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## **MOTION**

1. Mr. Speaker, Sir, I beg to move that the Estimates on Recurrent and Development Accounts for the 2013/14 Budget be referred to the Committee of the Whole House, be considered Vote by Vote, and that thereafter, be adopted.

## **2.0. INTRODUCTION**

2. Mr. Speaker, Sir, I am honored to stand here and deliver to this August House the second Budget Statement of the People's Party (PP) Administration led by Her Excellency, Dr. Joyce Banda.

3. Before I proceed with my statement, allow me to once again express my most profound gratitude to the President for entrusting me with the responsibility of leading her economic team in these trying times. I also wish to offer my deepest appreciation of her leadership and guidance.

4. It is because of Her Excellency's guidance that we all can see the light at the end of the tunnel and have hope for an improved economy.

5. Mr. Speaker, Sir, as we have always done, I led the Ministry of Finance in consultations with a wide range of stakeholders across the country in April and May this year, to get an understanding of what Malawians want to see in this budget. This budget that I am presenting has benefited greatly from these consultations. Of course, it was not possible to take on board all the good ideas due to limitations of resources. I would, therefore, like to thank most sincerely all those who came forward with ideas on how to move the economy forward and make the budget reflective of the aspirations of our people.

6. Mr. Speaker, Sir, the honorable House is well aware of the economic challenges that we faced in this country at the time I presented last year's statement. We introduced and have been implementing a series of tough economic reform measures that were designed to restore macro-economic balance and a market based economy that would help provide a solid foundation for sustainable economic growth.

7. Mr. Speaker, Sir, you will recall that in trying to correct a severe external imbalance, we undertook a number of measures in the foreign exchange market, including an initial devaluation and subsequent floatation of the Kwacha, removal of restrictions on foreign exchange transactions by banks and bureaux, relaxation of surrender requirements on export proceeds, and removal of pre-screening requirements for foreign payments in excess of USD 50,000. Just recently, further measures were also announced by the Reserve Bank of Malawi in order to remove restrictions with respect to current account transactions.

8. You will agree with me, Mr. Speaker, Sir, that at the beginning, the reforms that we instituted were not universally accepted. Skeptics pointed to an exchange rate that had overshot and inflation that had surged as reasons for abandoning our tough reforms. However, convinced that the path we proposed was necessary under the circumstances we faced, we marched on, sometimes amidst some resistance and criticism.

9. I am pleased to inform the august House that there are now signs that the great patience and resilience of the people of Malawi, for which we are profoundly grateful, is beginning to be rewarded. There is evidence that the economy is now starting to recover.

10. Mr. Speaker, Sir, in January when I presented the mid-term budget review, we celebrated the availability of fuel. People were no longer sleeping in queues at filling stations or chasing fuel tankers, often empty ones. I also spoke of the availability of foreign exchange. Thanks to measures that this House approved, we have now been able as a country to clear foreign exchange arrears and re-establish lines of credit for most of our industries.

11. Mr. Speaker, Sir, the availability of fuel and foreign exchange enabled our companies to resuscitate production. The latest business survey undertaken shows that capacity utilization, which had gone down to an average of 30 percent, had increased to an average of more than 60 percent and a significant number of companies had started to expand.

12. I also invite the House to join me in welcoming the stabilization of the exchange rate, which has even shown some signs of appreciation. This has led to the much awaited reduction in the price of fuel. It is the hope of all of us in this House that we will soon see the benefits of competition in bringing down prices in other markets.

13. As a result of our policies, along with good weather in some parts of the country which has ensured adequate availability of maize, we have noticed a decline in inflation since February. It is only fair that all of us play our part in ensuring that the economy moves forward.

14. Mr. Speaker, Sir, the 2012/13 budget was implemented within a framework designed to deal with the challenges faced, and in so doing, we were able to restore the confidence of our international partners, including the IMF, who noticed our determination to deal with our own problems. The successful resumption of the programme with the IMF, in turn, allowed us to unlock budget support from the Common Approach to Budget Support development partners (the European Union, the United Kingdom, the World Bank, Norway, Germany, African Development Bank, and Irish Aid).

15. The unlocking of budget support and increased support from all our development partners was an essential component of the economic recovery process. The first and second reviews of the programme were successfully completed. As a consequence, SDR39.1 million an equivalent of US\$58.7 million has been disbursed under the programme. The third review will be conducted in June 2013 when the IMF mission returns to Malawi. We are confident that this review will also be successful and we will remain on track.

16. Mr. Speaker Sir, the 2013/14 financial year budget seeks to build on the successes of the 2012/13 financial year budget and consolidate the gains from the economic reforms undertaken. We intend to continue with a tight fiscal and monetary policy stance to ensure that government operations do not contribute to inflation and crowding out of the private sector. In short, Mr. Speaker, Sir, we should continue to strive to live within our means.

17. Within the context of a tight budget, government remains committed to strict expenditure controls and substantive reforms in order to strengthen and promote a culture of enhanced transparency and accountability in the management and reporting of public finances to avoid over-expenditure. I can assure the honorable Members of this House that we remain committed to using public resources efficiently and effectively, ensuring value for money and focusing our efforts on achieving sustainable delivery of services.

### **3.0. ACHIEVEMENTS IN THE ECONOMY IN 2012/13 FISCAL YEAR**

18. Mr. Speaker, Sir, owing to the myriad of economic challenges our country was facing at the beginning of 2012, growth in economic activity was subdued. Gross Domestic Product as a measure of economic activity only grew by 1.8 percent in 2012, a slowdown from 3.8 percent registered in 2011. This was mainly on account of substantial reductions in growth of agriculture, manufacturing, wholesale and retail trade. This dismal performance in GDP growth meant that companies were downsizing or closing, unemployment was rising and income per person was falling.

19. However, Mr. Speaker, Sir, our business survey towards the end of 2012 indicated that the initial measures undertaken were beginning to bear fruit. Although some challenges still persist, overall performance of companies has improved and confidence in the economy is growing. These developments in the real sector, coupled with improvements in foreign exchange and fuel availability, are expected to anchor growth in economic activity in 2013 and beyond.

20. Although, the country's inflation peaked at a high of 37.9 percent in February 2013, the good news, Mr. Speaker, Sir, is that inflation has started declining. Already by April 2013, headline inflation had started responding to our measures and eased to 35.8 percent, due to a tight fiscal and monetary stance implemented by the Government and new food harvests which had begun to reach the markets.

