



THE MALAWI GOVERNMENT 2014-15 BUDGET IN BRIEF: CITIZENS BUDGET

The Malawian Economy

The Malawi economy grew by 6.1 percent in 2013 compared to 1.9 percent in 2012. The growth is driven by strong performance in agriculture; manufacturing; mining and quarrying; information and communication; and transport and storage.

The economy is projected to grow at a rate of 6.3 percent and 5.8 percent in 2014 and 2015 respectively. Inflation is expected to decline from the 2013 levels of 27.3 percent to 19.4 percent and 9.9 percent in 2014 and 2015, respectively due to increases in agricultural production and prudent monetary policies.

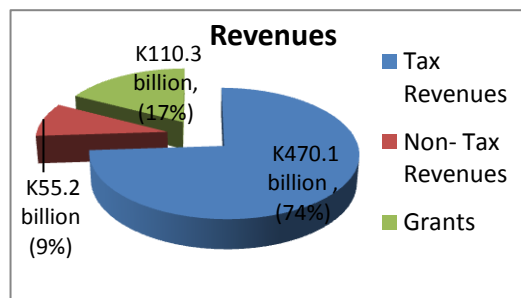
2014-15 Budget Highlights

The budget this year has been designed to require donor support to cover only 14.7 percent. Any further support that may be indicated during the course of the financial year will be earmarked for increased payment of arrears and reduction of domestic debt.

2014-15 BUDGET FRAMEWORK

Total Resources

Total revenue and grants are estimated at K635.6 billion comprising K525.3 billion in domestic revenues and K110.3 in billion in foreign grants. Government has taken a conservative approach on tax revenues and assumed that they will grow by 21 percent to K470.1 billion in 2014/15.



Grants from development partners have been conservatively programmed to contribute K110.3 billion or 14.7 percent of the budget in 2014-15. In 2013-14, out of the approved grants of K240.3 billion only K79.2 billion were received. Grants that are dependent on certain conditionality for disbursement have not been included. However, government will rigorously implement public financial and economic management reforms that may trigger some aid commitments within the fiscal year. Any further support that may be indicated and any additional domestic revenue that may be collected during the financial year will be earmarked for increased payment of arrears and reduction of domestic debt to stabilise the economy.

Expenditure

Government expenditure is estimated at K742.8 billion. Of this amount K535.1 billion is recurrent expenditure (salaries, interest payments and government operations) whereas K194.6 billion is capital expenditure. In terms of expenditure this represents a growth of 14 percent from the previous budget.

Budget Balance

Overall balance which is revenue and grants less expenditure is a deficit of K107.1 billion. This deficit

will be financed by foreign borrowing amounting to K92.1 billion and domestic borrowing amounting to K15.0 billion.

Table 1: Budget Framework

	2013/14 Approved	2013/14 Preliminary Outturn	2014/15 Estimates
Revenue and Grants	603,381	520,779	635,638
Revenue	363,068	441,596	525,321
Tax revenue	328,108	388,396	470,137
Non-tax revenue	34,960	53,236	55,184
Grants	240,313	79,183	110,317
Program	72,068	7,002	0
Dedicated grants	93,644	31,135	38,536
Project Grants	74,600	41,046	71,782
Total Expenditure & Net Lending	638,151	648,283	742,753
Recurrent expenditure	453,905	548,058	535,094
Wages and salaries	131,100	140,026	163,294
Interest on debt	35,572	97,939	80,360
Goods, services and transfers	152,949	168,118	137,704
Subsidies and Transfers	126,284	124,767	133,736
Development expenditure	176,630	109,433	194,586
Domestically financed projects	49,048	19,659	47,228
Foreign financed projects	12,7581	89,773	147,358
Net Lending	0		2,000

	2013/14 Approved	2013/14 Preliminary Outturn	2014/15 Estimates
Overall balance (including grants)	(34,770)	(127,504)	(107,116)
Total financing	34,770	130,052	107,116
Foreign (net)	41,957	44,605	92,116
Borrowing	47,986	53,879	102,891
Program Loans	15413	14539	37,196
Project Loans	32573	39520	65,696
Amortisation	(6,029)	(9,274)	(10,776)
Domestic borrowing (net)	(7,186)	85,447	15,000

Allocations to Major Categories of Expenditure

Wages and Salaries

Wages are estimated at K163.3 billion with K5 billion reserved for recruitment primarily in the social sectors of education and health.

