker**, I would like to express my gratitude to all Controlling Officers and the entire public service for their dedication toward implementing the 2023/2024 budget. I believe that they will show the same commitment while implementing the 2024/2025 national budget.

7. **Madam Speaker**, the 2024/2025 budget reflects the Government's continued commitment towards achieving the people's aspirations as outlined in the Malawi 2063 First 10-Year Implementation Plan (MIP-1). With the implementation of this budget, the Government is making progress towards an *inclusively wealthy and self-reliant industrialised lower-middle-income nation*. This Budget has also been aligned with the State of the Nation Address delivered by His Excellency the State President, Dr Lazarus McCarthy Chakwera, on 9th February 2024, titled **“Taking Stock and Advantage of Our Progress in Achieving Economic Recovery and Resilience.”**

8. **Madam Speaker**, the economy has been sailing through both endogenous and exogenous shocks that have resulted in slow growth, high inflation, and unsustainable debt levels. These have exacerbated fiscal pressures from low revenue and high expenditure demands. To reduce this fiscal imbalance, the Government will continue to adjust its budgetary operations by enhancing domestic revenue mobilization and rationalizing

expenditures with a focus on highly productive sectors. Recognizing these challenges, the 2024/2025 budget has been framed under the theme “**From economic recovery to resilience through accelerating production and enhancing the legal and regulatory environment to protect the economy.**”

9. By the theme, **Madam Speaker**, this budget will aim to Recover, Develop and Protect the economy. During recovery, the budget will strive to improve and stabilise the economic situation. In that regard, the Government has recently committed to several reforms, including rationalizing public expenditure, diversifying revenue, advancing export strategies, and the recent currency realignment to improve foreign reserves.

10. **Madam Speaker**, securing the Extended Credit Facility Program has assisted the country in the recovery process. Honourable Members might note that the Government is already addressing challenges about Forex, Fuel, Food and Fertiliser, **the 4Fs**. To enhance recovery and improve the forex situation, the Government is launching several initiatives carefully chosen for their potential to generate foreign exchange. The initiatives include the following: Mega Farms, Labour Export, Carbon Credits Trading, Mining Discounted Projects, and Cannabis Biomass Projects for export diversification, the Golden Visa Programme, the introduction of Diaspora Cities, and enhancing diaspora remittances. These

initiatives will be complimented by donor support, which the ECF has triggered.

11. **Madam Speaker**, to Develop and catalyze growth, the Government has identified anchor sectors that have been chosen for their potential to contribute to economic growth. The anchor sectors are Agriculture, Tourism, and Mining, commonly referred to as ATM. The ATM Strategy will further help to boost domestic revenue in this budget; therefore, the ATM sectors will have significant allocations, and the Government will focus on developing national legal and institutional frameworks for protecting natural resources.

12. **Madam Speaker**, I acknowledge that when the economy is not performing well, the vulnerable populations are often hit the hardest. They have little recourse to savings and frequently live in precarious situations. In that regard, to ensure that the marginalized are protected, the Government, in partnership with development partners, has increased Social Cash Transfer Benefit Levels by 57 percent and has increased Social Cash Transfer beneficiary coverage from the current 10 percent to 15 percent of the population.

WORLD AND REGIONAL OUTLOOK

World Economic Outlook

13. **Madam Speaker**, allow me to present the global, regional, and national economic developments to this August House. The economic developments have affected the implementation of the 2023/2024 budget and will continue to impact the 2024/2025 budget. According to the January 2024 World Economic Outlook (WEO) Report, the global economic growth rate is projected at 3.1 percent in 2024 and 3.2 percent in 2025 due to greater-than-expected resilience in several large emerging markets and developing economies.

14. **Madam Speaker**, global inflation is expected to fall from an estimated annual average of 6.8 percent in 2023 to 5.8 percent in 2024 and 4.4 percent in 2025. The fall in inflation is expected to be more pronounced in advanced economies at two percentage points compared to developing economies, where inflation is projected to decline by just 0.3 percentage points. Though the reasons for declining inflation are country-specific, they generally include tight monetary policies and softening in labour markets.

Sub-Saharan Africa Economic Outlook

15. **Madam Speaker**, according to the January 2024 World Economic Outlook Report, economic growth in emerging markets and developing economies is expected to remain at 4.1 percent in 2024 and slightly rise to 4.2 percent in 2025. In Sub-Saharan Africa, growth is estimated to increase from 3.3 percent in 2023 to 3.8 percent in 2024 and 4.1 percent in 2025 due to the fadeout of earlier weather-related shocks and gradual improvement in the supply chain.

Malawi's Macroeconomic Developments

Economic Growth

16. **Madam Speaker**, economic performance slowed down in 2023 to 1.5 percent from an earlier estimate of 1.9 percent. The slowdown was due to several factors, including foreign exchange shortages, which disrupted the supply of strategic commodities, including fuel and fertilizer. In 2024 and 2025, economic prospects remain optimistic as the economy is expected to grow by 3.2 percent and 4.8 percent, respectively. The projected superior performance is attributed to large-scale mega-farm output and

anticipated high growth in construction, manufacturing, information and communication, and accommodation and food services.

Inflation

17. **Madam Speaker,** Inflation continues to negatively affect the disposable incomes of Malawians, as evidenced by the continued increase in prices of commodities. In 2022, annual average inflation stood at 20.9 percent and increased to 28.8 percent in 2023. The high inflation is mainly attributed to an increase in food prices. As of December 2023, food inflation was 43.5 percent compared to 31.3 percent for the same month in 2022. Similarly, non-food inflation rose to 22.8 percent in December 2023 from 18.6 percent in December 2022. Annual average inflation is expected to improve in 2024 and 2025 to 27.1 percent and 12.4 percent, respectively.

Monetary Policy

18. **Madam Speaker,** the Government remains committed to implementing an appropriate monetary policy to contain inflationary pressures. In this regard, the Reserve Bank of Malawi (RBM) adjusted the policy rate from 24.0 percent to 26.0 percent in January 2024. The RBM will continue to monitor and stabilize short-

term interest rates to align with the policy rate adjustment. With the positive inflation outlook, the policy rate is expected to follow a downward trajectory.

Foreign Exchange Reserves

19. **Madam Speaker**, the country has been experiencing a decline in foreign exchange reserves during the year 2023. However, the economy's foreign exchange reserves improved to 2.7 months of import cover towards the end of December 2023. To increase foreign exchange reserves, the RBM will continue to implement the surrender requirement of 30 percent of exports and monitor the performance of the Malawi Kwacha against major trading currencies. With these measures, I wish to assure the August House that the economy's official reserves are expected to improve over the medium term.

Total Public Debt Stock and Management

20. **Madam Speaker**, allow me to update the August House on the status of public debt. Malawi's public debt is unsustainable, and the Government has been working to sustain debt through fiscal adjustment and debt restructuring negotiations with its

bilateral and commercial creditors. The Government remains optimistic that the talks will yield the desired results. As of December 2023, public debt stood at K12.56 trillion, representing 84.8 percent of GDP, of which total external debt reached K6.62 trillion, while domestic debt amounted to K5.94 trillion. The exchange rate realignment has exacerbated the external debt component.

21. **Madam Speaker**, aware of the risks posed by contingent liabilities that lead to the growth of debt, such as guarantees, the Government is developing a framework for managing contingent liabilities. This would ensure that decisions to issue guarantees are made with a sound analytical underpinning.