21. Mr. Speaker, Sir, concerning the external sector, the alignment of the exchange rate to its market value and liberalization of the foreign exchange market are key to a sustainable current account. Our estimates indicate that, in nominal dollar terms, imports decreased by 2.2 percent in 2012, while exports decreased by 3.4 percent in the same year. However, in 2013 exports are expected to grow by 0.7 percent, while imports are expected to decrease by 5 percent. With this, we anticipate to achieve our objective of a stable exchange rate while maintaining current account sustainability. It is our sincere hope that the US\$/Malawi Kwacha Exchange Rate can stabilize at a reasonable rate but of course the actual situation will be determined by market conditions.

#### **4.0. 2012/13 BUDGET PERFORMANCE**

22. Mr. Speaker, Sir, in spite of the many challenges facing the Government, the fiscal performance for the 2012/13 financial year is on track. Overall, domestic revenues are expected to amount to K283.5 billion, surpassing the Mid-Year revised target of 278.9 billion by K4.6 billion, largely on account of tax revenues, which are projected to amount to K253.6 billion against a Mid-Year revised target of K243.8 billion.

23. Grants underperformed marginally from the revised amount at mid-term. The revised target at mid-term is K179 billion, but we now expect that K175 billion would have been disbursed by the end of the financial year, due to challenges of absorption in our Ministries, which are now being addressed as a matter of urgency.

24. Mr. Speaker, Sir, Government is expected to spend K479.1 billion by the end of the 2012/13 Financial Year, compared to K475.8 billion revised at Mid-Year. The upward adjustment is due to increases in foreign financed development expenditure, which has increased by K6.4 billion although its effect was moderated by a K2.7 billion decrease in domestically financed development expenditure. On recurrent expenditures, although the increases in wages and salaries led to a K4.2 billion increase in the wage bill, corresponding cuts in

purchases of goods and services and subsidies and transfers eased the pressure and contained recurrent expenditures within the target by K0.5 billion.

25. On the basis of the developments above, the overall balance for the 2012/13 financial year is expected to be K18.2 billion which will be wholly financed by foreign borrowing. In addition, government expects to repay domestic debt amounting to K18.6 billion, thereby meeting the programme target for net domestic borrowing for the period ending June 2013.

## **5.0. MGDS II AND THE ECONOMIC RECOVERY PROGRAM (ERP)**

26. Mr. Speaker, Sir, the house is aware Government has been implementing reforms under the Economic Recovery Plan (ERP) and in line with the Malawi Growth and Development Strategy (MGDS) II.

27. Under the ERP, five sectors were identified, namely: Agriculture; Energy; Tourism; Transport Infrastructure Development and Information Communication Technology (ICT); and Mining as critical areas to move the ERP forward. Mr. Speaker, Sir, my colleagues responsible for these sectors will no doubt later be making statements on the successes so far achieved, but significant progress has been made. These will be further implemented through the 2013/14 budget.

## **6.0. ASSUMPTIONS UNDERLYING THE 2013/14 BUDGET**

28. Allow me at this juncture, Mr Speaker, Sir, to state the assumptions made in projecting the 2013/14 Fiscal Year budget. Briefly, I will give projections of the global economic outlook, then the regional economic outlook, and lastly the national prospects.

### **6.1. Global Economic Outlook**

29. As you might be aware, Mr. Speaker, Sir, the National Budget is implemented within the context of a globalized

economy. According to the April 2013 World Economic Outlook (WEO) by the International Monetary Fund (IMF), global economic prospects have improved, but the road to recovery in the advanced economies remains bumpy and uncertain.

30. Mr. Speaker, Sir, world output growth is forecast to reach 3.3 percent in 2013 and 4.0 percent in 2014, anchored by growth in emerging and developing economies. In advanced economies, activity is expected to gradually accelerate, starting in the second half of 2013. This pickup follows the slowdown in the first half of 2012, which was manifested in industrial production and global trade. Private demand appears increasingly robust in the United States, but still very sluggish in the Eurozone area. Growth is forecast at 0.3 percent in 2013 and in 2014 growth in Europe is projected at 1.5 percent.

## **6.2. Outlook for Sub-Saharan Africa Region**

31. Mr. Speaker, Sir, Sub Saharan Africa (SSA) is expected to continue growing at a strong pace during 2013/14 period, with both resource-rich and lower-income economies benefiting from robust domestic demand. Growth in 2013 is projected to reach 5.6 percent. The strong performance is based on ongoing investments in infrastructure and productive capacity, continuing robust consumption, and the activation of new capacity in extractive sectors.

32. Sub Saharan Africa is projected to grow by 6.1 percent in 2014 driven by the strengthening of activity in South Africa and other middle-income countries predicated on improvements in the external environment. On the other hand, Mr. Speaker, Sir, some deterioration is expected in the short term in the current account balances of a number of countries, largely on account of the expected decline in the terms of trade, especially among oil exporters.

## **6.3. The Malawi Economy**

33. Turning to the domestic economy, Mr. Speaker, Sir, growth in 2013 is expected to rebound to 5.0 percent from 1.8 percent in 2012. This growth is mainly being driven by

improvements in the Agricultural, Forestry and Fishing sector. The rebound in agriculture is partly propelled by increases in tobacco production from 79 million Kg in 2012 to 156 million Kg in 2013. In addition, manufacturing is also expected to increase on account of higher tobacco processing and fewer production bottlenecks related to fuel and foreign exchange problems. As indicated earlier, Mr. Speaker, Sir, capacity utilization in most of the sectors has shown great improvement.

34. Mr. Speaker, Sir, considering the foregoing, inflation is expected to slow down to 14.2 percent by December 2013 and to 7.0 percent by December 2014 as the economy continues to recover.

35. Mr. Speaker, Sir, as usual, we expect to experience the traditional seasonal trends that are a characteristic of the Malawi economy. However, we are very confident that these seasonal trends will be smoothed out on account of the prudent economic management

## **7.0. MAIN FEATURES OF THE 2013/14 BUDGET**

### **7.1. Transitional and Recovery Based Budget**

36. Mr. Speaker, Sir, the key objective of the 2013/14 budget is to restore macro-economic balance and a market-based economy that will consolidate the bold economic reforms that the Government embarked on in 2012.

37. As we all know, the country will be going to the polls in 2014 to elect a president, members of parliament and councillors.

38. The budget must, therefore, provide for this important event in our democratic process. This expenditure is not a regular feature in our budget framework. In order to create space for this event, some activities have had to be reprioritized.

39. Mr. Speaker, Sir, we have, however, prioritized some critical expenditures in areas of Agriculture and Food Security, Health, Education, Transport and Water. Adequate resources, within the limitations of the resource envelope, have been provided to those sectors. With diligent management of the economy and efficient use of the resources provided, the country should expect quality service delivery.

