



THE MALAWI GOVERNMENT 2020/2021 BUDGET IN BRIEF: CITIZENS BUDGET

1. The Malawian Economy

In 2018, growth in Malawi economy was at 3.2 percent down from 4.0 percent in 2017. The slump in growth was on account of the dry spells and fall army worms which hit many parts of the country. In addition, the power shortages which the country was experiencing also negatively impacted the economy by affecting production and increased costs for some businesses. In 2019, the economy grew by 4.5 percent a 1.3 percent point increase from the 2018 growth. This growth was supported by good performance in agriculture sector following improved weather conditions.

In 2020, the economy is projected to grow at a rate of 1.9 percent. This decimal growth rate in the economy is due to the impact of COVID-19 and post-election instability which disrupted business activities.

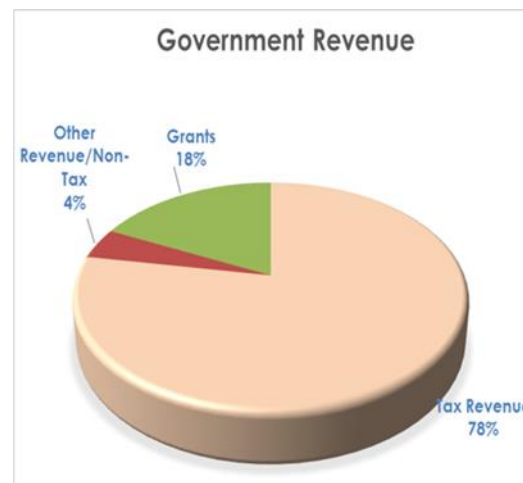
The annual average inflation rate for 2019 was at 9.3 percent, down from 10.5 percent in 2018. The annual average inflation rate for 2020 is projected at 9.9 percent, which represents a 0.6 percentage point rise from the annual average inflation rate in 2019.

2. 2020-21 Budget Framework

2.1 Total Resources

Total revenues and grants for the 2020-21 Financial Year (FY) are estimated at K1,435.05 billion (20.1 percent of GDP) comprising K1,179.35 billion in domestic revenues and K255.71 billion in grants. This represents a 6.0 percent reduction from the 2019/20 mid-year revised figure of K1,526.57 billion mainly on account of under performance of the economy due to the impact of COVID-19 pandemic. Out of the projected total revenue and grants figure of K1,435.05 billion, tax

revenues represent 78 percent, other revenues 4 percent and grants from development partners represent 18 percent.



In 2020-21 FY, tax revenues are projected at K1,116.27 billion representing a 12.9 percent reduction from a 2019-20 FY mid-year revised figure of K1,281.09 billion. Other revenue (non-tax revenue) are projected to go down by 10.4 percent to K63.1 billion from a mid-year revised figure of K70.43 billion in 2019-20 FY due to reduction in parastatal dividends and departmental receipts.

Out of the projected grants of K255.71 billion, K34.76 billion will come from foreign Governments such as Norway, Germany and Ireland while K220.95 billion will come from international organisations such as World Bank, African Development Bank, European Union and International Fund for Agricultural Development. Compared to 2019-20 FY, grants are projected to go up by 46.1 percent in 2020-21 FY.

2.2 Expenditure

In 2020-21 FY, Government expenditure is estimated at K2,189.9 billion (30.6 percent of GDP) representing an increase of 18.9 percent from a mid-year revised figure of K1,841.43 billion in 2019-20 FY. Of this amount, K1,678.7 billion is recurrent expenditure (salaries, interest payments, subsidies and Government operations) whereas K511.2 billion is development