Extended Credit Facility (ECF)

22. **Madam Speaker**, the Government secured a four (4) year Extended Credit Facility (ECF) arrangement from the International Monetary Fund (IMF) amounting to US\$175 million. The first tranche of US\$35 million was disbursed immediately upon approval in November 2023. The ECF has unlocked financial resources from development partners such as the World Bank, the European Union, and the African Development Bank. Overall, the ECF will support the Government's macroeconomic adjustment and reform agenda to restore macroeconomic stability and build a

foundation for inclusive and sustainable growth. The government will continue to monitor macroeconomic developments to ensure the IMF program remains on track.

2023/2024 BUDGET PERFORMANCE

23. **Madam Speaker**, I would like to briefly present the 2023/2024 budget performance to the August House. In the Financial Year, total revenue, including grants, is estimated to close at K2.99 trillion, representing 19.7 percent of GDP. Domestic revenue is expected to reach K2.41 trillion, of which tax revenue is estimated at K2.20 trillion, and K209.34 billion is other Revenue.

24. **Madam Speaker**, improving domestic revenue mobilization is key to addressing the Government's spending needs. The government will, therefore, continue implementing the Domestic Resource Mobilisation Strategy (DRMS 2021-2026) to broaden the tax base and improve tax compliance.

Expenditure Performance

25. **Madam Speaker**, Total Expenditure for the 2023/2024 fiscal year is projected at K4.35 trillion, representing 28.6 percent of GDP. The expenditure comprises K3.31 trillion in Recurrent Expenditure

and K1.04 trillion in Development Expenditure. The Development Expenditure comprises K361.02 billion from domestic resources (Part II) and K682.41 billion from foreign resources (Part I).

26. **Madam Speaker**, the recurrent expenditure for the 2023/2024 Fiscal Year comprises K1.03 trillion for compensation of employees; K647.32 billion for use of goods and services; K931.48 billion for interest payment; K327.49 billion for grants to other General Government Units; K297.73 billion for social benefits; and K73.69 billion for other expenses.

Fiscal Balance

27. **Madam Speaker**, based on the preliminary outturn of revenue and expenditure in the 2023/2024 fiscal year, the overall deficit is estimated at K1.36 trillion, representing 8.9 percent of the country's GDP. The deficit is projected to be financed through domestic borrowing, amounting to K1.23 trillion, while the rest of the resources will come from foreign borrowing.

Progress on Selected Key Achievements in the 2023/2024 Fiscal Year

28. **Madam Speaker**, I am pleased to inform this August House that the Government has made considerable progress in executing development projects outlined in the current budget. I would, therefore, like to present some of the milestones that have been registered in various sectors as follows:

Health Sector

29. **Madam Speaker**, in the health sector, the Government recognizes the crucial role of a healthy and productive population in the country's social and economic growth and transformation.

30. **Madam Speaker**, the Government has, among other vital milestones:

- i. Completed the rehabilitation of health facilities in the Chitipa, Mzimba, Kasungu, Likoma, Chikwawa, Balaka, and Dowa districts.
- ii. Completed twenty health posts in Dedza, Mzimba North, Ntchisi, Phalombe, Mwanza, and Neno and achieved a 75 percent completion rate of an additional thirty-five health posts in various districts across the country.

- iii. Construction of superstructures at Mponela Community Hospital is at an advanced stage.
- iv. Procured and distributed twenty ambulances to District Health Offices.

31. **Madam Speaker**, regarding human resources for health, the Government has:

- i. Promoted 679 health workers.
- ii. Recruited 3,930 temporary health workers.
- iii. Currently in the process of recruiting 5,868 health workers.

Agriculture Sector

32. **Madam Speaker**, in the agriculture sector, the government's priority is investing in irrigation infrastructure and mega farms across the country. Some of the initiatives that have been undertaken include:

- i. Shire Valley Transformation Project, where so far, 70,967 land parcels covering 38,562 hectares have been developed.
- ii. Programme for Rural Irrigation Development, where 3,584 households are supported with irrigation infrastructure.
- iii. Developed Mega farms, including:
 - 80.2-hectare Chipoka cotton farm.

- 107-hectare Mlambe/Nkopola maize farm
- 100-hectare Malawi Defence Force Gada farm.
- 102-hectare Illovo Sugar and LUANAR maize farm.
- 300-hectare Malawi Prison Services farms.

33. **Madam Speaker**, 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 machinery sets have already been procured.

Tourism Sector

34. **Madam Speaker**, the Government prioritizes the promotion of tourism for the country's socio-economic development. The following are some of the key achievements in the Tourism Sector:

- i. Completed the construction of a School of Tourism at Mzuzu University with state-of-the-art facilities.
- ii. Removed visa requirements for seventy-nine countries to facilitate and ease the inflow of tourists into the country.
- iii. Maintained 371km of roads and eighty-seven houses in Kasungu and Lengwe National Park.

- iv. Acquired 52.7 Hectares of Land at Maganga in Salima for the Development of Public Beach and Integrated Tourism Resort; and
- v. Continuous improvement of access roads to resort areas in Salima, Mangochi, Karonga, and Nkhotakota districts, among others.

Mining Sector

35. **Madam Speaker**, in the mining sector, the Government undertook the following:
- i. Registration of the Malawi Mining Company under the Malawi Development Corporation Holdings Limited that will catalyze the development of the mining sector.
 - ii. Completion of the mineral analytical laboratory complex and procurement of laboratory equipment is underway.

Transport Sector

36. **Madam Speaker**, the Government continues to facilitate the provision of a safe, efficient, and sustainable transport system to

promote the social and economic development of the country. I, therefore, would like to present to the House progress on some of the road infrastructure as follows:

- i. Upgrading of Nsanama-Nayuchi Road has been completed up to surfacing.
- ii. Completion of Lot 1 of the Dzaleka-Ntchisi-Malomo road, which starts from Malomo to Mpalo trading centres.
- iii. Upgrading of Njakwa-Livingstonia, Phwezi-Phwamphwa, and Livingstonia Mission Loop Road is at 98 percent physical progress, with surfacing done up to 53.3 kilometres.
- iv. Upgrading of Thyolo-Makwasa–Muona-Bangula road is at 95 percent physical progress, with surfacing done up to seventy-seven kilometers.
- v. The Capacity improvement of the M1 road from Crossroads to Kanengo has reached a physical progress rate of 55 percent.
- vi. Rumphu-Nyika road Lot 1 from Bolero to Bembe with the overall physical progress at 35 percent.

37. **Madam Speaker**, regarding the Railway subsector, I wish to report that the Government has rehabilitated and upgraded the 72 km of the Marka – Bangula Railway such that the Marka Station is now able to receive a train from Beira. Similarly, the rehabilitation of the Liwonde - Lilongwe Railway section continued throughout 2023/2024.

38. **Madam Speaker**, under Civil Aviation, I am pleased to report that the Government has established the Civil Aviation Authority that will be responsible for regulating aviation subsector in line with modern practices.

39. **Madam Speaker**, the August House may also wish to note that the construction of the Likoma Jetty is at an advanced stage with an 80 percent completion rate. The jetty is expected to improve the safety of passengers and cargo and boost tourism on the Island.

Education Sector

40. **Madam Speaker**, human capital development is a critical pillar in the Malawi 2063 Agenda. In the Education sector, the following are some of the key achievements:

- i. The construction of thirty-six new Community Day Secondary Schools out of the intended fifty-one new Community Day Secondary Schools was completed, thereby creating 2,160 new spaces.