40. Mr. Speaker, Sir, in this budget, Government will continue to implement the reforms undertaken in 2012. In this regard, we will continue to adhere to the principle of a market based economy, so as to reduce the burden of subsidies on tax payers. In addition, Government is scaling up implementation of Public Financial and Economic Reforms aimed at achieving meaningful expenditure control and prioritization, strengthening governance systems for public financial management and prevention of and avoiding the build-up of domestic debt and arrears as was the case in the past.

41. The Budget follows the principles of the Medium Term Expenditure Framework with proposed estimates for the 2013/14 fiscal year as well as projections for 2014/15 and 2015/16 fiscal years. This ensures that Budget allocations are aligned with the country's medium term goals as outlined in the Malawi Growth and Development Strategy II; Economic Recovery Plan; and the Millennium Development Goals. The Medium Term Expenditure Framework is intended to encourage long term planning and not to cram programmes and projects in the short term. Short term planning results in thinly spreading of our resources over too many activities with minimal impact on development.

42. Mr. Speaker, Sir, it is important that we consider critically our implementation capacity in order to ensure that programmes and projects are implemented efficiently and effectively. Over the years, we have seen the dangers of trying to do everything at the same time without due regard to implementation capacity. Programmes have experienced cost overruns and poor quality which could have easily been avoided.

## **7.2. Fiscal Policy Anchor: No Net Domestic Financing**

43. Mr. Speaker, Sir, in order to remain on track on our programme to reduce inflation and stabilize the exchange rate, government has in the past relied on monetary policy. Beginning from the 2012/13 fiscal year, government planned the fiscal policy, so that it complements its critical role, just as the monetary policy in dealing with inflation and exchange rate.

44. You will agree with me that in the past, programme targets were missed primarily on account of loose fiscal stance. In order to sustain and build on the gains achieved so far, the fiscal policy will have to remain very tight in the coming year.

45. Mr. Speaker, Sir, in this regard, the fiscal anchor for the 2013/14 fiscal year, like that of the current financial year, remains "**No Net Domestic Financing**" with a planned net domestic debt repayment of K7.2 billion, which is equivalent to 0.5 percent of GDP.

46. This fiscal stance is intended to reduce the domestic debt stock to allow the private sector space to borrow at reasonable rates for productive investment. The private sector as the engine for growth and development must be allowed to operate in a conducive environment. One such element in this atmosphere is financing at reasonable interest rates.

## **7.3. Monetary Policy and Financial Sector Development**

47. Mr. Speaker, Sir, the Budget will be supported by a prudent and tight monetary policy stance designed to contain money growth and achieve price stability while allowing for private sector growth. Money is programmed to grow at about the pace of nominal GDP in the near term and further financial deepening in the medium term would allow broad money to grow faster than nominal GDP without fueling inflation.

48. The monetary authorities will monitor the inflation rates very closely so as to adjust interest rates in line with the levels of inflation.

49. The monetary policy reforms that the Reserve Bank has been implementing will continue. Foreign exchange will remain liberalized and the rates being determined by market forces. The target, Mr. Speaker, Sir, is that we achieve sustainable foreign exchange levels.

50. In order to protect small depositors and strengthen the stability of the financial system, we will expand the financial safety net by instituting a Deposit Insurance Scheme for the country. To this effect, we have constituted a National Task Force comprising experts from the Ministry of Finance and the RBM with the task of designing and establishing the country's first ever explicit Deposit Insurance Scheme. The National Task Force, under the leadership of the Ministry of Finance, has already developed a comprehensive business plan upon which Government and RBM will provide seed capital to enable the scheme roll out. We have provided resources for the capitalization in this year's budget and within the course of the year, we will be asking this august House to consider and approve the legal and regulatory framework for the scheme.

## **8.0. THE 2013/14 BUDGET FRAMEWORK**

### **8.1. Resource Envelope**

51. Mr. Speaker, Sir, let me now turn to the fiscal projections for the 2013/14 Budget. Total revenues and grants for the 2013/14 FY are expected to amount to K603.4 billion from K460.9 billion in 2012/13 FY. Domestic revenues are projected at K363.1 billion, representing 60.0 percent of total revenue and grants, while K240.3 billion are donor grants, representing 40.0 percent of total revenue and grants.

52. Of the total domestic revenues, tax revenues are projected at K328.1 billion while the non-tax revenues are estimated at K35.0 billion. Grants, on the other hand are expected to increase by 36 percent from K177.4 billion estimated for 2012/13 FY to K240.3 billion.

## **8.2. Total Expenditure and Net Lending**

53. Mr. Speaker Sir, total expenditure and net lending for the 2013/14 Fiscal Year are projected at K638.2 billion comprising K463.1 billion recurrent expenditure and K175.0 billion development expenditure.

## **8.3. Overall Balance and Financing**

54. The overall fiscal deficit for the 2013/14 FY is projected at K34.8 billion. This deficit will be wholly financed by foreign borrowing amounting to K42.0 billion. These resources will further be used to finance domestic debt repayment of K7.2 billion which is equivalent to 0.5 percent of GDP in line with the fiscal anchor of No Net Domestic Financing. This repayment of domestic debt will reduce the domestic debt stock from K170.6 billion at the end of 2012/13 financial year to K163.4 billion at the end of the 2013/14 financial year.

## **9.0. THE BUDGET STRUCTURE**

55. Mr. Speaker, Sir, as the August House considers the budget for approval I wish to ask that special attention be paid to the following aspects of the budget:

56. The first is the fact that the development partners are financing the budget to the tune of 41 percent of total expenditure. While this is good news in that it shows the trust and confidence that development partners have in Her Excellency Dr. Joyce Banda's leadership and policies, it also raises the issue of long term fiscal sustainability.

57. Mr. Speaker, Sir, the questions we should be asking ourselves as a Nation are critical for our future. A few of these are: (a) How do we move towards living within our means? (b) How do we grow this economy fast enough to meet our consumption demands and population growth? How do we increase the contribution of domestic revenues to the Budget?

58. I have no doubt that this House will agree with me that the people of Malawi have no wish to turn into a nation of subsidies. We need to face the fact that almost every service

that the government is providing is heavily subsidized. Mr. Speaker, Sir, as everyone knows we subsidize Agriculture by almost 75 percent, Education by close to 90 percent, Health by almost 100 percent. Until last year, we were subsidizing fuel and electricity. We still heavily subsidize water.

59. Mr. Speaker, Sir, subsidies are justified in a number of cases. But from the Pre-Budget Consultations that I led we found out that Malawians want their Government to implement policies that will one day make some subsidies unnecessary while maintaining targeted subsidies for the poor.

60. The other element to note is the imbalance between salaries and wages and goods and services. The proposal is to spend K131.1 billion in salaries and wages and yet spend only K64 billion in goods and services. What this means is that we need to examine how to ensure that sufficient resources are provided to improve efficiency.

