A REPORT ON THE 2025-26 ENERGY SECTOR NATIONAL BUDGET ANALYSIS

UNDER

THE PROMOTING EQUITABLE ACCESS TO CLEAN ENERGY (PEACE) PROJECT

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LIST OF ACRONYMS

AfDB	African Development Bank
ATM	Agriculture, Tourism and Mining
AU	African Union
CEPA	Centre for Environmental Policy and Advocacy
CISONECC	Civil Society Network on Climate Change
CSOs	Civil Society Organizations
CU	Catholic University
EGENCO	Electricity Generation Company
ESCOM	Electricity Supply of Malawi
EU	European Union
FY	Financial Year
GEAPP	Global Energy Alliance for People and Planet
GIZ	Germany Agency for International Cooperation
IFC	International Financing Corporation
JICA	Japanese International Cooperation Agency
MAREP	Malawi Rural Electrification Programme
MDA	Ministry, Department, and Agencies
MERA	Malawi Energy Regulatory Authority
MoE	Ministry of Energy
MRES	Malawi Renewable Energy Strategy
MSP	Ministry Strategic Plan
MUBAS	Malawi University of Business and Applied Science
MUST	Malawi University of Science and Technology
MW2063	Malawi 2063
MZUNI	Mzuzu University
M&E	Monitoring and Evaluation

LUANAR	Lilongwe University of Agriculture and Natural Resources
NCCP	National Climate Change Policy
NDS	National Development Strategy
NEP	National Energy Policy
NES	National Electrification Strategy
NFP	National Forestry Policy
NGO	Non-Governmental Organization
NOCMA	National Oil Company of Malawi
NLFGC	National Local Government Finance Committee
ORT	Other Recurrent Transaction
PBB	Program-Based Budget
PC	Performance Contracts
PEACE	Promoting Equitable Access to Clean Energy
PE	Personal Emoluments
PFMA	Public Finance Management Act
REIAMA	Renewable Energy Industry Association of Malawi
RIDMP	Regional Infrastructure Development Master Plan
SADC	Southern Africa Development Community
SDG	Sustainable Development Goals
SE4All	Sustainable Energy for All
SHA	Self Help Africa
TORs	Terms of Reference
UNDP	United Nations Development Programme
UNIMA	University of Malawi
WB	World Bank
WFP	World Food Programme

EXECUTIVE SUMMARY

This report provides a detailed analysis of Malawi's 2025-26 national budget, with a particular focus on the energy sector. It examines budget allocations, compares them with previous fiscal years, and assesses both nominal and real increments in the national budget. The review is framed within the policy context guiding the energy sector and briefly addresses key government policies supporting the National Vision 2063 and the medium-term goal of achieving the Malawi Implementation Plan 1 (MIP-1) by 2030.

The analysis aims to influence the effective allocation of resources and implementation of energy-related laws, policies, and programs through collective advocacy informed by the findings of this budget review. The primary objectives of this study include evaluating budget allocations for the clean energy sector in the 2024-25 national budget and examining their alignment with Malawi's long-term energy requirements, as outlined in policy frameworks such as the Malawi Rural Electrification Program (MAREP).

Findings from Macroeconomic Analysis

The study finds that Malawi’s economic environment remains fragile due to persistent challenges such as high inflation, drought-induced agricultural disruptions, foreign exchange shortages, and reductions in foreign aid from key development partners. The government’s projected growth rate of 3.2% for 2025, which informs the national budget, is based on assumptions of favorable weather conditions and increased investment in key sectors including agriculture, tourism, mining, infrastructure, and energy development. However, the study notes that the GDP growth rate over the past three years has not exceeded 2%, casting doubt on the feasibility of the projection given recent economic and climatic trends.

Additionally, the study highlights that the annual average inflation rate increased from 28.8% in 2023 to 32.3% in 2024, with projections indicating a decline to 24.0% in 2025. While non-food inflation remained relatively stable, monthly price increases have persisted due to rising food costs caused by drought and surging utility expenses.

Foreign exchange scarcity remains a critical challenge for the energy sector. Despite government realignments of 25% in 2022 and 44% in 2023, gross official foreign exchange reserves have declined from $302.1 million in 2022 to $264.6 million in 2023, and further to $196 million in 2024. A managed floating exchange rate has kept the value of the Malawi Kwacha artificially high relative to market conditions, resulting in official sources such as banks and foreign exchange dealers struggling to meet demand at official rates. Businesses requiring foreign exchange for imports must resort to the parallel market, where rates are higher, increasing costs for customers.

This forex issue has significantly impacted the energy sector, as most materials used by energy producers and companies are imported using foreign currency. Energy sector entities have faced difficulties in meeting payment obligations to foreign suppliers, incurring penalties for delayed payments.

Recommendations

- The government should take decisive action to address inflationary pressures by controlling money supply expansion and ensuring a positive real interest rate.
- Energy sector stakeholders should collaborate to advocate for programs that enhance the country's ability to attract foreign exchange, stabilizing the forex situation.
- The development of inflation-adjusted budgets for energy projects is essential to mitigate the rising costs of imported materials due to currency depreciation.

Energy Sector Budget Analysis: 2025-26 Fiscal Year

The study finds that the energy sector budget constitutes 5.81% of the national budget in the 2025-26 fiscal year, compared to 4.99% in the 2024-25 fiscal year. Its share of GDP ranges from 1.94% to 2.6%, indicating that budget allocations have stagnated since 2018, averaging 1% of GDP and 5% of total government expenditure (TGE).

The 2025-26 fiscal year energy sector budget is MK468 billion, a 57% increase from MK298 billion in the 2024-25 fiscal year. However, the combined budget for the Ministry of Energy (MoE) and MAREP in the 2025-26 fiscal year is MK62.08 billion—a 59% reduction from MK152.12 billion in 2024-25—due to a 94% cut in the MAREP budget. This drastic reduction risks delaying the implementation of MAREP 10, which could negatively impact rural electrification efforts.

Recommendations

- Given the current budget ceiling for MAREP, the energy sector and the Ministry of Finance should prioritize allocating resources to implement MAREP Phase 10, as the current rate of new connections is insufficient to achieve universal electrification by 2030.
- The government should implement deliberate strategies to increase energy sector financing, particularly from local resources, and commit to securing additional funds for this purpose.
- The Ministry of Energy should explore alternative financing options such as public-private partnerships and capital market funding to supplement budget allocations.

Energy Sector Budget and the Malawi Implementation Plan

The study identifies inconsistencies in budget alignment between the allocations in the national budget and the MIP-1, particularly between 2021 and 2025. These discrepancies stem from differences in interventions included in the budget and the levels of allocation within MIP-1.

In the 2025-26 fiscal year, MIP-1's planned allocation is MK129.5 billion, while the combined allocation for the Ministry of Energy and MAREP stands at MK62.8 billion—representing a 106% underallocation. Additionally, 96% of the Ministry of Energy's

development budget in 2025-26 is financed by development partners, raising concerns about the sustainability of externally funded programs.

Recommendations

- The government, through the National Planning Commission (NPC), should reassess the implementation of energy sector projects to ensure alignment with MIP-1.
- Off-grid initiatives and alternative energy solutions identified in MIP-1 must receive funding to facilitate execution. The energy sector should provide a policy framework and organize project packages to attract financiers and support implementation.