- ii. The construction of three Teacher Training Colleges in Chikwawa, Mchinji, and Rumphi was completed, cumulatively enrolling 1,800 student teachers.
- iii. Recruited and promoted 2,293 and 380 Secondary School Teachers, respectively.
- iv. Achieved the following completion rates in public universities:
 - Seventy-nine percent on the construction of the Administration block at the University of Malawi.
 - Fifty-eight percent construction of the Library and Auditorium at Mzuzu University and.
 - Forty-six percent for another Administration block at Kamuzu University of Health Sciences.
- v. Commenced phase one for the Construction of the Inkosi Ya Makhosi M'mbelwa University and.
- vi. Increased the number of university loan beneficiaries by 14 percent from 22,742 in the 2022/23 academic year to 25,978 in the 2023/24 academic year.

41. **Madam Speaker**, With the support from the World Bank under the Malawi Education Reform Project (MERP), the Government has:
- i) Recruited 2,500 teachers on a permanent basis and 4,200 auxiliary teachers.
 - ii) Commenced the construction works of 10,900 classrooms and 1,000 sanitation blocks in 3,539 schools across the country.

- iii) The School Improvement Grant allocation was revised to K7.5 billion from the initial K6.2 billion.
 - iv) Trained 7,304 head teachers, deputy head teachers, and inspectors on instructional leadership and school management.
42. **Madam Speaker**, the Government, in collaboration with the World Bank, is committed to constructing 10,900 classrooms across the country. Construction is underway for 668 classrooms in 334 primary schools across the country.
43. **Madam Speaker**, the Government, in partnership with the US Government, has completed the construction of sixty-six out of eighty-nine new community secondary schools under the Secondary Education Expansion for Development (SEED) Project. The remaining twenty-three will be completed within the 2024/2025 Financial Year.

Water and Sanitation

44. **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 has undertaken the following initiatives:

- i. Upgraded and extended the water supply system for Mzuzu and Ekwendeni.
- ii. Finalised construction works for upgrading and expansion of the Karonga and Chintheche water supply systems.
- iii. In Nkhata Bay, the Government has made water connections through the Water Supply and Sanitation Project, targeting 105,000 beneficiaries.

45. **Madam Speaker**, in a unique way, the Government would like to recognise and commend efforts by the private sector, particularly Pacific Limited, in rehabilitating boreholes covering every constituency across the country.

Food Security Situation

46. **Madam Speaker**, the 2023/2024 agricultural season was negatively affected by climate-related hazards such as Cyclone Freddy, flooding and dry spells, crop diseases, and pest infestation. As a result, maize production was estimated at 3,509,837 Metric Tonnes in the 2022/2023 agriculture season compared to 3,716,479 Metric Tonnes in the 2021/2022 agriculture season, representing a decrease of about 6 percent. Consequently, 4.4 million people in

979,556 households, representing 22 percent of Malawians, were projected to face food deficits during the 2023/2024 consumption season.

47. **Madam Speaker**, out of this total affected population, 3.9 million people are from the rural areas, while 470,000 are from the four cities of Mzuzu, Lilongwe, Zomba, and Blantyre. Compared to the previous consumption season, the affected population in rural areas has increased by 23 percent. In contrast, in urban areas, the affected population has declined by 25 percent from 627,571 recorded in the 2022/2023 consumption season.

48. **Madam Speaker**, it must be noted that overall, the affected population represents an increase of 15 percent compared to the 3,900,000 people who faced food deficits during the 2022/2023 consumption season. The affected population was estimated to require about 38,782 metric Tons of maize equivalent.

49. **Madam Speaker**, to protect the livelihoods of its population, the Government, through the Department of Disaster Management Affairs (DODMA), in collaboration with humanitarian partners, facilitated the development of the 2023/2024 National Lean Season Food-Insecurity Response Plan to respond to the food insecurity situation as projected by the 2023/2024 Malawi

Vulnerability Assessment Committee (MVAC) Report. Through this plan, assistance to food-insecure households is being provided through cash transfers and in-kind food transfers.

50. **Madam Speaker**, the Response Plan is estimated at MK260.26 billion. To this end, a total of MK151.96 billion, representing 58 percent of the Response Plan, has been mobilized to cover both maize and cash transfers from Government and Development Partners, which include the World Bank, the World Food Programme, the Embassy of Ireland and the United Nations Children's Fund.

51. **Madam Speaker**, with this support, at least 95 percent of the 979,556 projected food-insecure households have been reached with in-kind maize support for one month, whilst at least 33 percent (322,984) of the affected households have been reached with cash transfers ranging from one to three months.

GOVERNMENT REFORM PROGRAMS

52. **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 Finance Management Reforms

53. **Madam Speaker**, you will recall that my Mid-Year Budget Review Statement alluded to the Government's commitment to implementing the Public Finance Management (PFM) reform agenda articulated in the Public Finance Management Strategy (2023-2028). The strategy's main objective is to facilitate the attainment of sound fiscal management within the public service to realize sustainable economic growth and development for the country.
54. **Madam Speaker**, I wish to acknowledge the support provided by our Development Partners, including the World Bank, European Union, and the German Government (GIZ). Notably, the World Bank's First Growth and Resilience Development Policy Operation, approved in December 2023, disbursed US\$80 million to the Government following the achievement of crucial PFM policy reforms. Furthermore, the Government, with support from the World Bank, is developing a new US\$80 million Fiscal Governance Program for Results, which will build on the objectives of the recently launched PFM Strategy. Additionally, the European Union is supporting PFM with Euro 22 million and GIZ with Euros 4.5 million.

55. **Madam Speaker**, my Ministry has fully operationalised the Public Finance Management Act (2022) through gazetting the PFM Act Regulations, 2023. In the 2024/2025 Financial Year, my Ministry will go further by reviewing Treasury and Desk Instructions. This will provide clear guidance on processes and procedures at all levels of PFM operations.

State-Owned Enterprises Performance

56. **Madam Speaker**, in addition to the annual consolidated report for State Owned Enterprises (SOEs) that are submitted to this House for transparency and accountability, my Ministry has developed a performance assessment framework to ensure that best-performing SOEs are properly recognized. This will promote a culture of excellence in SOEs for better financial management and service delivery. The goal is to improve the performance of SOEs so that over and above service delivery, they should generate returns on Government investments and remit dividends.

57. **Madam Speaker**, to further enhance the monitoring of revenue collected by SOEs, all 22 regulatory SOEs have fully migrated their revenue accounts to the Reserve Bank of Malawi. In the 2024/2025 Financial Year, my Ministry will roll out this arrangement to the remaining SOEs, including subvented organizations and trading SOEs. This arrangement will significantly

improve dividends and surplus remittances, thereby widening the non-tax revenue base. This will also reduce the tendency of the Government to borrow its own resources.

Integrated Financial Management and Information System (IFMIS)

58. **Madam Speaker**, my Ministry, through the Department of Accountant General, will continue to build on the gains registered from implementing the SAP-based IFMIS. To this effect, efforts to ensure comprehensive financial reporting will continue through increased IFMIS coverage to all MDAs and Local Councils. Similarly, the Human Resource Management Information System will be integrated for seamless processing of Government Payroll and Human Resource related transactions. Further investments will be made in system resilience, stability, and data security controls.

Treasury Single Account

59. **Madam Speaker**, the Accountant General's Department is implementing the Treasury Single Account (TSA) initiative. This will enhance the organization, structure, and optimization of Government Bank Accounts. Once completed, this process is expected to improve the overall Government's cash position.