61. Mr. Speaker, Sir, our Development budget which is K154 billion is 70 percent financed by development partners and is only about 24 percent of the total expenditure. Much as we thank the Development Partners and the tax payers in their respective countries for their generosity, time has come to start asking ourselves whether this is sustainable.

62. Mr. Speaker, allow me to echo the call by the President that we undertake a soul searching exercise as a nation. Could we be asking too much from our Government to the extent that we are consuming too much without sufficient investment for our children?

63. As we go for elections, I have no doubt in my mind that during the campaign period we politicians will be promising the moon to the electorate, such as free secondary school education, free fuel and electricity, high salaries and wages for the public service and many more, and indeed where government is providing subsidized fertilizer somebody will promise free fertilizer. Mr. Speaker, I am just mentioning this as food for thought, and this, too, is free.

## **10.0. KEY ALLOCATIONS IN THE 2013/14 BUDGET**

64. Mr. Speaker, Sir, I now turn to key allocations in the 2013/14 budget. Due to the constraints in the resource envelope, the budget has had to prioritize key sector which we believe would make an impact on poverty reduction. These areas, Mr. Speaker, Sir are in line with the Economic Recovery Plan and MGDS II. The major areas are Agriculture and Food Security, Social Support and Protection, Education, Health, Transport, Tourism, Mining and Energy. Some of the areas, Mr. Speaker, Sir, may not feature highly in the budget because they will be undertaken by the private sector and these include mining, tourism and energy.

### **10.1. Agriculture and Food Security**

65. Mr. Speaker, Sir, Agriculture is the main stay of our economy and will remain a major driver of the economy in the medium term. Agriculture will also remain the source of livelihood for most of the population in Malawi and the critical element in this is food security. In order to achieve this Mr. Speaker Sir, we need to bring in the private sector. In this regard, we will work with stakeholders to find ways of making agriculture more attractive to investment. This is intended to ensure National food security and export oriented agriculture.

66. Government also intends to resuscitate sub-sectors of agriculture such as animal husbandry and legumes. Apart from Maize, tobacco, cotton, tea and other traditional crops government intends to encourage non-traditional crops such as legumes. In this budget, therefore, Mr. Speaker, Sir Government has allocated adequate resources for animal husbandry, scaling up of legume production, and irrigation. The budget is proposing an allocation of K1.7 billion for legumes, K2.0 billion for the second cropping, K1.6 billion for small stocks, and K2.0 billion for a Cow per Family Programme.

67. Mr. Speaker, Sir, despite the resource challenges, food security remains a major priority and the Farm Input Subsidy

Programme will continue. A total of K60.1 billion has been allocated. This fertilizer will be made available to the small holder farmers at a subsidized price of K500 per 50kg bag for both basal and top dressing fertilizers. The Ministry of Agriculture and Food Security has worked out the specific details on the distribution modalities and schedules, including participation of the private sector, to ensure that the distribution is timely and without any irregularities. It is expected that the fertilizers will have been bought from the suppliers by September, 2013 and that distribution will start immediately.

68. As you know, Mr. Speaker, we need to replenish our Strategic Grain Reserves. In this regard, a total of K5.0 billion has been allocated, of which K3.7 billion is grant from the Norwegian, Irish Governments, and African Development Bank. We are in discussion with more Donors to assist us increase the amount of maize to be procured for our Strategic Grain Reserves.

## **10.2. Public Works Programme**

69. Mr. Speaker, Sir, a total combined outlay of K 23.3 billion will be used to implement programmes aimed at asset building and infrastructure improvement as well as nutrition supplementation. Government will implement a K3.4 billion Social Cash Transfer program under the Ministry of Gender, Children and Social Welfare with support from KfW and Ireland. As usual the Public Works Programme will be implemented under the Local Development Fund (LDF) where K18.4billion will be spent with support from the World Bank, African Development Bank (ADB) and KfW. After a successful implementation of the last Public Works Programme, we are in discussion with the World Bank to increase the amount so that we increase the number of beneficiaries and the number of days each beneficiary is allowed to work. This will mean more income for the beneficiaries.

## **10.3. School Feeding Program**

70. Mr. Speaker, Sir, Government will continue to support the school feeding programme that is being implemented by the Ministry of Education, Science and Technology (MoEST) with financial assistance from World Food Programme (WFP) and other partners. A total of K500 million has been allocated in the 2013/14 budget. All pupils in the targeted schools receive a mid-morning serving of corn soya blend (Likuni Phala) porridge each school day. Mr. Speaker, Sir, there is ample evidence this programme leads to surges in enrolment, attendance and academic achievement. The allocation is double what was allocated last year and thus the number of pupils will double.

#### **10.4. Public Financial and Economic Management Reforms**

71. Mr. Speaker, Sir, earlier I spoke of the need to take a fresh look at what we are spending our money on so that we concentrate on productive investment. To complement this, we need to achieve high levels of efficiency and economy. We must achieve high levels of value for money.

72. In this regard, in 2012, we developed a programme to improve our Public Financial and Economic Management which covered 10 components including planning, resource mobilisation, budgeting, accounting, procurement, reporting and auditing. We have now launched two projects covering several of these components. In light of the critical importance of financial reporting and accountability, the first project dealt with the issues of our financial management information system and auditing. During the last 12 months there has been significant progress on the development of our Public Financial and Economic Management Reform Programme (PFEM).

73. Mr. Speaker, Sir, over the next 12 months a series of improvements are being undertaken under a project known as Financial Reporting and Oversight Improvement Project (FROIP). These include a re-engineering of our business process which will be used for upgrading the Integrated Financial Management Information System, strengthening our financial operations now that we have been able to roll out our

IFMIS to all central and local government institutions, and strengthening our auditing systems to respond more effectively to not only financial but also performance reporting. Government is grateful for the support we have received from donors DFID, EU, Germany and to the World Bank for this project.

74. Another project supporting elements of planning and aid coordination has also been signed with support from UNDP and the UN agencies. In addition, a further project is planned to undertake the remaining components of the Public Financial and Economic Management reform programme. These include improving revenue collection and administration, procurement, improving medium term fiscal framework, and improving parastatal financing. We have offers of support from the African Development Bank, United States Agency for International Development and Norway for the continuation of our reform programme.

### **10.5. Education, Science and Technology**

75. Mr. Speaker, Sir, the education sector has been allocated K99.19 billion in the 2013/14 budget representing 20 percent of the total budget. Comparing with the 2012/13 revised allocation of K80.0 billion the current allocation represents an increase of 24 percent on last year's approved allocation.

76. The recommended allocation for Education in Sub-Saharan Africa is 24 percent of the budget. We have not yet achieved this but we are almost there. I believe in the next two years we should be able to achieve if not surpass this target.