Conclusion

The study concludes that budget allocations for the energy sector have been consistently constrained due to fiscal limitations and volatile macroeconomic conditions. The resources allocated have not demonstrated the necessary growth to meet universal electrification goals by 2030. Since 2018, the sector's budget as a percentage of GDP and total government expenditure has remained stagnant.

A key recommendation emerging from this analysis is that the sector should develop strategies to source funds for financing off-grid energy initiatives and low-cost electrification solutions at the household and community levels.

1.0 INTRODUCTION

1.1 Background

This report analyses the 2025-26 financial year (FY) national budget, focusing on the energy sector. It aims to analyse the sector's budget allocation by comparing budget allocations in previous fiscal years and assessing changes in budget allocations, both nominal and real, in the newly tabled National Budget. The analysis further provides insights into budget allocations, expenditure patterns, and overall financial support towards clean energy initiatives.

The analysis also briefly touches on the key policies the Malawi Government is implementing in the sector to fulfil the National Vision of 2063 and the medium-term goal of reaching the Malawi Implementation Plan 1 of 2030. To achieve this, the analysis has also assessed the MIP-1 allocations and how responsive the energy sector is to the plan's goals. This study aims to support informed advocacy for effective resource allocation and implementation of energy-related policies.".

1.2 Study Objectives

The primary objective of this consultancy was to conduct a thorough analysis of Malawi's national budget, with a specific focus on the energy sector. The study provides insights into budget allocations, expenditure patterns, and overall financial support towards clean energy initiatives.

Specifically, the assessment aims to:

- Review the 2024-25 Financial Year Budget execution in the energy sector in Malawi.
- Analyze the 2025-26 Financial Year Budget Allocation, focusing on budget allocation to the clean energy sector.
- Conduct a critical analysis of the alignment of energy sector budget allocations with long-term energy requirements for Malawi as contained in various Malawi energy sector policy frameworks, strategies, and programs, including the MAREP.
- Assess the implications of the budgetary allocations on the overall performance and development of the energy sector in Malawi.
- Assess the adequacy of the budget allocations in promoting equitable access to clean energy in Malawi, including access by the marginalized segments of the population.

- Evaluating the efficiency and effectiveness in budget execution with a focus on the 2024-25 Financial year and determine whether the allocations are being used optimally to achieve national energy goals.

- Based on findings, draw targeted recommendations for the government, development partners, CSOs, Media, Private sector, and the citizenry in improving equitable access to clean energy in Malawi

1.3 Scope of Work

i. Review of the National Policies and Strategies

- Review key national energy policies, strategies, and programs—including MAREP and Malawi's SDG energy targets.
- Identify the existing fiscal incentives in the energy sector at the policy level and investigate their effectiveness in accelerating access to clean energy by marginalized low-income communities in Malawi.
- Analyze the alignment of budgetary allocations with the country's energy goals and targets.

ii. Budget Analysis

- Examine the 2025-26 Financial Year national budget focusing on allocation to the energy sector.
- Analyze and unpack the budgetary trend, pattern, and changes over the past two Financial Years (2024-25 and 2025-26).
- Assess the energy sector budget in relation to GDP and total government expenditure.. The assessment should also delve into the allocation to sub-sectors (generation, transmission, distribution, cleaner cooking, including e-cooking, energy efficiency, etc.).
- Assess the effectiveness of budget utilization (Allocation vs. actual Expenditure) in achieving Malawi's clean energy priorities.

iii. Stakeholders Consultations

- Consultations with key stakeholders in the energy sector, including government officials, energy agencies, the Private Sector, Development Partners, non-governmental organizations, Academia, and other relevant entities, were conducted.
- Gather stakeholders' insights on the 2025-26 budget priorities, challenges, and opportunities.

iv. Policy Recommendations

- Draw targeted recommendations for optimizing budget allocations and investment in clean energy sectors in Malawi.

- Suggest policy measures to enhance the effectiveness of budget implementation for clean energy initiatives.

- Provide tailored recommendation to stakeholder i.e., government, CSOs, Media, Private Sector, Academia, development partners and the citizens of Malawi on

what they need to do to support adequate financing and effective and efficient budget execution to ensure energy sector growth.

v. Presentation of findings to Stakeholders

- Present the findings to stakeholders, including relevant parliamentary committees, CSOs, private sector institutions, and government departments. Incorporate feedback from the stakeholders into the final report.

1.4 Project Information

The budget analysis focusing on the energy sector is being done under the '*Promoting Equitable Access to Clean Energy (PEACE)* project which is being implemented by a consortium of Oxfam (Lead), Centre for Environmental Policy and Advocacy (CEPA), and Civil Society Network on Climate Change (CISONECC) with financial support from the European Union (EU). The project aims to ensure that citizens and civil society organisations (CSOs) are better informed and empowered to advocate for their right to energy and the adoption of efficient and fair energy distribution systems and regulations in Malawi. Specifically, the project aims to inform and empower citizens and civil society organisations to advocate for their right to energy and the adoption of efficient and fair energy distribution systems and regulations in Malawi.

The PEACE project is essentially a national-level policy engagement project, but it also has local-level action in the districts of Salima and the Peri-urban areas of Lilongwe and Blantyre districts as points for generating evidence and piloting clean energy solutions.

The following are the key expected outputs of the project:

1. Enhanced capacities of CSOs to influence local, national, and regional policy and legal frameworks within the energy sector.
2. Strengthened capacities of CSOs to demand greater transparency and hold the government and energy operators accountable.
3. Citizens and communities, particularly the energy-poor and most vulnerable groups (youth, women, and people living with disabilities), can engage more actively in policy dialogue and decision-making processes related to access to clean energy.

1.5 Study Design and Data Collection

The study employed a desk review of relevant literature, a preliminary data collection phase, and field interviews with key informants, like the Ministry of Energy, the Ministry of Finance and Parliamentary Budget Office which facilitated the gathering of comprehensive information for analysis. The desk review included documents on energy and other key programmes, such as energy policy documents, strategies, and budget

documents. Budget documents from the State-Owned Enterprise were also evaluated, as they represent an essential sector aspect. Figure 1 illustrates the flow of events in the study undertaking.

1.6 Data Analysis and Interpretation

The study used two distinct sets of data: quantitative and qualitative. The qualitative data from the KIIS were categorised into thematic areas and then summarised and documented in the report. The quantitative data were collected through data collection forms, and statistical analyses were performed to obtain frequencies, proportions, and percentages. The results of the study are presented in Chapter 2.