60. **Madam Speaker**, the Accountant General's Department has highly prioritized efforts to improve non-tax revenue collection through the digitalization of revenue collection and restructuring of bank account architecture to facilitate revenue collection.
61. **Madam Speaker**, in this regard, all Government Agencies must open receipting accounts at Commercial Banks, which are linked to holding Accounts at RBM. To facilitate timely transfers to RBM, a Memorandum of Understanding has been signed with Commercial Banks requiring auto-transfers every 48 hours to the holding accounts. This process shall avail more resources to the Government, resulting in better services across the board.
62. **Madam Speaker**, to complement the TSA efforts, talks are at an advanced stage to create a digital gateway enabling service-recipients to pay for Government Services using Airtel Money and TNM Mpamba. The aggregated effect of these interventions will exponentially increase non-tax receipts and supplement domestic taxes.

Asset Valuation

63. **Madam Speaker**, the Department of Accountant General is leading an exercise to enhance accountability for Government Assets. Historically, Government fixed assets, including Buildings, Motor Vehicles, Equipment, and Furniture, were managed under the Department of Human Resources and Management Development (DHRMD). This approach was deemed inadequate as the existence and a number of assets received a greater weighting overvaluation.

64. **Madam Speaker**, to build on the progress achieved by DHRMD, the Accountant General's Department is consolidating records of Government Assets in terms of unique identification numbers, locations, condition, and value of the assets. This is also in line with the International Public Sector Accounting Standards (IPSAS) accrual accounting practices being implemented by the Accountant General's Department that Government should recognize all assets and liabilities, usually at market value or their value in use to ensure the balance sheet reflects Government's actual financial position.

Poverty Reduction and Social Protection

65. **Madam Speaker**, as we rebuild our economy on post-cyclone Freddy, on the one hand, it is imperative that we continue to

provide support to those in need. The Government will, therefore, enhance the provision of social protection to the poorest and most vulnerable in our society. It will thus continue implementing the Social Cash Transfer Programme (SCTP), which targets the ultra-poor throughout the country and reaches out to 292,449 households across all districts. The Government is currently conducting retargeting, and the number of beneficiary households is expected to increase to 382,457.

66. On the other hand, **Madam Speaker**, a revision of benefit levels was approved using the Rural Inflation, which will result in a 71 percent increase in the average transfer amount per household from the current K9,000 to K19,000 per month.

67. **Madam Speaker**, under the implementation of the Climate Smart Enhanced Public Works Program, 362,450 participants have been enrolled and are working in 6,568 sub-projects focusing on soil and water conservation. Following additional financing from the World Bank, the enrollment target has been increased to 520,000 participants. This program has proved to be an effective and efficient short-term measure for reducing poverty and enhancing sustainable livelihoods.

68. **Madam Speaker,** the Government is also implementing the Savings and Loan Groups and Microfinance interventions. These are livelihood interventions directed towards achieving the financial inclusion of the ultra-poor to help them gain resilient livelihoods. Currently, 61,880 Savings and Loan Groups are registered with the Department of Community Development,, and 1,176,626 people are participating in these Savings and Loan Groups, of which 76 percent are female.
69. **Madam Speaker,** the School Feeding Program is an intervention designed to improve childhood nutrition, increase children's ability to concentrate and learn in class, promote enrolment and regular attendance as well as to reduce drop-out rates. The program currently reaches out to over 2,661 schools, with 2,771,588 learners as direct beneficiaries.
70. **Madam Speaker,** as we are all aware, the Tropical Cyclone Freddy hit Malawi in 2023, which affected most of the districts in the Southern Region. Consequently, under Shock Sensitive Social Protection, the Government expanded social protection through implementation of the Tropical Cyclone Freddy Recovery Response with financial support from the World Bank and UNICEF.

71. **Madam Speaker**, under the Tropical Cyclone Freddy Recovery Response, cash transfers amounting to K150,000 were provided to beneficiaries under Social Cash Transfer Programme, Climate Smart Enhanced Public Works Programme and non-Social Protection programme. The cash top ups were given covering a period of three months. The Response targeted nine (9) districts in the southern region and beneficiaries were selected in the most affected areas covering 185,886 households.

72. **Madam Speaker**, in all these efforts, Government is collaborating with Non-Governmental Organisations, the private sector, development partners, and community leaders to improve livelihoods, economic welfare, and the dignity of targeted populations.

THE 2024/2025 BUDGET

73. **Madam Speaker**, allow me to present to this August House the 2024/2025 fiscal targets and the assumptions underpinning the estimates.

Major Assumptions for the 2024/2025 Budget

74. **Madam Speaker**, the 2024/2025 budget has been formulated with the following underlying assumptions:
- i. Real GDP growth rate of 3.6 percent
 - ii. Average Inflation rate of 23.4 percent
 - iii. Tax refunds of 3.0 percent of total tax collection

Total Revenue and Grants

75. **Madam Speaker**, total revenue and grants for the 2024/2025 fiscal year are estimated at K4.55 trillion, representing 24.3 percent of GDP. Domestic Revenues are estimated at K3.38 trillion, representing 18.1 percent of GDP, of which, Tax Revenues are estimated at K3.26 trillion and Other Revenues have been projected at K126.54 billion.
76. **Madam Speaker**, Grants are estimated at K1.17 trillion, of which K1.10 trillion will come from International Organisations and K72.69 billion from Foreign Governments.

Expenditure

77. **Madam Speaker**, total expenditure for the 2024/2025 fiscal year is programmed at K5.98 trillion, representing 31.9 percent of GDP. Of the total expenditure, recurrent expenses are estimated at K4.21 trillion, representing 22.5 percent of GDP and 70.4 percent of total expenditure.
78. **Madam Speaker**, Development Expenditure for the 2024/2025 Financial Year is estimated at K1.77 trillion, of which K1.39 trillion is for foreign financed projects (Part I) and K383.6 billion is for domestic financed projects (Part II).
79. **Madam Speaker**, the proportion of development expenditure to the total budget now stands at 30 percent from the 24 percent in the 2023/24 Financial Year.

Fiscal balance and Financing

80. **Madam Speaker**, the 2024/2025 Financial Year 's overall balance is estimated at a deficit of K1.43 trillion, which is 7.6 percent of GDP. This deficit will be financed through domestic borrowing amounting to K1.28 trillion, representing 6.0 percent of GDP and K150 billion foreign borrowing.

HIGHLIGHTS OF THE 2024/2025 BUDGET

81. **Madam Speaker**, let me now turn to the highlights of the 2024/2025 Financial Year 's budget as follows:

Wages and Salaries

82. **Madam Speaker**, wages and salaries are projected at K1.08 trillion representing 5.7 percent of GDP. The wages and salaries estimates have also incorporated resources for recruitment amounting to K6 billion and K70 billion reserved for general salary increment.

Pensions and Gratuities

83. **Madam Speaker**, Pensions and Gratuities have been projected at K193.17 billion while Government Contributory Pension Scheme has been allocated K46.75 billion.

Interest payment

84. **Madam Speaker**, public debt interest is projected at K1.46 trillion which is 7.8 percent and 43 percent of GDP and Domestic revenues, respectively. Interest for Foreign debt is estimated at

K79.75 billion while Interest for domestic debt is estimated at K1.38 trillion.