77. Mr. Speaker, Sir, we expect that the quality of education will continue to improve as we reduce teacher pupil ratios, especially in the primary schools. In the 2013/14 fiscal year we expect to employ 10,500 primary and 1975 secondary school teachers. As Her Excellency the President announced in her State of the Nation address about 11,000 primary school teachers will be promoted during the year. The process of promotions is well advanced.

78. In order to create efficiency in the system procurement of teaching and learning materials will be decentralized. This has been done in order to further improve the availability of teaching and learning materials in all primary and secondary schools.

79. Mr. Speaker, Sir, during this current sitting of Parliament the Ministry of Education, Science and Technology will bring to the august House a bill for students' loans for those in tertiary institutions of education. The current system of subsidy is not sustainable. Beyond being unsustainable, the system denies many deserving students the much sought after higher education.

80. In addition to operating resources allocated for the Ministry of Education, Science and Technology a total of K12.4billion has been allocated for development projects. Currently 1,000 primary school teachers' houses are complete and it is planned that 2,000 houses will be built in the next financial year. The plan Mr. Speaker, Sir, is that in ten years every teacher especially in the rural areas should have a decent house. Mr. Speaker, Sir, government will continue with the building of classrooms. It is planned that 1,000 classrooms will be built in the next financial year. Work on construction of girls' hostels in 17 Community Day Secondary Schools is under way and an additional 28 will be started in the coming fiscal year. Under MASAF/LDF a total of K4.3 billion has been allocated for continuation of construction of teachers' houses and school blocks in the next financial year.

#### **10.6. Public Health, Sanitation, and HIV/AIDS Management**

81. Mr. Speaker, Sir, special attention has been paid to the provision of drugs in the Health facilities of the country. In this regard, K14billion, equivalent to US\$35million will be made available for drugs for the Health sector. Furthermore, we expect an additional K7.6billion equivalent to US\$19million equivalent in drugs to be given by Development Partners such as Global Fund. Mr. Speaker, Sir, in total the drugs to be available will exceed the US\$7.6 per capita recommended by

the World Health Organisation.

82. The challenge, however, will remain in distribution, management and control. Government is calling for total accountability of these drugs from the Health personnel involved. Mr. Speaker, Sir, government has also decided that drug procurement be central. This will prevent Health facilities buying from drugs from vendors at exorbitant prices. The procurement process will also be improved to avoid drug stock-outs that we have experienced in the past.

83. Mr. Speaker, Sir, I wish to call upon all the Health personnel and all those involved in the drug supply chain management to be honest and diligent in the way they manage the drugs.

84. Government has also allowed some Health facilities to open or introduce fee paying windows to allow those who can afford and those with Health insurance such as MASM to be able to use them. Government has also decided that the fees paid in these facilities will be retained and used by the Centre.

85. Mr. Speaker, Sir, we will continue implementing the projects that were started last year. This primarily concerns rehabilitation of facilities such as Zomba Central Hospital, Zomba Mental Hospital, Nsanje District Hospital, Kamuzu Central Hospital, In addition Mr Speaker, Sir, Government will be completing construction of Nkhata-bay District Hospital and start the construction of Phalombe District Hospital and staff houses under the Umoyo Project.

### **10.7. Transport and Public Works**

86. Mr. Speaker, Sir, transport infrastructure will remain one of the critical elements of our development programme. Our transport infrastructure, especially the road network, is relatively well developed compared to other countries in SSA. However, in recent years maintenance has not been maintained adequately in recent years. Resources that would have been used to maintain our road network was used to subsidize fuel as most of the fuel industries were holding fuel levies.

87. Mr. Speaker, Sir, with the introduction of the Automatic Fuel Pricing we have cleared what the Price Stabilization Fund owed the industry and remittances have started to come in. In this budget therefore, resources have been allocated for the maintenance of the road network, including rural feeder roads. As such a total of K9.1 billion has been allocated for the grading and maintenance of rural roads. Mr. Speaker, Sir, this amount of money would cover in excess of 35,000 kilometers.

88. Mr. Speaker, Sir, on transport infrastructure development, government will continue with the construction of Thyolo-Thekerani-Muona-Bangula road, Chikwawa-Nchalo-Bangula road, Liwonde-Naminga road, Zomba-Jali- Kamwendo - Phalombe- -Chitakale Road, Jenda-Embangweni-Edingeni-Euthini Road, Ntcheu-Tsangano-Mwanza road, Lilongwe-Old Airport- Kasiya-Sathe Road and Mzimba-Mzalagwe road among others.

## **11.0. REVENUE POLICY MEASURES FOR THE 2013/14 BUDGET**

### **11.1 Preamble**

89. Mr. Speaker, Sir, before I outline the revenue policy measures, I wish to take this opportunity to sincerely thank all taxpayers that have contributed towards paying taxes through the Malawi Revenue Authority and this is reflected in the satisfactory performance of domestic revenues as presented earlier in this Budget Statement.

90. The domestic revenues collected from taxes, user fees and charges have assisted Government in the provision of the necessary social services such as purchase of drugs, construction of roads and schools and other important social amenities. Specifically, Mr. Speaker, Sir, I wish to give examples of roads that have been constructed using domestic resources and these include: Ekwendeni-Ezondweni-Mtwalo-Njakwa , Lumbadzi-Dowa-Chezi-Ntchisi and Bangula - Nsanje roads. I therefore wish to urge and encourage all Malawians to continue being compliant by remitting their taxes to contribute towards national development.

## **11.2. Tax and Non-Tax Policy**

91. Mr. Speaker, Sir, I wish to inform this august house that in this Budget it will be observed that the measures show that Government remains committed to support the sectors that have been identified as priority areas under the ERP.

Mr. Speaker, Sir, allow me to now articulate the Non-Tax and Tax revenue policy measures for the 2013/14 Budget.

## **11.3. Non Tax Measurs**

### **Stamp Duty**

92. Mr. Speaker, Sir, in order for Malawi to improve on the ease of doing business ranking with a view to create a pro-business environment, Government has reduced stamp duty under the Registrar General from 3 percent to 1.5 percent. This measure is in line with the Doing Business Reforms that Government is currently implementing with a view to make Malawi an attractive investment destination.

## **11.3. Tax Measures**

93. Mr. Speaker, Sir, allow me to now present the tax measures for the 2013/14 Budget as follows:

## **11.4. Customs and Excise Tax Measures**

### **Incentives for the Tourism Sector**

94. Mr. Speaker, Sir, in an effort to further support the Tourism Sector, Government has removed taxes on off-road game/scenery viewing motor vehicles (Safaris). In addition, Mr. Speaker, Sir, to ease the problem of transportation of guests in our Hotels and Resorts, Government has also removed taxes on shuttle buses. This provision will allow Hotels, Lodges and Inns with guest capacity of 50 rooms or more to import two shuttle buses every five years without payment of duties.