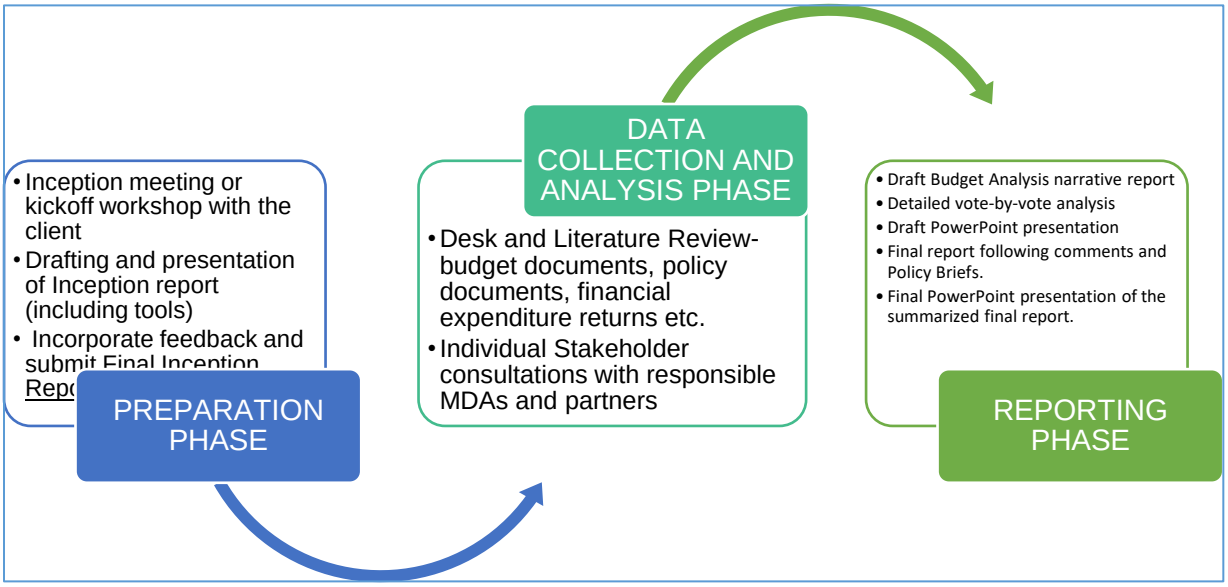


Figure 1: Phases of work for the study

2.0 ANALYSIS OF THE PREVAILING MACROECONOMIC ENVIRONMENT

This section examines key macroeconomic factors—GDP growth, inflation management, and foreign exchange stability—that influence the budgeting process and economic performance in Malawi.

2.1 Real Gross Domestic Product Growth

Malawi's economic environment remains fragile as the country grapples with high inflation and the adverse effects of drought on agriculture. The economy has consistently fallen short of the MIP-1 growth target of 6 per cent, with an expected growth of only 3.2 per cent in 2025. This projection remains below the national target and lags behind the sub-Saharan Africa average growth forecast of 4.1 per cent for 2025, highlighting the country's ongoing economic challenges. The government's growth projection of 3.2 per cent for 2025 is based on optimistic assumptions, particularly regarding favourable weather conditions and increased investments in key sectors such as agriculture, tourism, mining, and infrastructure and energy development (Figure 2). While normal to above-normal rainfall could boost agricultural output and support food security, basing economic growth rate on weather patterns remains unreliable given Malawi's susceptibility to climate shocks. Although investments in priority sectors can drive growth, their effectiveness will depend on strong policy implementation, access to financing, and a stable macroeconomic environment, particularly in managing inflation and ensuring foreign exchange availability.

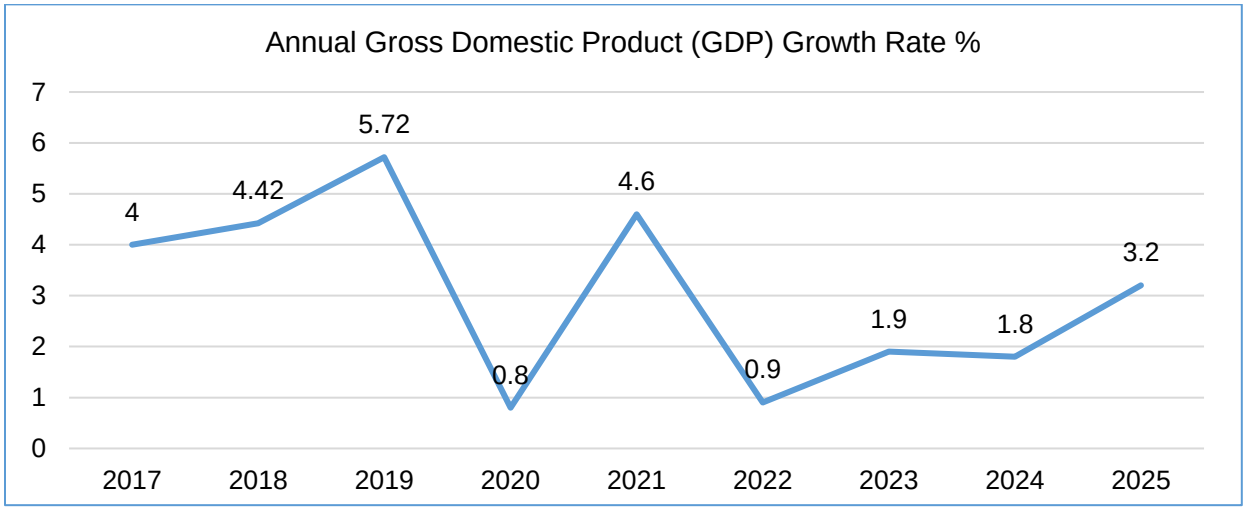


Figure 2: Trends in GDP Growth (Ministry of Finance Budget Documents)

2.2 Monetary Policy and Inflation Management

Malawi continues to struggle with rising inflation. The efforts of the Reserve Bank of Malawi (RBM) are acknowledged in managing inflation through adjustments in interest

rates and money supply. According to the RBM, the annual average inflation rate increased from 28.8 percent in 2023 to 32.3 percent in 2024 and is projected to decline to 24.0% in 2025 (figure 3). This indicates the continued struggle by the government to meet the target of an inflation rate below 10% as outlined in MIP-1.