Maize Purchases and Allocation to ADMARC

85. **Madam Speaker**, in the 2024/2025 fiscal budget, K12.0 billion has been allocated for maize purchases by the National Food Reserve Agency to replenish the Strategic Grain Reserves. It should be noted **Madam Speaker**, that ADMARC has also been allocated K40 billion for operations and revamping agricultural production and value addition.

Affordable Inputs Programme

86. **Madam Speaker**, an allocation of K161.28 billion has been made for the Affordable Inputs Programme (AIP). This aims to complement the other existing initiatives that strive for the attainment of national food self-sufficiency.

Grants to other General Government Units

87. **Madam Speaker**, grants to other General Government Units are estimated at K411.66 billion. The composition of this includes, K97.65 billion transfer to MRA; K85 billion for Roads Fund Administration; K6.2 billion for Roads Authority; K198.78 for subvented organisations; and K24 billion for Tertiary Education students' loans.

2024/2025 KEY SECTOR ALLOCATIONS AND DEVELOPMENT PROJECTS

AGRICULTURE, TOURISM AND MINING (ATM)

Agriculture Sector and Irrigation Development

88. **Madam Speaker**, the agriculture sector remains the economy's backbone and a pillar for economic recovery. The sector has been allocated a total of K497.75 billion, representing 8.3 percent of the total budget.
89. **Madam Speaker**, the following are some of the key projects that the Government is implementing within the Agricultural sector:

- i. Agricultural Commercialisation project with a part 1 allocation of K92.56 billion.
- ii. Shire Valley Transformation project with a provision of K60.6 billion.
- iii. Programme for Rural Irrigation Development (PRIDE) with an allocation of K26.06 billion.
- iv. Transforming Agricultural Production and Transformation and Entrepreneurship (TRADE) with an allocation of K25.32 billion.
- v. Agricultural Infrastructure and Youth in Agribusiness Project with a provision of K4 billion; and
- vi. Promotion of Mechanised Farm Operations through Hiring Centres in Malawi with a provision of K500 million kwacha.
- vii. Agriculture Machinery Production being implemented by the Malawi University of Business and Applied Sciences (MUBAS).

90. **Madam Speaker**, recognising that commercialisation of agricultural production is not possible in the absence of potential markets, the Government negotiated with the Peoples' Republic of China on shelled groundnuts and soybean exports. Production of groundnuts and soybeans for export to the Peoples' Republic of China commences this production season under the Mega Farm Initiative.

Tourism Sector

91. **Madam Speaker**, Tourism contributes about 6.7 percent to GDP. However, the sector has a remarkably high potential to contribute at least 11 percent to GDP by 2030 through creation of employment, generating foreign exchange and income.
92. **Madam Speaker**, in the 2024/2025 fiscal year the sector has been allocated K4.8 billion which will be anchored by the 20-year National Tourism Investment Masterplan and a Domestic Tourism Marketing Strategy to boost the productivity of the sector.
93. **Madam Speaker**, the following projects will be implemented in the forthcoming Financial Year:
- i. Development of an integrated resort at Cape Maclear in Mangochi and Salima, Waterfront in Nkhatabay, an Activity Centre in Likoma and an integrated Cable Car Resort in Mulanje.
 - ii. Development of Public Beaches along the shores of Lake Malawi and
 - iii. Improvement of access roads to Resort Areas

94. **Madam Speaker**, to achieve robust results in the contribution of the Tourism sector to the economy, several tourism reforms will be implemented, and they will include:
- i. Strengthening the legal framework to create an enabling environment for increased competitiveness of the sector.
 - ii. Strengthening Tourism Institutional capacity to implement tourism and wildlife programmes.
 - iii. Enhancing revenue management through the automation of payments of the tourism levy, licensing fees, and gate entry fees.

Mining Sector

95. **Madam Speaker**, as ably articulated in the 2024 State of the National Address by His Excellency the President, Dr. Lazarus McCarthy Chakwera, there cannot be wealth creation from our bounty of minerals without strategically re-organising the sector. Government has therefore
- i. Repealed and replaced the Mines and Minerals Act.
 - ii. Developed the organisational structure for a Mining Regulatory Authority.

- iii. Established a National Mining Company, a subsidiary of the Malawi Development Corporation Holdings Limited, to catalyse private sector development; and
- iv. Constructed a state-of-the-art Mineral Laboratory Complex for processing mineral samples.

96. **Madam Speaker**, Government will further continue to implement the following initiatives within the mining sector:

- i. Facilitate the negotiations of Mining Development Agreements, which include Mkango Resources Rare Earth and Lotus (Kayerekera) Uranium projects.
- ii. Management of artisanal and small-scale mining activities; and
- iii. Conduct mineral processing research and analytical laboratory services.

Education and Skills Development Sector

97. **Madam Speaker**, in the 2024/2025 fiscal year, the Government, through the Ministry of Education will continue to provide high quality, relevant, and equitable education to the people of Malawi.

98. **Madam Speaker**, in the 2024/2025 Financial Year, the Government will continue investing in the education sector through implementation of various projects including:

- i. Construction of 34 Secondary Schools of Excellence with an allocation of K10 billion.
- ii. Gwanda Chakwamba Center of Education Excellence with an allocation of K500 million.
- iii. Construction of Luranga Secondary School.
- iv. Implementation of the Malawi Education Reform Project with an allocation of K85 billion, the Skills for a Vibrant Economy with an allocation of K48.91 billion and the Equity with Quality and Learning at Secondary with an allocation of K37.98 billion.
- v. Upgrading and expansion of various infrastructures in Public Universities under the Skills for a Vibrant Economy Project.

Water and Sanitation

99. **Madam Speaker**, Water and Sanitation is one of the key priority areas of the Government in line with MIP-1 enabler number 5 of Human Capital Development. The following are some of the projects to be implemented:

- i. Salima – Lilongwe water project. Am pleased to report that the much awaited Salima – Lilongwe water project will commence in March 2024.
- ii. Ground water extraction for rural piped water development programme.
- iii. The water supply improvement of Liwonde and Balaka towns through extensions and upgrading of the systems by Southern Region Water Board.
- iv. Increasing water treatment capacity to 50,000 cubic meters per day through construction of Treatment Works, increasing access to sanitation services through network expansion (214km) and increasing connection by 11,677 customers by the Lilongwe Water Board.
- v. Construction of an Independent Power Plant Phase I and development of New Water Source in Shire River which will be financed by the EXIM Bank of India under the Blantyre Water Board.
- vi. Construction of Kholongo multipurpose dam for the Mponela and Madisi Water Supply Scheme Project under the Central Region Water Board.
- vii. Upgrading and replacement of pipe networks in various schemes such as Karonga and Nkhatabay to improve water supply reliability.

Environment and Climate Change Management

100. **Madam Speaker,** I wish to reiterate that Government will continue to put Environment and Climate Change Management at the centre stage of its policies. In this regard, K20.55 billion has been allocated to this sector. These resources will cater for initiatives that aim at protecting the environment, as well as preventing the impacts of climate change and natural resource degradation.

101. **Madam Speaker,** Government is also undertaking the following initiatives:

- i. Facilitating the finalisation of documents, for the Carbon Trading development projects.
- ii. Operationalisation of Article 6 Carbon trading regulatory framework including establishment of the National Carbon Registry and an office which will facilitate investment in Carbon Market.
- iii. Operationalisation of the Carbon Trust Fund; and
- iv. Implementing interventions aimed at Biodiversity conservation across the country.