## **Incentives for the Construction Industry**

95. Mr. Speaker, Sir, in the previous Budget, taxes on most machinery were removed in order to promote the various productive sectors of the economy. In this Budget, Government has further removed taxes on crane lorries, concrete mixer lorries, mobile drilling derricks and track laying tractors for the construction Industry to boost the industry.

## **Incentives for the Agricultural Sector**

96. Mr. Speaker, Sir, most of the agricultural equipment and machinery are exempted from duties. In order to encourage diversification and promote animal husbandry in the country, Government has removed taxes on importation of livestock meant for breeding and this will cover live bovine animals, live swine, sheep and goats as approved by Ministry of Agriculture. This is in line with Her Excellency's' vision of one cow per family which aims at empowering households especially the marginalized.

## **Incentives for Electricity Generation and Distribution Industry**

97. Mr. Speaker, Sir, Government has noted the need to involve other business players in the energy sector and to encourage investment in this sector. Government has therefore extended the Custom Procedure Code for ESCOM under the Customs and Excise Tariffs Order to allow all investors to import electricity generation and distributing equipment without payment of import duty. It is believed that this will encourage investment in the energy sector and also improve the electricity generation and distribution capacity for the country and support the industry that requires use of electricity for production.

## **Incentives for Mining and Exploration Industry**

98. Mr. Speaker, Sir, mining has been identified as another

area that can foster economic development, as the Nation continues to diversify. Honourable Members, in support of this sector, Government has re-introduced a provision under the Customs and Excise Tariffs Order to allow for exemption of taxes on importation of specialised mining and exploration machinery and equipment in order to encourage exploration and mining activities in the country.

### **Incentives for Television and Radio Stations**

99. Mr. Speaker, Sir, it is clear that access to information and the promotion of investment in Information and Communication Technology (ICT) remain critical. In support of this, Government has removed taxes on specialised broadcasting equipment for Television and Radio stations to further improve access to information.

### **Rebate for Travellers**

100. Mr. Speaker, Sir, the amount provided as an allowance under Customs Procedure Code 429 for Travellers in the Customs and Excise Tariffs Order, has been increased from MK150,000 to MK300,000 to take into account the changes in the economic environment. I wish to emphasize that this rebate applies to travellers with accompanied baggage for personal use and not commercial consignments. In order to further facilitate clearance of passengers at our Airports the Malawi Revenue Authority will adopt a risk based approach by introducing the Green and Red lane with random checks.

### **Duty on Bicycles and Motorbikes**

101. Mr. Speaker, Sir, it remains the wish of Government to ensure that all Malawians especially the under-privileged are able to access cheaper and affordable modes of transport. In view of this, Government has removed, yes, totally removed, import duty on bicycles. In addition, import duty on motorbikes of engine capacity not exceeding 250cc, has been reduced to 15 percent and excise tax on these motorbikes has also been removed considering that this mode of transport is

widely used especially in the rural market areas.

### **Duty on Inverters**

102. Mr. Speaker, Sir, Government remains committed to the promotion of the use of clean energy and in this regard. Most of the items used for solar power generation are exempted from duty as announced in the previous Budget. In order to make clean energy affordable to Malawians, import duty payable on inverters has been reduced to 0 percent considering that inverters are critical in the generation of solar power.

### **Taxation of Buses**

103. Mr. Speaker, Sir, in order to improve affordability, safety and comfort of passengers and to decongest the streets of our cities and towns, Government has reduced import duty to 15 percent on motor vehicles of seating capacity of 11 to 31 persons including the driver, and motor vehicles of seating capacity of 32 to 44 persons including the driver, regardless of engine capacity and year of make. In addition, excise tax has been reduced on motor vehicles of seating capacity of 32 to 44 persons including the driver depending on year of make as follows: 0 percent for new and used motor vehicles not exceeding 8 years, 10 percent for used motor vehicles exceeding 8 years but not exceeding 12 years and 25 percent for used motor vehicles exceeding 12 years. Mr. Speaker, Sir, Government would like to urge operators of these buses to ensure that the benefits trickle down to the consumer through reduced transport fares.

## **11.5. Income Tax Measures**

### **Tax Holiday - Designation of Priority Industries**

104. Mr. Speaker, Sir, in order to encourage value addition in the Agricultural Sector, Agro-processing shall be designated as a priority industry for purposes of tax holiday as required under the Taxation Act, 11th Schedule. In addition, Electricity Generation and Distribution shall also be designated as a

priority industry. Mr. Speaker, Sir, I wish to inform this August House that Ministry of Finance is working closely with stakeholders in other sectors where this tax holiday provision can also be applied. It is clear that investors are showing keen interest to invest in these areas if given the right fiscal incentives.

105. Mr. Speaker, Sir, Government deprives itself from revenues from corporate taxes by letting investors benefit from tax holidays. It is therefore imperative for all investors that shall benefit under this provision to ensure that they remain committed to deliver the desired outputs such as; production for export, value addition, employment creation and generation of forex for the economy. In view of this, Government will closely monitor performance and is at liberty to withdraw this incentive where there is evidence of abuse or underperformance depending on the agreed benchmarks.

### **Loss Carry Forward Provision**

106. Government has reduced the indefinite loss carry forward provision under section 42 of the Taxation Act, to 6 years for the manufacturing sector in order to encourage investment in profitable business ventures.

### **Interest and Transfer Pricing**

107. Mr. Speaker, Sir, the Taxation Act has also been reviewed and slightly amended in some sections to provide for tax administration adjustments. In this regard, Mr Speaker, Sir, section 105 (5) and (6) of the Taxation Act on Interest has been amended to remove the insignificant amounts of MK22 and MK5.50 contained therein. In addition section 127(A) of the Taxation Act regarding Transfer Pricing has been reviewed to incorporate transactions of related parties who are both resident in Malawi. Previously, this provision recognised transfer pricing transactions between a resident and non-resident party.

### **Pay As You Earn (PAYE)**

108. Mr. Speaker, Sir, it is clear that Malawians are beginning to witness signs of recovery in our economy. However in some cases the impact of the devaluation and its inflationary effects are still being manifested in the economy and this is affecting the welfare of the people. As a mitigating measure Government has increased the 0percent threshold for PAYE from MK15,000 to MK 20,000 and the next MK5,000 will be taxed at 15 percent whilst the excess will be taxed at 30percent .