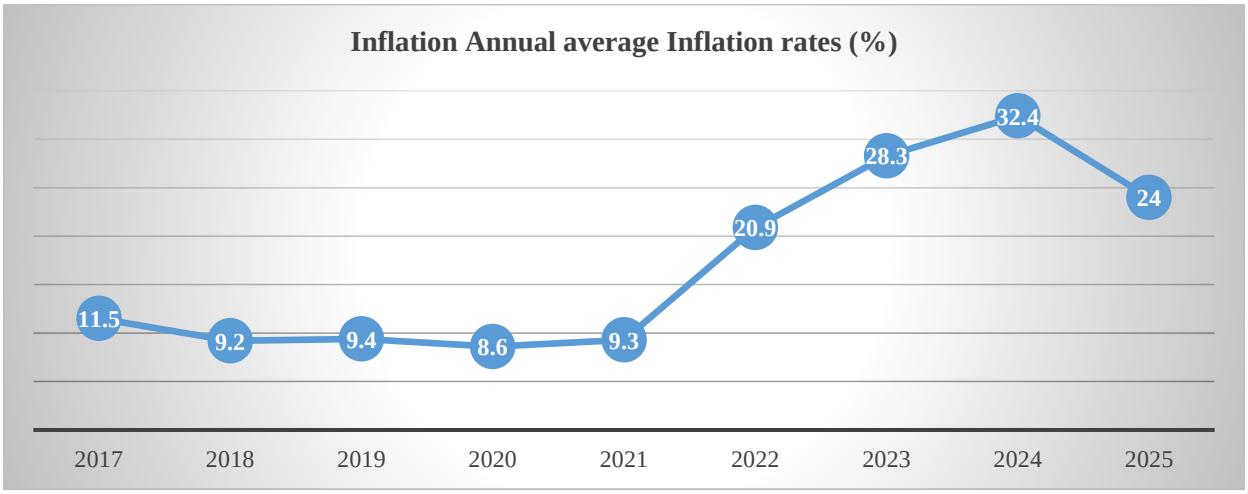


Figure 3: Annual Average Inflation Rates

Source: Reserve Bank of Malawi Annual reports

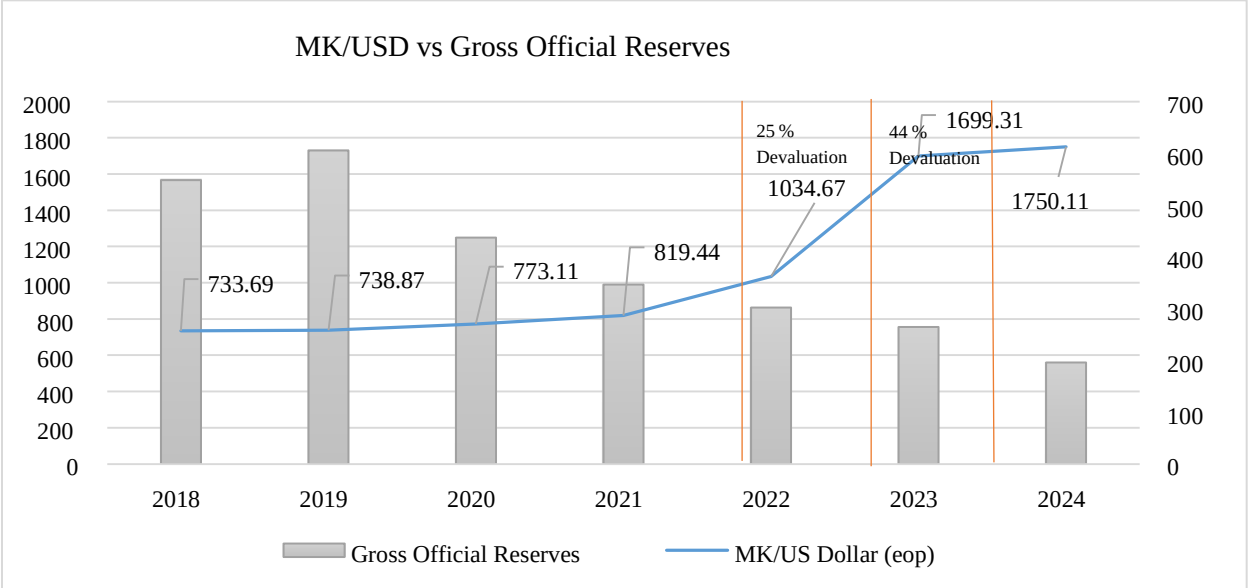


Figure 4: Malawi Kwacha to US Dollar versus Gross Official Reserves

Source: Reserve Bank of Malawi Annual Reports for the mentioned years.

2.3 Foreign Exchange Reserves and Currency Stability

There is growing concern regarding Malawi's reliance on tobacco exports, which generated $45.3 million in January 2025, up from $39.8 million in January 2024. Additionally, donor aid has significantly increased, contributing $708 million in the 2024/25

financial year compared to $334 million in the previous year. However, this heavy dependence on these sources for foreign currency reserves raises essential questions about the country's economic stability. Malawi's foreign exchange reserves remain highly vulnerable to fluctuations in tobacco exports and donor aid. Consequently, there is concern that this reduction in reserves may result in the depreciation of the Kwacha, as the demand for US dollars consistently exceeds its supply.

According to the Reserve Bank's latest Monthly Economic Review (January 2025), the Malawi Kwacha traded at K1750.11 per US Dollar at the end of 2024 (Figure 4). This compares to K1034.67 before the realignment of the kwacha in 2022 and K1699.31 after the realignment in 2023 (Figure 4). Despite currency realignments of 25% in 2022 and 44% in 2023, Malawi continues to experience foreign exchange shortages, from $302.1 million in 2022 to $264.6 million in 2023 to $196 million in 2024. This situation has led to a parallel market and increased illicit financial flows. The study finds that Malawi's managed floating exchange rate overvalues the Kwacha, causing foreign exchange shortages. Banks and authorised dealers cannot meet demand at the official rate, forcing businesses to buy from the higher-rate parallel market. This weakens the Kwacha, raises inflation, and increases consumer prices.

The study also found that Malawi's substantial dependence on imports and a weak gross official foreign exchange reserve position make the country susceptible to cost-push inflation whenever the kwacha depreciates. To effectively manage inflation, Malawi should prioritise fortifying its foreign exchange reserves, diversifying its exports, and reducing its reliance on imports, rather than solely depending on policy rates as a monetary policy instrument. Figure 5 illustrates the policy rate trends since 2017.

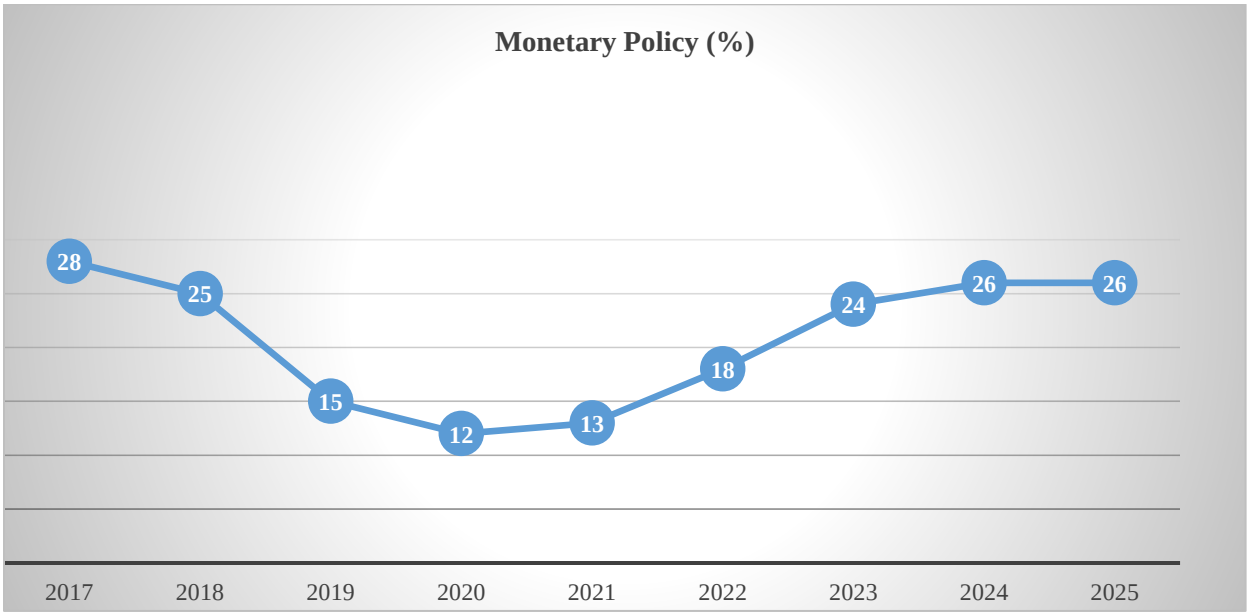


Figure 5: Policy Rate in Malawi since 2017

Source: Malawi Budget documents and Reserve Bank anual reports

Box 1: Key macroeconomic indicators and their implication on energy sector financing

Key Findings

1. GDP growth is expected to remain subdued in the short to medium term due to persistent constraints such as limited inputs and climate-related challenges.
2. The inflation rate is anticipated to stay elevated, eroding the value of planned budgetary expenditures, including those in the energy sector.
3. Tight monetary policy will continue to be the main approach to controlling soaring inflation; however, this policy adversely affects borrowing efforts, particularly for Independent Power Producers (IPPs) in the energy sector.
4. Forex shortages pose significant challenges for Energy Ministries, Departments, and Agencies (MDAs), challenging meeting payment terms and conditions. As a result, foreign suppliers have, on several occasions, imposed penalties on outstanding amounts.