Health and Population Sector

102. **Madam Speaker**, in the 2024/2025 Financial Year the Health and Population sector has been allocated K729.47 billion, representing 12.2 percent of the total national budget. The following are some of the key projects which will be implemented:
- i. Completion of the Cancer Centre.
 - ii. Construction of Dowa and Rumphi district Hospitals.
 - iii. Feasibility study for the Construction of Chikwawa Hospital.
 - iv. Malawi Emergency project to protect essential Health Services.
 - v. Malawi Covid 19 Emergency Response and Health Systems Strengthening Project, among others.

Transport and ICT Infrastructure sector

103. **Madam Speaker**, considering that transport is key to the country's development, in the 2024/2025 Fiscal Year Government has allocated resources amounting to K439.64 billion towards the Transport and ICT Infrastructure sector, representing 7.4 percent of the national budget.

104. **Madam Speaker**, I am pleased to inform the August House that Government, among the many road projects, will be constructing the following roads in 2024/2025 Fiscal Year:

- i) Thabwa – Masenjere – Muona road (Gwanda Chakwamba Highway)
- ii) Mkanda – Kapiri road.
- iii) Nsanama-Nayuchi road.
- iv) Nsanje-Marka road;
- v) Ntcheu - Tsangano - Neno-Mwanza Road.
- vi) Msundwe – Chileka – Majiga – Kasiya road
- vii) Chikwawa – Chapananga – Mwanza road (Sidik Mia Highway).
- viii) Liwonde – Matawale road
- ix) Kaunda – Chendawaka road
- x) Nkhoma – Mayani – Dedza road.
- xi) Rehabilitation of Nsipe – Chingeni – Liwonde road.
- xii) Santhe – Mkhota – Matutu – Kapiri road.

Energy Sector

105. **Madam Speaker**, in line with the Sustainable Development Goal number 7, Provision of sustainable clean energy, the sector will continue to facilitate access to clean energy to spur economic

activities. In the 2024/2025 Financial Year, some of the projects that the sector will implement include the following:

- i. Construction of storage facilities in Nacala.
- ii. Phase II of the rehabilitation of Kapichira Dam.
- iii. Continuation of works for the Installation of the 20 Mega Watts Battery Energy Storage System at Kanengo Substation.
- iv. Construction of the 361 Mega Watts Mpatamanga Hydropower Project; and
- v. Construction of the 50 Mega Watts Nanjoka Power Plant in Salima District.

Industrial Development

106. **Madam Speaker**, the Government recognizes the vital role that Trade and Industry plays in the achievement of sustained economic growth and development of the economy. In the 2024/2025 Financial Year the Government will facilitate the approval of the Industry Policy, and the National Cooperative Development Policy. It will also continue to promote the Export Processing Zones (EPZ) by raising awareness on the revised EPZ Act and Regulations.

107. **Madam Speaker**, the Ministry will continue implementing the following initiatives in the 2024/2025 Financial Year:
- i. Build capacity of Micro Small and Medium Enterprises and marginalised groups to effectively implement Small Medium Enterprises order and develop standards for all products identified in the Small and Medium Enterprises order.
 - ii. Promote and facilitate value addition by cooperatives.
 - iii. Negotiate and review bilateral, regional and multilateral trade instruments.

Youth and Sports Developments

108. **Madam Speaker**, Government is committed to continue providing policy direction and guidance on matters pertaining to the development and empowerment of Malawian youths and the management of all sporting activities. In 2024/2025 Financial Year, resources allocated to this sector will cater for the following construction projects:
- i. Construction of Mzuzu Youth Centre.
 - ii. Completion of the Griffin Saenda Indoor Sports Complex.
 - iii. Completion of the National Aquatic Complex.

- iv. Completion of the Singwangwa and Soche Stadia; and
- v. Rehabilitation of Bingu National and Kamuzu Stadia.

Job creation initiatives

109. **Madam Speaker**, Government through the Skills for a Vibrant Economy project intends to construct classrooms, laboratories, girls' hostels and workshops in all the National Technical Colleges by the end of 2024/2025 Financial Year. In addition, Government, will facilitate the construction of three Community Technical Colleges in Mzuzu, Lilongwe and Neno.
110. **Madam Speaker**, the Ministry of Labour through the European Union funded *Zantchito* Project plans to commence the construction of Centres of Vocational Excellence for Renewable Energy at Mzuzu Technical College; Water Transportation at Salima Technical College; Agriculture Engineering at Lilongwe Technical College; and Tourism at Malawi Institute of Tourism in Blantyre. Under the same project, the Ministry also plans to launch and disseminate the Occupational Safety and Health (OSH) Policy in various workplaces.

111. **Madam Speaker**, I am also pleased to announce that Government will continue to implement the Graduate Internship Programme. In the 2024/2025 Financial Year, it is projected that Government will engage 3,500 interns.

Homeland Security

112. **Madam Speaker**, Government through the Ministry of Homeland Security will strive to maintain law and order to ensure a secure nation. As such, it will implement the following projects:

- i. Construction of New Blantyre Police Station.
- ii. Construction of Chitedze Maximum Security Prison.
- iii. Construction of New Premises for C-Division of the Malawi Police Service.
- iv. Construction of 160 Malawi Police Houses in Area 30.
- v. Construction of Regional Police headquarters.
- vi. Construction of National Law Enforcement Academy.
- vii. Completion of printing and distribution of all national IDs by September 2024.
- viii. Integration of the Passport Issuing System with other systems including Interpol and e-permit; and
- ix. Establishment of a new refugee facility in Chitipa.

Lands and Housing sector

113. **Madam Speaker**, Government through the Ministry of Lands is mandated to provide land administration and housing services to the general public to ensure that physical development takes place in an orderly and sustainable manner. To facilitate and manage urbanisation and spur development across all the three pillars of the Malawi 2063.
114. **Madam Speaker**, in the 2024/2025 budget, Government has allocated K30.91 billion towards Lands and Housing sector. The allocation will among others support implementation of the Secondary Cities initiative. As part of the initiative, Government has identified eight areas in the following district councils; Karonga, Nkhatabay, Kasungu, Chipoka in Salima, Monkey-bay in Mangochi, Luchenza in Thyolo and Bangula in Nsanje to be developed into secondary cities.
115. **Madam Speaker**, through the Ministry of Lands, Government will continue with the construction of 10,000 houses for all security institutions. In addition, Government plans to build thirty houses for people with albinism and will continue with the Public Land

Infrastructure Development in Cities and rolling out of the National Land Reform Program.

Gender, Community Development and Social Welfare

116. **Madam Speaker**, the Government will continue to deliver on its mandate of enhancing the socioeconomic empowerment and protection of women, men, boys and girls and persons with disabilities using community and welfare approaches. In the 2024/2025 Financial Year the Ministry will implement the following interventions:

- i. Complete re-targeting processes under the Social Cash Transfer Programme in the remaining ten districts.
- ii. Facilitate the migration of payment of transfers from cash to e-payment and strengthen the capacity of district councils under the Social Cash Transfer Programme.
- iii. Construction of Early Childhood Centres.
- iv. Construction of Library and Lecture Theatre at Magomero College; and
- v. Continue disbursing resources to individuals with disabilities through the Disability Trust Fund.

Local Councils

117. **Madam Speaker**, Government will continue with the implementation of development projects in the Local Authorities. The following are the key resource allocation highlights in the Local Councils:

- i. K38.6 billion under the Constituency Development Fund, translating to K200 million per constituency.
- ii. K6.19 billion for the District Development Fund.
- iii. K20.1 for the Construction of City Roads.
- iv. K2.3 billion for the construction of water structures under the Water Resources Fund, translating to K12 million per constituency.
- v. 922 million for infrastructure Development fund.
- vi. K14 billion for the Rehabilitation of District Hospital and
- vii. K36.88 billion under the Governance to Enable Service Delivery Project.