### **Withholding Tax for Cross-Border Traders**

109. Mr. Speaker, Sir, Government has noted that small tax payers including our smallholder farmers suffer withholding tax when they sell their agricultural products. I wish to report to this august house, that there are quite a large number of locals and foreigners who are involved in cross-border trading but are not paying income taxes to Government. Mr. Speaker, Sir, in order to ensure equity and fairness in the tax system and to ensure that most of the traders pay income tax, Government is extending a 3percent withholding tax on all imports Mr. Speaker, Sir, I wish to clarify that all registered taxpayers with Withholding Tax Exemption Certificates will be exempted from this withholding tax. Distinguished colleagues, withholding tax is *an advance tax* and not a *final tax* meaning that the amount paid on withholding tax on imports is tax deductible upon submission of a tax return by a taxpayer.

## **11.7. Excise Tax Measures**

### **Excise Tax on Matches and Ball-Point Pens**

110. Mr. Speaker, Sir, Government continues to review the excise tax regime as indicated in the last Budget Statement. In view of this, excise tax on products such as matches has been removed considering that this is a basic commodity and has no negative externality that could make it liable for excise tax. In addition, Mr. Speaker, Sir, excise tax on ball point pens has been removed.

### **Excise Tax on Flavoured Mineral and Aerated Waters and**

## **Non-alcoholic Beverages**

111. Mr. Speaker, Sir, in order to harmonise the application of excise tax and also to promote the local industry, Government has reduced excise tax from 20percent to 10percent on waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices classified under Heading 20.09 of the Customs and Excise Tariffs Order.

### **11.8. Value added Tax Measures**

#### **Threshold for VAT Registration**

112. Mr. Speaker, Sir, in order to align VAT registration threshold with the prevailing economic environment and levels of inflation which have a direct influence on VAT Government has increased the VAT registration threshold from MK6 million to MK10 million.

#### **VAT on Internet Services**

113. Mr. Speaker, Sir, Government has introduced a standard rate of 16.5 percent VAT on Internet services in order to allow Internet service providers claim input VAT and this will in turn reduce costs associated with the provision of internet services thereby making internet services relatively cheaper and accessible to users.

#### **VAT on Machinery**

114. Mr. Speaker, Sir, in order to promote national development through use of machines in the construction and transport industry Government has removed VAT charged on other lifting, handling, loading or unloading equipment such as conveyors, teleferics classified under Heading 84.28 of the Customs and Excise Tariffs Order.

#### **VAT on Raw Materials under Industrial Rebate**

115. Mr. Speaker, Sir, members of this August House may recall that in the 2012/13 Budget Government removed VAT on raw materials imported under industrial rebate. This measure was implemented to ease the challenge that Government was facing with accumulated arrears of tax refunds. I wish to report that in the 2012/13 fiscal year Government has managed to clear the backlog of tax refund arrears that were accumulated. Considering the improvements in the refund management system, Government has reintroduced a standard rate of 16.5percent VAT on raw materials imported by manufacturing industries registered under Industrial Rebate. This policy has been reinstated considering that the refund management system has improved in the 2012/13 fiscal year and to ensure compliance with the VAT principles of Taxation.

### **11.9. Administrative Measures**

#### **Customs and Excise**

116. Mr. Speaker, Sir, there are several tax administrative measures that have been done and cover issues relating to proper classification in the Customs and Excise Tariffs Order of items such as: food supplements, iron/steel and alluminium caskets, and articles of wood including proper definition of "furnishings" under Customs Procedure Code 442 for Hotels, Inns and Lodges covered in the Customs and Excise Tariffs Order, to avoid abuse arising from mis-description. In addition various customs fees and charges have been reviewed and adjusted accordingly.. The details of these revisions to the various Customs fees and charges and other services will be outlined in a Technical Notice that will be published by the Malawi Revenue Authority.

### **11.10. International and regional Trade Agreements**

#### **COMESA Simplified Trade Regime**

117. Mr. Speaker, Sir, in order to conform with the agreement made under the COMESA Simplified Trade Regime programme which aims at promoting small cross border trade amongst

COMESA countries, Government has aligned the processing fee for processing customs documents under the COMESA Simplified Trade Regime (STR) to USD1.00 equivalent to Malawi Kwacha in line with COMESA obligations.

### **COMESA and SADC**

118. Mr. Speaker, Sir, in an effort to adhere to commitments made under the COMESA and SADC Trade protocol, Malawi will continue to adopt instruments that will facilitate the implementation of deeper regional integration with a view to encourage intra-regional trade for the benefit of the regional economies. In the last fiscal year Malawi was able to reduce and align its tariffs in line with the commitments made under the SADC Tariff phase down after a long period of stagnation amidst the economic challenges that were being experienced. Although the country is operating under tight fiscal regime , Malawi remains committed to implement the obligations agreed under the COMESA and SADC integration agenda respectively.

### **Avoidance of Double Taxation Agreements (DTAs)**

119. Mr. Speaker, Sir, Malawi is actively reviewing and negotiating new Avoidance of Double Taxation Agreements (DTAs). These bilateral Agreements assist countries to eliminate double taxation of income by allocating taxing rights to the resident country, with a view to alleviate tax evasion and fiscal fraud through the exchange of information. Efforts are being made to terminate all the old DTAs that are porous and are being grossly abused by unscrupulous investors and also to ensure that the country has new DTAs with other countries.

120. In conclusion Mr. Speaker Sir, I want to echo what the President Joyce Banda said in her remarkably visionary State of the Nation address, namely, that "the road to recovery is not easy". However, it is always gratifying when efforts result in positive developments. As the President pointed out, and as others have observed, the tough and painful measures that we put in place have begun to bear fruit.

121. Mr. Speaker, Sir, there had been a general expectation that signs of recovery would begin to show in 18 months, but the recovery actually started earlier than anticipated. As I said earlier, due to availability of foreign exchange and fuel, capacity utilization in industry has improved, such that companies that would have closed down resulting in unemployment were able to stay on their feet, and a significant number of firms were even able to expand, thereby creating more jobs.

122. Mr. Speaker, Sir, commentators on the Malawi economy have often used the metaphor of a patient requiring medical attention. It so happens, Mr. Speaker, Sir, that the patient has been taking some pretty painful medications. That we agree, because the nature of the illness required a really strong dosage to be taken over a considerably long period.

123. Now there are signs that the patient is getting better. There are signs that indeed, the patient is very much on the road to recovery, thanks to the medicines he has been taking.

124. What we in Government find amusing, Mr. Speaker, Sir, is the attempt by various commentators p to give the impression that the patient's improving condition has absolutely nothing to do with the medicines he has been taking.