Recommendations

1. The government must manage inflationary pressures primarily by controlling the expansion of the money supply and maintaining a positive real interest rate.
2. Stakeholders in the energy sector should join in advocating for programmes in the MIP-1 that will unlock the country's potential to attract foreign exchange and eventually stabilise its foreign exchange
3. Fiscal space continues to shrink, thereby affecting the allocation of impactful resources to the Energy sector. Given the capital-intensive nature of Energy Projects, the sector must start looking for and securing off-budget resources (discrete funding from development partners) to stay on course with the electrification policy framework's intents for example global or regional renewable energy resources, carbon financing credits and regional basket funds around the promotion of clean energy.

3.0 NATIONAL ENERGY SECTOR POLICIES AND STRATEGIES

3.1 Review of Energy Sector Policies and Strategies

This section reviews policies, plans, programs, and strategic projects in the energy sector by the Ministry of Energy, the Ministry of Natural Resources and Climate Change, ESCOM, and MAREP. The focus is on primary policy topics and gaps affecting energy financing.

The National Energy Policy (NEP) of 2018 aims for universal energy access by 2030. The Government of Malawi updated the National Energy Policy in 2018 with the following goals to: 1) improve efficiency and effectiveness of commercial energy supply industries; 2) improve the security and reliability of energy supply systems; 3) increase access to

affordable and modern energy services; and 4) stimulate economic development and rural transformation (GoM, 2018). This policy aligns with Sustainable Development Goal 7 that aims to ensure access to affordable, reliable, sustainable, and modern energy for all (UN, 2018). Specific energy-related targets within the policy include reaching 80% national electricity access by 2035; increasing the share of renewable energy by 2030 by building 50 renewable mini-grids; and promoting solar home systems through financial incentives to businesses and households and enforcing international standards of solar products.

In 2019, the Ministry of Energy developed the National Electrification Strategy (NES), based on NEP 2018. NES outlines priorities to expedite energy access with quality service standards, through institutional, policy and regulatory, technical and planning, and financial pillars. These strategies guide electrification efforts, similar to successful initiatives in Ethiopia, Kenya, Mozambique, Niger, and Rwanda.

A quick analysis of each policy instrument and the corresponding gaps relating to energy sector financing is included in Table 1.

Table 1: Synthesis of various energy policies and strategies

Sn	Name of Instrument (Policy)	How energy issues are covered in the policy/Goal	Gaps and implications on energy financing
1	SDG 7	This goal focuses on ensuring access to affordable, reliable, sustainable, and modern energy for all. It includes targets to increase the share of renewable energy in the global energy mix, improve energy efficiency, and enhance access to clean cooking fuels and technologies, This global goal is domesticated in Malawi's energy programs.	Success depends on the country's willingness and commitment to finance and implement the planned programmes as globally defined under SDG 7. The lack of finances to resource the sector can derail the domestication of objectives of the goal.
2	Vision 2063 - MIP-1	Recognizes energy as the lifeblood of the economy as it serves as a crucial input into all critical social and economic services. Aims to Diversify the number of independent power producers, largely focusing on renewable and sustainable energy to reduce the overdependence on hydro-generated power from just one river	Limited alignment with the budget framework. The budget framework has not followed the nomenclature in the MIP-1 and MW2063. This is the genesis of misalignment even in the intensity of allocations. Due to this misalignment, energy sector annual budget allocations are not adequate to achieve the planned targets.
3	National Energy Policy	Emphasizes the importance of private sector participation in the sector and provides an environment conducive to such participation, whether through	Financing for Energy Projects remains an issue. Since the liberalisation of Power Generation to private

Sn	Name of Instrument (Policy)	How energy issues are covered in the policy/Goal	Gaps and implications on energy financing
		direct investment, Public-Private Partnerships (PPPs), Independent Power Producers (IPPs), or other participation vehicles. Emphasise the usage of sustainable and clean energy accessible to all and the diversification of energy sources.	actors, only four IPPS have been operational. A Significant number of PPAs have been signed with potential IPPs, but there has been little or no implementation on the ground. The 4 IPPs and the amount of energy generated in MW are: Salima Solar (60), PV Golomoti Solar PV Battery (25), Muloza Hydro (3.05), Ruo-Ndiza Hydro (8.25)
4	National Forestry Policy	Promotes the sustainable production and utilization of firewood, charcoal, and alternative energy sources to reduce fuelwood consumption.	Financing for alternative energy source projects remains an issue due to the country's narrow fiscal space. Mindset change to facilitate a shift from unsustainable biomass mass to sustainable energy sources remains a significant hindrance.
5	National Climate Change Management Policy	Promotes the reduction of greenhouse gas emissions caused by dependence on biomass energy.	Does not explicitly promote the usage of Clean Energy such as solar, Hydro, Wind, this means that there no finance ready projects on the different clean energy technologies.
6	Malawi Rural Electrification Programme	The programme aims to increase Malawians' access to electricity in rural areas. Eight programme phases have been implemented since MAREP's inception, and phase nine is currently under implementation.	Energy Access is still relatively low. Electricity Access is currently at 25.8%. Grid Electrification is only 11.3%, while the Off-Grid electrification rate is 14.5%. Out of the 11.3% Grid electrification, electrification for rural areas is only 3.3 %. Several factors explain the low connectivity, including the low financing and operational efficiency of the key MDAs.
7	National Electricity Subsidy Policy	Aims to primarily lower the cost of production by raising the price received by electricity producers or lowering the price paid by electricity consumers	Despite the implementation of the policy, connectivity rates remain relatively low.

Sn	Name of Instrument (Policy)	How energy issues are covered in the policy/Goal	Gaps and implications on energy financing
8	Integrated Resource Plan (2017)	The Integrated Resource Plan, which spans 2015–2035, aims to accurately anticipate loads and assess feasible generating and transmission options Malawi can finance and execute on schedule. An inventory of available local energy sources, prospective power generation projects, and load predictions for Malawi was created. Based on this, various possibilities for the future growth of local generation resources were assessed alongside scenarios for new transmission lines to nearby nations, looking into the advantages of trade (import and export) and enhancement of supply security. Transmission development plans to meet load growth and connect future generation plants were developed in parallel with the different generation expansion plans. The study recommended a least-cost plan for expansion of the power supply system, including interconnections to Mozambique early on.	Despite the plan providing a yardstick to measure the resource requirement in the energy sector, the country continues to experience a low connectivity rate.
9	Renewable Energy Strategy	The RES seeks to ensure that all Malawians have access to affordable, reliable, sustainable, efficient, and modern energy by 2030 through Grid-scale renewables, clean energy mini-grids, Off-grid solar power, and bio-energy.	Financing is one of the key panaceas.
10	The Minigrids Regulatory Framework	This mini-grids regulatory framework recognises five ownership arrangements for mini-grids that can be approved by the Rural Electrification Management Committee (REMAC) or its successor through either a solicited or unsolicited process, as described herein. The five	It requires the full participation and collaboration of stakeholders for success.