Other Recurrent Expenditures

The total allocation for other recurrent transactions is estimated at K373.8 billion, an increase of 14 percent over the 2013-14 approved budget. Specific allocations are highlighted below.

Interest on Debt

Interest on public debt is estimated at K80.4 billion. This is broken down into K5.6 billion and K74.7 billion for foreign and domestic interest payment

respectively. The high amount estimated on domestic interest payment is on account of high interest rates.

Expenditure Priorities and alignment with the Malawi Growth and Development Strategy (MGDS)

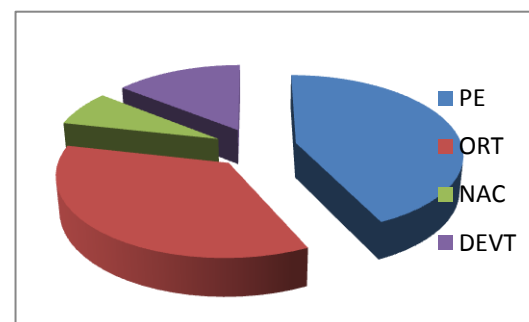
The MGDS II identified sector priorities to be emphasized over the five year period. Below is a table that outlines the priority areas and the percentage allocation over the total budget to the priority area over the medium term. In the 2014-15 financial year, the sector with the highest allocation is Education, Science and Technology followed by Agriculture and Food Security.

MGDS Priority Area	2014-15 Estimates	2015-16 Projections	2016-17 Projections
Agriculture and Food Security	12%	11%	10%
Transport Infrastructure and Nsanje World Inland Port	7%	6%	6%
Energy, Industrial Development, Mining and Tourism	4%	6%	2%
Education, Science and Technology	18%	18%	20%
Public Health, Sanitation, Malaria and HIV/AIDS Management	8%	11%	12%
Integrated Rural Development	5%	4%	2%
Green Belt and Irrigation Water Development	7%	4%	1%
Child Development, Youth Development and Empowerment	1%	1%	1%

MGDS Priority Area	2014-15 Estimates	2015-16 Projections	2016-17 Projections
Climate Change, Natural Resources and Environmental Management	1%	1%	1%
Other Non- MGDS	37%	38%	62%

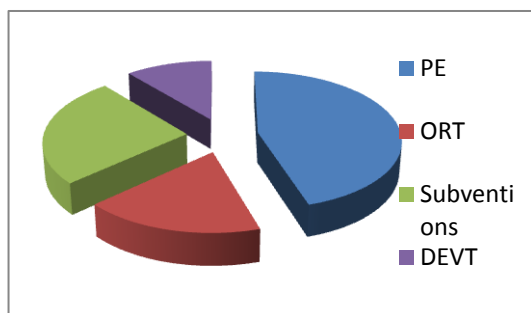
Sectoral Allocations

Health



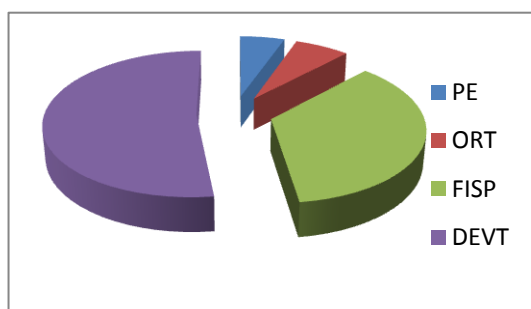
The total budget allocation to the sector is K65.2billion. This includes allocations to Ministry of Health, District Councils and National AIDs Commission (NAC).The drug budget is estimated at K8.6 billion. The capital budget allocation is K14.4 billion for construction of staff houses and health centres under Umoyo project, construction of new hospitals in Phalombe, Nkhatabay and Dowa and other community hospitals.The capital budget also includes resources for rehabilitation of central hospitals, district hospitals and health centres. The other projects include Nutrition Improvement and HIV Aids.

Education



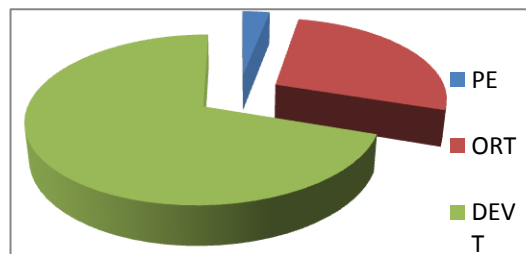
This sector has been allocated K127.9 billion for the Ministry of Education, Science and Technology, Education subvented organizations, District Councils and the Local Development Fund for construction of primary schools and teachers houses. Of the total allocation, K14.3 billion has been allocated to development projects. K2.4 billion has been allocated for infrastructure projects in the Public Universities, namely University of Malawi, Malawi University of Science and Technology, Mzuzu University and Lilongwe University of Agriculture and Natural Resources. Construction of Primary School blocks and Teachers houses under the Local Development Fund initiative has been allocated K2.9 billion. Allocations for rehabilitation of various Primary and Secondary schools as well as construction of Teacher Training Colleges amount to K1.6 billion.