REVENUE POLICY AND ADMINISTRATIVE MEASURES FOR THE 2024/2025 FISCAL YEAR BUDGET

118. **Madam Speaker**, the revenue policy and administrative measures that I am about to announce today have been crafted with the utmost dedication of fulfilling our Government's commitment to bolstering domestic resource mobilisation that will

yield adequate resources for closing the financing gap. Our focus will be on broadening the tax base, enhancing tax compliance, fostering domestic and foreign investment, improving the administrative functions of revenue-collecting bodies such as the Malawi Revenue Authority, and rectifying discrepancies in tax laws.

119. Allow me, **Madam Speaker**, to first extend my appreciation to the private sector, academia, and all stakeholders who participated and contributed valuable insights during the Pre-Budget Consultation Meetings held across our nation. Your perception and articulation of the various issues has been invaluable in shaping the policies we present today.

TAX POLICY MEASURES FOR THE 2024/2025 BUDGET

120. **Madam Speaker**, effective midnight today, Customs and Excise tax measures come into force, while Value Added Tax (VAT), Income Tax, and Administrative Measures will take effect on 1st April 2024 upon the passage of relevant Bills by this August House and assertion by His Excellency the President.

Customs Measures

121. You will recall, **Madam Speaker**, that in this Fiscal Year, the Government removed import duties and taxes on electric motor vehicles and materials used for the construction of electric motor vehicle charging stations to reduce demand for fossil fuels and its negative impact on climate. I am pleased to report that we already have some investors importing electric motor vehicles and constructing charging stations. Encouraged by this good response, the Government is extending this facility to electric motorcycles. Specifically, the Government is removing import duty and import excise tax on electric motorcycles. However, standard rate of Value Added Tax (VAT) will be applicable on both the electric motor vehicles and the electric motorcycles in line with good practice in VAT Administration.

122. **Madam Speaker**, the Government has noted with big concern the deplorable living conditions that some of our students in tertiary education institutions are forced to live in because of inadequate decent students' accommodation. While the Government is endeavouring to close the gap, the private sector can also play a crucial role in complementing the Government's efforts. Accordingly, as an incentive to the private sector to venture into the business of providing hostels to students in tertiary

education institutions, the Government will start waiving import duty and import excise tax on building materials, furniture, and fittings specifically for the construction of hostels for students in tertiary institutions. Necessary safeguards will be established to avoid abuse of this facility, details of which will be available in the subsequent Government Gazette Notice.

123. As you are aware, **Madam Speaker**, when Malawians live outside the country for a period exceeding one year, the law allows them to import personal household items and passenger motor vehicles duty-free. However, the current law excludes duty-free importation of motor vehicles with a capacity of more than five people. This legislation has proved discriminatory against some returning residents who import passenger motor vehicles with a capacity of more than five people. We are therefore amending the law to accommodate all passenger carrying motor vehicles for returning residents that they were using while living outside the country.

124. **Madam Speaker**, as one way of encouraging value addition and promoting local manufacturing, the Government is:

- i. Allowing the Malawi Army, Malawi Police Service and Malawi Prisons to import duty-free fabrics and accessories for making uniforms under the Customs Procedure Code (CPC) 421.

- ii. Increasing import duty on finished iron sheets of tariff subheading 7210.49.90 from 15 percent to 25 percent.
- iii. Increasing import duty for sacks of tariff subheading 6305.33.00 from 20 percent to 25 percent; and
- iv. Introducing a surcharge of 10 percent on sacks for cement packaging.

125. **Madam Speaker**, the Government is introducing legislation to allow for the use and transmission of electronic certificates of origin. This is to align with international best practice.

126. **Madam Speaker**, to align with the taxation of other petroleum products such as petrol, paraffin, and diesel, the Government is increasing import duty from 20 percent to 25 percent and introducing 10 percent import excise duty on automotive lubricants.

127. **Madam Speaker**, as one way of broadening the tax base, the Government is Introducing import duty of 5 percent and 10 percent Excise Duty under tariff subheading 8802.30.00 which covers airplanes and other aircraft of an un-laden weight exceeding 2,000 kg but not exceeding 15,000 kg and similarly petroleum jelly under HS code 2712.10.00 will now attract excise tax of 10 percent.

128. **Madam Speaker**, to ensure that tax benefits are enjoyed within a specific period and prevent abuse, the Government is restricting the duty-free importation of building materials under CPC 442 for the tourism sector to 3 years, subject to an extension of 2 years at 50 percent rate of the normally applied Import Duty and Excise Duty while VAT will be paid at the normal rate of 16.5 percent. Furthermore, duty-free importation of building materials for repairs under this CPC will not be allowed.

129. We have noted, **Madam Speaker**, abuse of duty-free institutional motor vehicles or other motor vehicles that are cleared at concessionary rates by some individuals who are not beneficiaries. To control this abuse, the Government is introducing a new note (note 12) in the law stating that all institutional motor vehicles that are cleared under any Customs Procedures Code of the Customs and Excise (Tariff) Order (CPC) should conspicuously and indelibly bear the name of the institution on both sides of the vehicle before issuance of a Customs Clearance Certificate (CCC). The CPCs to be affected by this change are 422 for Lorries, pickups and vans specifically acquired for church and other religious institutions use; 437 for passenger carrying motor vehicle for educational, health, tourism institutions and NGOs; 438 for Goods carrying motor vehicles for horticultural enterprises, educational, health and tourism institutions and NGOs; 439 for

Passenger carrying vehicle for NGOs; 450 for passenger carrying motor vehicles for hotels, Inns, Lodges and Conference Centers; 451 for specialized vehicles for safaris, hotels, lodges and Inns; and 452 covering one bus of seating capacity of 26 or more for churches and similar religious institutions.

130. **Madam Speaker**, the Government will make the following amendments to the Customs and Excise (tariffs) Order to improve clarity, correct some errors, prevent abuse and overlapping of some privileges and broaden the tax base:
- i. Create notes 1 and 2 under CPC 419 that allows Cabinet Ministers to import three motor vehicles duty free, to clarify that the entitlement under this CPC only applies to a Serving Cabinet Minister. Where a Serving Cabinet Minister, who is also a Member of Parliament, and has already benefitted from the entitlement under CPC420, that allows Members of Parliament to import two vehicles duty free, the Cabinet Minister may be allowed to import only the remaining motor vehicle(s).
 - ii. Amend note 2 to CPC 420 to clarify that where a Member of Parliament, who is also a Cabinet Minister, has imported two or three Motor Vehicles duty-free under CPC 419, the Member of Parliament shall not be entitled to duty-free provision under CPC 420 even after the Member ceases to be a Cabinet Minister but continues to be a Member of Parliament;

- iii. Amend “Special requirement “under CPC 4053.000 governing clearance of motor vehicles imported under Temporary Import Permits (TIPs), to indicate that fines charged by the Commissioner General for failure to re-export motor vehicles under this facility will be reduced from 50 percent to 20 percent of the duty payable; and
- iv. Amend CPC 422 (c) to include prayer mats so that they can be imported for use in the mosques specifically for prayers just as pews are procured duty free for use in churches; and
- v. Create new CPC to cater for duty-free clearance of vehicles purchased under Customs sale and locally manufactured vehicles.
- vi. Create a new CPC to cater for duty free clearance of election materials by the Malawi Election Commission.