Sn	Name of Instrument (Policy)	How energy issues are covered in the policy/Goal	Gaps and implications on energy financing
		acceptable ownership arrangements are community-based, either as a Trust or by cooperative associations; public; private; private-public partnership; and hybrid.	
11	Independent Power Producer Framework	The Framework provides clear guidelines, structures, and processes for prospective investors, ensuring that the interests of both the public and private sectors are balanced.	Requires participation of the private sector to provide an alternative resourcing path for the IPP program to take off
12	The National Energy Compact	It sets out Malawi's vision and commitment to increasing access to electricity, promoting clean cooking solutions, and increasing the share of renewable energy by 2030. This Compact builds upon previous national and international commitments, addressing critical challenges in the energy sector and proposing actionable strategies to overcome them.	Malawi's energy transformation requires bold collaboration and significant funding, with a total financing need of USD 5.5 billion by 2030.

3.2 Review of Key Energy Indicators

3.2.1 Energy Supply

The energy supply in Malawi has grown due to external support and private investment. It includes solar, geothermal, imported petroleum products, biomass (mainly firewood and charcoal), and hydroelectric power, the primary electricity source. High tariffs and appliance costs also lead grid-connected users to use other energy sources. The transmission capacity exceeds installed capacity by 170%. The government is investing in renewable energies like wind and solar to diversify the energy profile. Despite increased electricity, over 80% of energy needs are met by biomass.

3.2.2 Energy Access

As of 2024, Malawi's electrification rate is 25.8%, with 11.3% grid and 14.5% off-grid. The government is fast-tracking efforts through initiatives like the Malawi Rural Electrification Program (phase 9, targeting 575 sites) and the Malawi Electricity Access Project (aiming to connect 180,000 households and provide 200,000 Solar Home Systems at subsidised prices by June 2025). To meet the Malawi 2063 goal of industrialisation and economic growth, achieving universal energy access by 2030 is

crucial. Malawi aims for 100% electrification by 2030, with 30% grid and 70% off-grid targets.

3.2.3 Electrification Challenge

To achieve universal access by 2030, Malawi must increase grid and off-grid connections at an annual rate of 607,567. If this growth continues, 5.5 million households will have electricity by 2030. Growing urbanisation will significantly boost energy demand. Health centres have better energy access than schools, and current systems do not meet industrial needs. Factors like inadequate resources may hinder this goal.

In 2022, approximately 4.4 million households existed, with 3.7 million (16.6 million people) lacking electricity. Around 3,843 public facilities are without service. ESCOM and off-grid providers serve around 750,000 families (550,000 grid-served, 200,000 off-grid). Additionally, 3,992 public facilities have grid service, and 346 have off-grid service, covering about 3.4 million people. Investments in electrification technologies are crucial for universal access, with grid connections comprising 64% of projected new consumer growth (42% expansion, 22% densification).

3.3 Energy Governance and Stakeholders

The sector has stakeholders and players ranging from MDAs, the private sector, development partners, international financing institutions, NGOs, academia, and community leaders. The details of key stakeholders in the sector are presented in Table 4. The Ministry of Energy has yet to devolve its functions to the local Councils, implying that all energy programming and implementation is done centrally. Major international donors play a key role in funding, implementation, and technical support in the energy sector. Household energy is a significant focus of many global and local NGO and private sector efforts.

Table 2: Stakeholders in the energy sector

Stakeholders	List of Organisations
MDAs	Ministry of Energy, Ministry of Finance, Ministry of Natural Resources and Climate Change, Ministry of Transport, Ministry of Gender, and Ministries under the ATM Strategy (Agriculture, Tourism and Mining) and the District Councils
Energy agencies	MERA, EGENCO, ESCOM, NOCMA,
Private Sector	IPPs (JCM, Serengeti, Mulanje Hydro etc.), Renewable Industry Association of Malawi (REIAMA), Press Corporation, Minigrids Operators (MEGA,CEM, Sustain Solar, Quantel Renewable Energy, etc.) and other commenrcial Banks

Stakeholders	List of Organisations
Development Partners	UNDP, GEAPP, EU, JICA, WFP, GIZ
International Financing Institutions	World Bank (WB), African Development Bank (AfDB), International Financing Corporation (IFC)
Non-governmental organisations	SHA, Community Energy Malawi, Christian Aid, CISONECC, CEPA, Oxfam, National Youth Network on Climate Change, Association of Environmental Journalists, CONREMA, NGO-GCN, FEDOMA, Green Girls Platform etc.
Academia	MUST, MZUNI, MUBAS, UNIMA, LUANAR, CU
Other relevant entities	Community structures and local leaders

3.4 Climate, Environment and Energy Linkages

Hydropower, Malawi's main source of electricity generation, is highly vulnerable to climate events (droughts, floods). Heavy reliance on biomass contributes to climate change with greenhouse gas emissions from burning wood fuels, and due to lost forest carbon stocks[1]. Malawi's 2016 National Climate Change Management Policy directly addresses energy focal areas like promotion of energy saving technologies and renewable energy.

3.5 Energy Data and Research

Malawi's Population Census, Integrated Energy Plan (2022) and the Integrated Household Surveys have information on energy access. Other spatial datasets supplement what we know about household demand for energy. Research on the social science dimensions of energy in Malawi is increasing with a focus on clean cooking, health, and lighting. However, these surveys take a considerable amount of time to be updated hence planning is made difficult due to using data that is relatively old. For instance, the Malawi Population Census takes 10 years and the IHS takes 4 years to be updated.

[1] EPPSA TEAM, 2022: State of Knowledge Energy Access in Malawi

Box 2: Review of Energy Sector Policies and their implications for energy access

Several policies cover and guide the energy sector, including the SDG, Malawi 2063, MIP-1, the National Energy Policy, the National Forestry Policy, the National Climate Change Management Policy, the Malawi Rural Electrification Programme, the National Electricity Subsidy Policy, the Integrated Energy Plan (2022), and the Integrated Resource Plan (2017).

Even though there is a solid framework of strategy and policy for energy access, these policies have not been implemented well or quickly enough. Procurement delays, perceived corruption, a lack of persistent political commitment, scarce financial resources, and insufficient institutional capacity partly cause this.

Recommendations

1. We need strong alignment between the energy budget and policy frameworks. The targets in the policy frameworks must have corresponding resources to achieve them.
2. There is a need for strong political will and commitment to implement reforms targeting MAREP and ESCOM to enhance the operational efficiency of the MDAs coordinating the implementation of the energy programmes.

4.0 ANALYSIS OF THE NATIONAL BUDGET

4.1 Analysis of the National Budget Composition

4.1.1 2025-26 Total Government Expenditure (TGE)

The estimated spending for the 2025–26 fiscal year is MK8.051 trillion, representing 41% of GDP—a 35% increase from the previous fiscal year (2024–25) (Table 2). Of the total estimated expenditure, Other Recurrent Transactions (ORT) account for MK4.4 trillion—equivalent to 23% of GDP and 55.2% of overall spending. Personal emoluments account for 20% of recurrent costs, having increased by 42% in the 2025–26 fiscal year (Table 3). In real terms, total government expenditure (TGE) rose from MK4,707.34 billion in 2024/25 to MK6,492.93 billion in 2025/26, marking significant growth beyond inflation-adjusted effects (Table 3).