Agriculture, Irrigation and Water Development



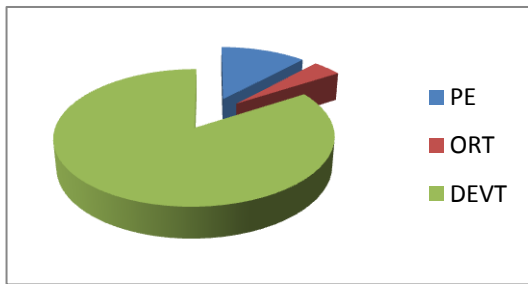
The agriculture, irrigation and water development sector has been allocated K142.2 billion. Of this amount, Farm Input Subsidy Program (FISP) is estimated at K50.8 billion targeting 1.5 million beneficiaries, K2 billion for promotion of legume production and K5 billion for restocking of the strategic grain reserves. The Development budget is estimated at K74.1 billion. The projects earmarked for these resources are: the Agriculture Sector Wide Support project; Livestock Development Program; Agriculture Extension and Advisory Services; Irrigation, Rural Livelihood and Agriculture Development (IRLAD); Farm Income Diversification Program; Shire River Basin Management project; National Water Development Program; and technical support for the Green Belt Initiative Program.

Roads, Public Works and Transport Sector



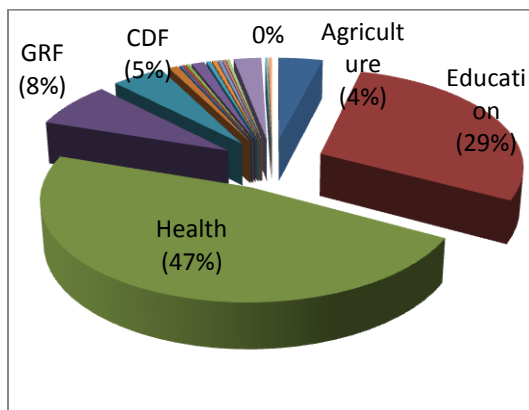
The sector has been allocated K31 billion. Of this amount K10.4 billion, being road levy collections, will go towards maintenance of roads. A total of K1.7 billion will go towards various development projects whereas K17 billion is expected to go towards construction of various road projects across the country.

Natural Resources, Energy and Mining Sector



The natural resources, energy and mining sector has been allocated K26billion. These resources will cater for the construction of additional hydropower plants to supplement current power generation, support to the mining and governance project and rural electrification program. In addition there are resources for waste management and various conservation initiatives. Resources for atomic energy regulation and ISO certification have been provided to support government plans to construct a cancer centre.

Decentralisation



Government's commitment towards decentralisation continues, to the effect that a total of K28.6 billion has been devolved. These resources will be utilised in Councils by various sectors that have devolved their functions. The major proportion of these resources will be channelled to the Education, Health and Agriculture sectors. Resources for the Constituency

Development Fund and operational resources for the Councillors have also been included.

Tax Measures

Revenue has grown at an average rate of over 30% over the past three years. To sustain this growth tax measures aim to achieve:

- i) Promotion of key growth sectors e.g. manufacturing and tourism, through provision of necessary incentives.
- ii) Enhance efficiency through revenue administration reforms such as collection of revenues through banks and introduction of Integrated Tax Administration system (ITAS) to replace the manual system and the introduction of Electronic Fiscal Devices to improve compliance in Value Added Tax.
- iii) Promoting international trade through tariff phase downs countries.
- iv) Taxing sectors that are not yet taxed such as the informal sector.

Acronyms:

PE-Personal Emoluments, ORT-Other Recurrent Transactions, DEVT-Development, CDF-Constituency Development Fund, GRF-General Resource Fund

Further information

For more information and further details of how the Malawi government is spending its money and what the citizenry will receive in return, please contact The Secretary to The Treasury at the Ministry of Finance or go online at www.finance.gov.mw for budget publications.