125. Instead of giving credit to the medicine, there is now a frantic search for the cause of this healing process. Suddenly, it seems to cause of this improvement in the patient's condition has become a mystery. Questions are being asked: Is it perhaps only because of the season? Is it perhaps the tobacco, or the maize, or could there have been a massive depreciation of another currency which has caused the Kwacha to gain weight? Could this be temporary? In fact sometimes we even seem to be hoping that it is temporary, almost hoping for a return to the really bad days of yesteryear. There is an obsession with negativity and the glorification of the sad mentality which is preventing otherwise reasonable people from accepting the very obvious linkage between cause and

effect.

126. Mr. Speaker, Sir, I urge those engaged in this fruitless search to search no more. The reasons for the stabilization of the kwacha and the availability of fuel are staring us all in the face: the reasons are the very same economic reforms and measures which this House debated and wisely approved. The reasons lie in the legislation regarding human rights which this House passed. The reasons for the emerging recovery have to do with the restoration of damaged relations with our development partners which this House applauded last year.

127. I submit Mr. Speaker, Sir, that all Malawians should take credit for encouraging President Joyce Banda to address the nation's economic challenges, and the President should take credit for heeding the call. Civil society should take credit for demanding that Government takes action to save our economy from total collapse last year. I submit that this honourable House should take credit for approving the tough measures in the current budget aimed at restoring the economy.

128. As for the fact that this is all because of the tobacco, let us remind each other that we did have a tobacco season last year. Among other factors, a conducive environment at the tobacco auction floors, good rains provided by the Almighty God, and good policies being implemented at the Ministry of Agriculture have contributed to this being a good year, just as an up scaled Fertilizer and Subsidy Programme has contributed to a good maize harvest which is helping drive inflation down.

129. Suppose, as the doomsayers and professional cynics say, all this proved to be temporary. Well, we all know about the seasonal structure of our economy. It is true that our economy is characterized by seasonality. It is equally true that in the past two years we experienced the seasonality phenomenon. However, there was no recovery during those two years.

130. But should we just sit back and lament that the encouraging signs we see at the moment are only temporary

and therefore we should continue looking sad like professional mourners because come December the kwacha will weaken again? We in government, we in the People's Party, do not think so. We believe that with the right policies in place and hard work, the lean season can be broken. We do not have to accept the seasonal structure of our economy as a permanent condition, a permanent curse, of our nation.

131. It is possible to grow more crops and ensure that there is plenty of food available in the lean season. That is what President Joyce Banda has in mind when she talks about the second crop and more robust use of irrigation. It is possible to create an environment in which the private sector is more productive and exports more in order generate more foreign exchange that would ensure that we have adequate reserves even in the lean season. That is what our tax measures and the reforms being implemented by the Minister of Industry and Trade seek to achieve.

132. Working together in unity as the President has appealed; we can kill the lean season, or at least make it less lean, and at long last change the structure of our economy. It may not happen in one year, and in fact it need not happen in one year, but it is possible, and with PP leadership it will happen.

133. One of the ways to achieve this and ensure macroeconomic stability is to continue upholding the policies that we put in place in the 2012/13 fiscal year. We must maintain the tightness of the fiscal stance. We must continue with the tight monetary position.

134. We need in the short to medium term to be able to reduce the interest rate to allow meaningful and profitable investment for the private sector.

135. In this regard, Mr. Speaker, Sir, Government's pre-occupation in the next budget will be to bring inflation down while at the same time ensuring optimal investment in the private sector. I wish in this regard to call the private sector to do a serious self-assessment of the relevance of their

investments. We expect the private sector to play its role as an engine of economic growth and invest in productive sectors that will spur economic growth.

136. I would also like to take this opportunity to express my profound gratitude to my colleagues in Cabinet for their support and encouragement in the implementation of the budget and the drawing up of the new budget. Supporting me was not always easy for them in view of the fact all too often they had to take "No" for answer from me.

137. I have learnt, Mr. Speaker, Sir, a lot from all colleagues in this Honourable House who in one way or the other have given us good suggestions on how to implement the budget. Off course, some of these suggestions were by way of criticism and I took them with humility.

138. In particular, Mr. Speaker Sir, I would want to acknowledge the advice from the standing committees of this noble House starting with the Budget and Finance Committee, the Public Accounts Committee and indeed many other sector committees. I have enjoyed a good working relationship with all these. We may not have agreed on a number of issues but that is the nature of democracy and I remain convinced that every individual member of these committees is driven by not selfish interests, but by a wish to do good for our beloved country.

139. I also wish to thank our development partners namely DFID of the UK, the African Development Bank, World Bank, Global Fund, Norway, Ireland, Germany, the European Union, USAID, JICA, and many others. They always stand by us in our time of need. Apart from their financial assistance, we also benefited greatly from their suggestions and advice on how to implement our programmes. It is my sincere hope and prayer that the good and cordial relationship existing between our development partners and this country will grow from strength to strength.

140. Mr. Speaker, Sir, I would also like to express government's appreciation to civil society organizations who

never miss an opportunity to let us hear their views on the economy and other related issues. We remain convinced that as government we have a duty and responsibility to listen to everyone and especially to those who disagree with us or offer alternative views.

141. Lastly but not least, I want to thank the hardworking men and women of our Economic Management Team: members of Staff in my Ministry, my friend the Minister of Economic Planning Development and his fine team, the Reserve Bank of Malawi, National Statistical Office and the Malawi Revenue Authority for their tireless and commendable efforts to stay on course with the programme. Mr. Speaker, Sir, without these very dedicated and professional ladies and gentlemen it would have been difficult to implement these reforms and for me to present this budget. These are the unsung heroes of the Economic Recovery Plan.

142. But Mr. Speaker there is another group of people that I know are also here that deserve the continued appreciation of the nation. They are not exactly donors, but they certainly qualify to be called development partners. I am talking about the taxpayers, big and small. Some of the big ones from the corporate world are represented up there in the galleries and the smaller ones are there too.

143. We do not always get well with taxpayers, Mr. Speaker. Some of them given a chance would rather find some legal way of avoiding the paying of tax, and we sometimes have to engage in cat and mouse chases with them. Actually this is not peculiar to Malawi, as we have seen in recent international headlines. Ingenious tax avoidance and tax evasion tricks go back in history to the day the very idea of paying taxes was invented by mankind. Some of our taxpayers make really unreasonable demands and are frequent visitors to my office or that of the Commissioner General.

144. But they are all good men and women and when eventually they do pay their taxes, their money is what builds many of the roads and bridges, the hospitals, and the schools

in which our young people learn. So, on behalf of government, I salute all the taxpayers of Malawi and urge them to continue paying their taxes with a smile.

Mr. Speaker, Sir, I beg to move.

2013/14 BUDGET STATEMENT

Delivered in the

NATIONAL ASSEMBLY OF THE REPUBLIC OF MALAWI

By

THE MINISTER OF FINANCE

THE HON. DR. KEN LIPENGA, M.P.









