Table 3: Total government spending vs revenue and grants

Variables	2021-22	2022/23	2023/24	2024/25	2025/26	% change 25/26-24/25	% Share of Total Expenditure	% Share of GDP
TGE - Nominal	**1,994,946**	**3,042,557**	**4,350,053**	**5,978,322**	**8,051,231**	**34.67**	**100**	**40.96**
Revenue and Grants	**1,209,032**	**2,035,651**	**2,992,756**	**4,552,220**	**5,578,445**	**22.54**	**69.29**	**28.38**
ORT	*1,035,042*	*1,582,947*	*2,277,699*	*3,085,682*	*4,447,165*	*44.12*	*55.24*	*22.63*
PE	*496,604*	*771,157*	*1,028,922*	*1,121,981*	*1,589,324*	*41.65*	*19.74*	*8.09*
Net Acquisition of Non-Financial Assets	**463,300**	**688,453**	**1,043,431**	**1,770,658**	**2,014,742**	**13.78**	**25.02**	**10.25**
Devt 1	*319,889*	*507,528*	*682,413*	*1,387,058*	*1,437,639*	*3.65*	*17.86*	*7.31*
Devt 2	*143,411*	*180,925*	*361,018*	*383,600*	*577,103*	*50.44*	*7.17*	*2.94*
Budget Deficit	**-785,914**	**-1,006,906**	**-1,357,297**	**-1,426,102**	**-2,472,786**			
TGE-Real	**1,825,202**	**2,535,464**	**3,398,479**	**4,707,340**	**6,492,928**			
Revenue and Grants-Real	**1,106,159**	**1,696,376**	**2,338,091**	**3,584,425**	**4,498,746**			
ORT-Real	*946,973*	*1,319,123*	*1,779,452*	*2,429,671*	*3,586,423*			
PE-Real	*454,349*	*642,631*	*803,845*	*883,450*	*1,281,713*			
Net Acquisition of Non-Financial Assets	**423,879**	**573,711**	**815,180**	**1,394,219**	**1,624,792**			
Devt 1-Real	*292,671*	*422,940*	*533,135*	*1,092,172*	*1,159,386*			
Devt 2-Real	*131,209*	*150,771*	*282,045*	*302,047*	*465,406*			

Source: Ministry of Finance, budget documents

4.1.2 Capital Expenditure

The total development expenditure for the 2025/2026 fiscal year is estimated at MK2.0 trillion, representing 10% of GDP and 25% of Total Government Expenditure (TGE). This marks a 14% increase from the 2024/2025 fiscal year, primarily driven by a significant rise in domestically financed resources, which have surged by over 50% compared to 2024/2025 (Table 3).

Of the total development budget, MK1.4 trillion (71%) comes from foreign sources, while MK577 billion is domestically financed. The share of development expenditure has remained relatively stable, decreasing slightly from 27% in 2020 to 25% of TGE in 2025.

A continued increase in the development budget is expected to have a positive impact on the energy sector, which is predominantly development-oriented, particularly in infrastructure investment.

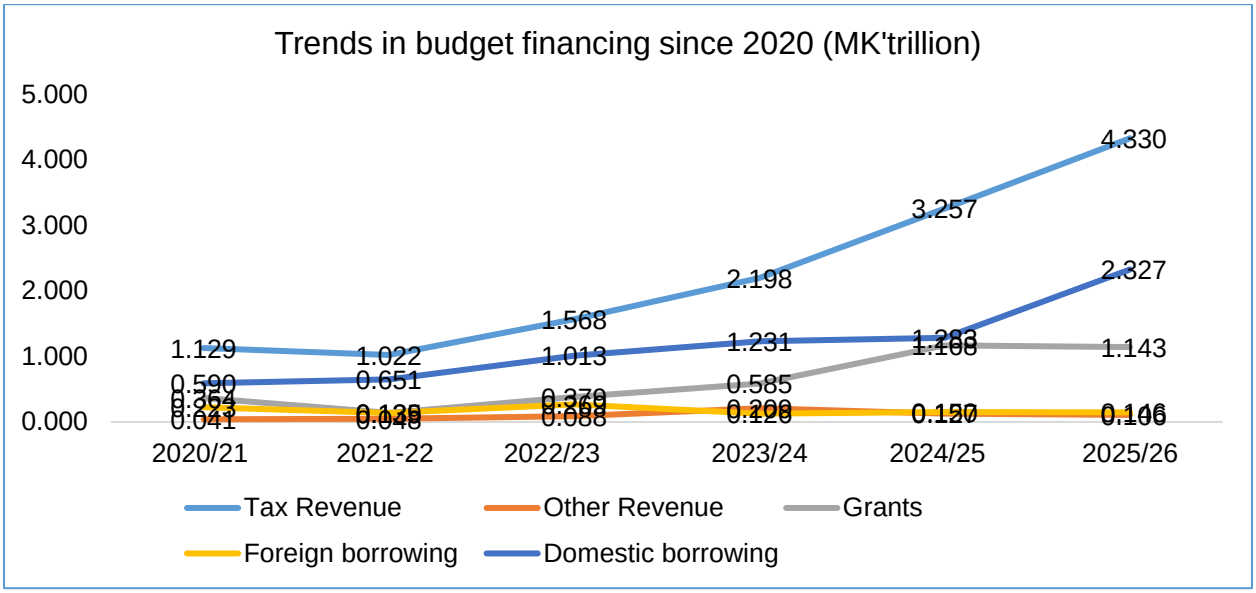
4.1.3 Revenue and Grants

The total budget for grants and revenue in the 2025–2026 fiscal year is set at MK5.58 trillion, which constitutes 28.3% of GDP.

Figure 6 highlights that the anticipated domestic revenue for 2025–26 stands at K4.44 trillion, with K4.33 trillion expected from tax revenue. Non-tax revenues, including grants, are projected to decline by 16.2%, amounting to K106 billion.

According to the analysis, the 2025–2026 revenue budget reflects a 23% increase compared to the 2024–2025 fiscal year, indicating improved resource mobilization. Taxes remain the predominant source of government funding, accounting for 77.6% of total revenue.

In real terms, revenue and grants are expected to grow from MK3,584.43 billion in 2024/25 to MK4,498.75 billion in 2025/26, reinforcing the trend of steady fiscal expansion (Table 3).



Source: Ministry of Finance, budget documents

Figure 6: Trends in Budget Financing from 2020 to 2025 (K'trillion)

The national budget is primarily funded through tax revenue, which has consistently accounted for 50% of total national spending between 2020 and 2025 (Figures 6 and 7). Over the same period, grants and non-tax revenue have contributed an average of 14% and 3%, respectively, to overall financing.

Box 3: Budget Composition

Observations:

- Government spending continues to outpace revenues, leading to budget deficits, which are financed through borrowing
- A persistent revenue shortfall of around 33% of the national budget is financed through borrowing. However, taxes may perform well, the deficit remains substantial, and the concomitant public debt charges will continue eroding fiscal space, reducing available resources for the Energy sector financing.

Recommendations

- There is a need to strengthen domestic revenue generation. The trend shows the capacity to increase revenues from tax and non-tax sources. Regarding tax revenues, efforts should be made to include people who are yet to be registered on various tax platforms and close avenues for tax evasion. Regarding non-tax revenues, there has been a reduction in the allocation; therefore, efforts must be made to increase taxes from state-owned enterprises by enhancing their operational efficiencies.
- The government must build on the reduction in budget deficit between the 2023-24 and 2024-25 financial years as the starting point for taming the persistent budget deficit. However, the elections in 2025 may further erode the resources that would have been available for energy financing.

