



Reactions to Minister Mlusu's first substantive National Budget Statement (2020/21)

1. The current COVID-19 environment poses an economic challenge for resource mobilisation and hence debt accumulation is expected. Domestic debt can't be avoided since the international players are equally affected and are focusing internally to recover their own economies first. Basically, the increase in domestic debt is inevitable but good to know that its supported by a debt retirement fund creation as well as long-term development bond;
2. Very commendable that Government has focused on continuing on already existing projects – roads, energy projects, water projects, in-door netball court, etc. Actually they have picked on those with high likelihood of generating further incomes/wealth in the medium-term or those that would promote inclusive growth. Continuity of development programmes and policies is key for predictability of investment environment and meaningful impact of development plans. This is actually the spirit behind formation of the National Planning Commission;
3. It's also very commendable that while the budget is really meant to live the Tonse alliance promises, not all have been fronted in the first fiscal year. And almost the whole budget statement is aligning to MGDS III priorities picking on few but those areas with high likelihood of impact;
4. On development budget, no matter how competent any Finance minister can be, it's not easy to fund using local resources now, given that there is hardly fiscal space when 91% of the local revenues are going to statutory obligations (salaries, pensions, and interest payments);
5. The tax policy measures have been well thought-through, putting no pressure on the business/corporate sector – generally, no tax increases recognising the tough environment that businesses are operating in currently. This is to allow business to recover and grow. The measure on prioritising procurement from local producers is spot-on – this will stimulate production and empower locals to create wealth and more jobs as well as save forex as a country. This am sure will also apply to engaging local consultants not foreign ones unless there is strong justification otherwise;
6. The increase in PAYE threshold from K45,000 to K100,000, given the COVID-19 environment is a welcome measure in that it will stimulate expenditure and help recover the economy faster. After all, the public spending and recovery of businesses will translate into more taxes later to government hence a win-win-scenario eventually;
7. The main elements moving forward with regard to growing the economy and retiring debt will be around ensuring compliance in cutting on waste by controlling officers, ensuring more revenue generation streams by following through with the tax-base broadening measures outlined, and keeping donors on the table by agreed to mutually beneficial terms/conditionalities.
8. Moving forward, the country needs to focus on economic freedom and shed off reliance on donors and debt in financing its recurrent and development budget. Getting the new Vision (National Transformation 2063) that will clearly define the inclusive wealth creation and self-reliance agenda is hence critical. The subsequent national budgets will hence be guided by the new Vision.
9. All in all, given the environment and the otherwise huge expectations by Malawians, Hon. Mlusu and the new administration have done a commendable job in this 2020/21 national budget framework.