Excise Tax Measures

131. **Madam Speaker** as one way of promoting the use of locally sourced raw materials for production and promote our farmers, Government is reducing excise tax on clear beer made from sorghum and maize from 40% to 20%

Income Tax Measures

132. **Madam Speaker**, to cushion employees in formal employment from the effects of the currency alignment, the Government has increased the zero Pay as You Earn (PAYE) bracket from MK100,000 to MK150,000. Accordingly, the new monthly PAYE structure will be as follows:

- i. First MK150,000 will be taxed at 0 percent.
- ii. next MK350,000 will be taxed at 25 percent.
- iii. next MK2,050,000 will be taxed at 30 percent; and
- iv. excess of MK2,550,000 will be taxed at 35 percent.

133. **Madam Speaker**, the Government recognizes the assistance the private sector provides to people who have been affected by various calamities in the country. As one way of appreciating this noble gesture and encouraging wide participation in providing the basic needs in times of disasters, the Government will allow 100 percent deductions for Monetary donations to calamities made through the Department of Disaster Management (DODMA).

134. In the same spirit, **Madam Speaker**, the Government will amend Section 39A of the Taxation Act to include the cost for provision of water supply as an allowable deduction at 50 percent. Thus, if the private sector drills a borehole, 50 percent of the cost of the borehole will be an allowable deduction.

135. **Madam Speaker**, the Government is reducing the withholding tax (WHT) for mobile money agents from 20 percent to 1 percent. This is being done to align with the prevailing Withholding Tax rate for banks and insurance agents, which is at 1 percent. In addition, most of the mobile money agents do not make enough money to pay Personal Income Tax as their income falls below the minimum threshold of paying Personal Income Tax.

136. You may recall, **Madam Speaker**, that in this Fiscal Year, the Government introduced an additional 10 percent corporate income tax for bank profits above MK10 billion. This was done to generate additional revenue for reconstruction works in areas that were catastrophically damaged by the cyclone Freddy. However, the Government recognizes that other sectors make similar profits as the banking sector. Accordingly, the Government is extending the application of the additional 10 percent corporate income tax on profits above MK10 billion to all businesses that make such profits to ensure equal and fair treatment of super normal profits.

137. **Madam Speaker**, the Government has realised the confusion regarding withholding tax on foodstuff and withholding tax on services for taxpayers that provide prepared or processed foodstuffs. The Government is therefore introducing a note to the

Fourteenth Schedule defining foodstuff as “edible farm produces in their raw state” in order to distinguish the 3 percent withholding tax rate for the supply of foodstuff from the 20 percent withholding tax for the supply of prepared or processed food, which is a service.

138. **Madam Speaker**, to align with the 15 percent tax rate on investment of pension funds, the Government is reducing the withholding tax on interest realized from investments of life assurance from 20 percent to 15 percent. Further, the Government is amending paragraph (i) of the Eleventh Schedule to clarify that the 15 percent income tax rate on pension funds only applies on the return on investment of pension funds and not on the income of the Pension Fund Managers which attracts 30 percent corporate income tax.

139. **Madam Speaker**, to encourage tax compliance, the Government is introducing a Tax Clearance Certificate (TCC) as one of the requirements for the processing of every export permit issued by the Ministry of Mining. Similarly, a TCC will be required for both registration and renewal of Industrial Rebate licenses for the manufacturing sector and finally a TCC will also be required on the clearance of explosives. The Fifteenth Schedule will therefore be amended accordingly.

140. **Madam Speaker**, currently, Minibus Owners pay a flat rate of Presumptive Tax as part of their Income Tax obligations, regardless of the seating capacity of the Minibus. For instance, minibuses with a seating capacity of 14-16 seats pay the same amount of income tax. The seating capacity of any commercial motor vehicle is a more logical variable of calculating Income and therefore the amount of tax obligation.

141. **Madam Speaker**, accordingly, Government will amend Section 91B of the Taxation Act to change application of Presumptive Tax on commercial passenger motor vehicles to be based of seating capacity. Consequently, Commercial Passenger Motor Vehicles under the Presumptive Tax regime will be required to pay a tax of MK5,000 per seat per year. I must emphasize that this is not an increase of the income tax for minibuses but rather an improvement on its application to encourage fairness. I am encouraging the Malawi Revenue Authority and the Department of Road Traffic and Safety Services to collaborate on enhancing tax compliance in this sector.

142. Finally, **Madam Speaker**, under the Income Tax Amendments, the Government will amend the Fringe Benefits Tax (FBT) schedule to clarify that 50 percent of the value of data and airtime is a taxable value as a fringe benefit.

Value Added Tax Measures

143. **Madam Speaker**, we have noted that some taxpayers are only issuing VAT fiscal receipts when they sell taxable supplies, and no VAT receipts are issued when they sell VAT exempt products. However, this practice opens up opportunities for abuse. To mitigate against tax avoidance, the Government is introducing a requirement to issue tax invoices by VAT registered taxpayers even when they sell exempt supplies by amending Section 25 (1) of the VAT Act.

144. **Madam Speaker**, Honourable Members in this August House, you will agree with me that taxpayers have been complaining on the costs associated with the use of Electronic Fiscal Devices (EFD)s. In order to reduce compliance costs and ease administration of VAT, I am pleased to announce that the Electronic Fiscal Devices will be phased out to allow for the introduction of a new electronic billing system for the effective implementation of the VAT Act.

145. **Madam Speaker**, importers of services were not required to register as VAT taxpayers although they were required to remit the VAT they collect. However, for better reconciliation of VAT revenue, the Government is introducing the requirement for VAT

registration of importers of services. All necessary requirements for VAT registration will be followed before registration is effected.

Non-Tax Revenue

146. **Madam Speaker**, our commitment to the digitalisation agenda of the business processes and the payment systems remains the Government's priority in order to improve on revenue collection across Government entities.

147. As I conclude on the tax and non-tax measures, **Madam Speaker**, I want to emphasize that these measures reflect our unwavering dedication to fiscal prudence, equitable taxation, and sustainable economic growth. I urge this August House to consider and support these policies, which are pivotal to our nation's recovery and prosperity.

Conclusion

148. **Madam Speaker**, in closing, I would like to assure my fellow Malawians that our economy is getting back on track recovering

from the economic and climate related shocks that the country experienced. However, the country's fiscal position remains challenged by the expenditure pressures that far outpace our revenues. Nonetheless, the 2024/2025 budget aims at accelerating economic recovery by boosting production.

149. **Madam Speaker**, let me take this opportunity to thank our Development Partners for the enormous support rendered to foster the country's development agenda including management of shocks. I, therefore, look forward their continued support as we implement the 2024/2025 budget.

150. **Madam Speaker**, following the recovery efforts that the Government has been implementing, I would like to report to the August House that recovery is indeed happening. To check and appreciate the progress being made, allow me, **Madam Speaker**, to share with you the six signals that are demonstrating that indeed recovery is happening:

- i. Fuel shortage is a story of the past.
- ii. Forex availability has greatly improved.
- iii. Food prices have started to stabilise and are expected to reduce even further.
- iv. The Extended Credit Facility Programme with the IMF materialised.

- v. The labour export programme has commenced.
- vi. Resumption of direct budget support.

151. **Madam Speaker**, I wish to urge my fellow honourable members to constructively deliberate on this budget.

152. **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.

153. **Madam Speaker**, I beg to Move.