Due to ongoing revenue constraints, borrowing remains a significant source of budget financing, averaging 33% of total expenditures—28% sourced domestically and 5% externally. This trend underscores that deficit financing continues to rely heavily on borrowing.

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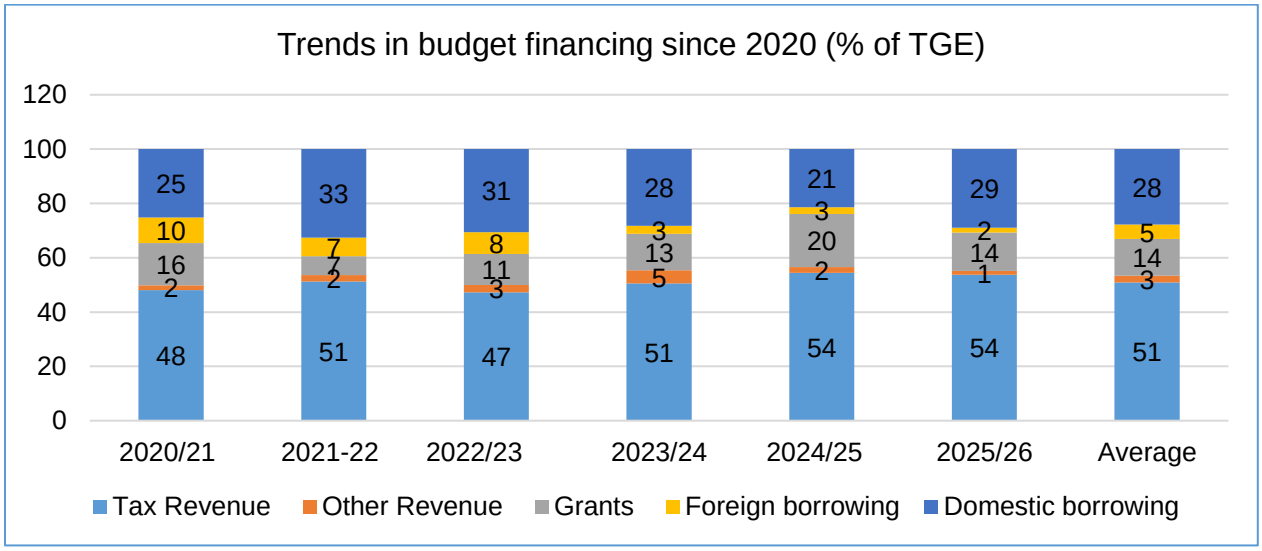


Source: Ministry of Finance, budget documents

Figure 7: Trends in Budget Financing since 2020 (% of TGE)

4.2 Analysis of the 2025-26 Energy Sector Budget

4.2.1 Composition of the Energy Sector Spending by Economic Classification

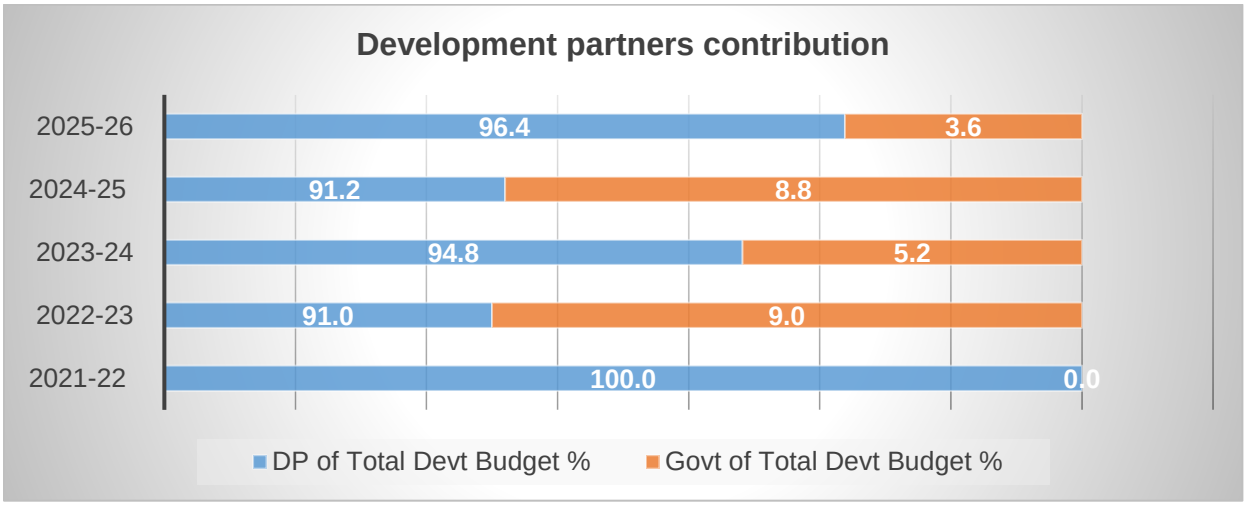
The energy sector budget accounts for 5.81% of the 2025-26 fiscal year (FY) national budget, compared to 4.99% in 2024-25 FY. In relation to GDP, the sector's budget share ranges between 1.94% and 2.6%.

For 2025-26 FY, the total energy sector budget allocation stands at MK468 billion, marking a 57% increase from the MK298 billion allocated in 2024-25 FY. However, the combined budget for the Ministry of Energy (MoE) and Malawi Rural Electrification Program (MAREP) is MK62.08 billion, a 59% reduction from MK152.12 billion in 2024-25 FY. This sharp decline is primarily driven by a 94% budget cut in the MAREP budget line.

The reduction in MAREP funding stems from a dispute between fuel importers and the government over the regulated pump price, which is currently set below cost-recovery levels. As the government maintains this pricing structure, fuel importers have ceased remitting the fuel levy, which is intended to finance road maintenance and rural electrification. This revenue shortfall has directly impacted MAREP's financial capacity.

Given that MK152.1 billion allocated to MAREP in 2024-25 FY was already deemed insufficient, the further reduction to MK62.08 billion poses a significant challenge, particularly for rural electrification efforts. The current financing levels for the energy sector remain low considering the sector's pivotal role in driving economic growth.

The development budget continues to dominate energy sector allocations, accounting for 88.6% in 2025-26 FY, 90.9% in 2024-25 FY, and 92.4% in 2023-24 FY. This trend underscores the high investment required to expand and modernize energy infrastructure. Significant funding is needed for on-grid and off-grid energy development to accelerate public access to electricity and support long-term economic transformation.



Source: Ministry of Finance, budget documents

Figure 8: Development Partners' Contribution in the Energy Sector

Development expenditure accounts for 74% of the Ministry of Energy (MoE) budget and 96.4% of its development budget, raising concerns about the long-term sustainability of public spending in the sector (Figure 9).

The energy sector's development projects are primarily funded by several international partners, including the World Bank, African Development Bank (AfDB), United Nations Development Programme (UNDP), United Nations Environmental Programme (UNEP), International Atomic Energy Agency (IAEA), Global Environmental Facility (GEF), Japanese International Cooperation Agency (JICA), Green Climate Fund (GCF), and the United States Millennium Challenge Corporation (MCC).

These organizations play a crucial role in financing infrastructure development, renewable energy expansion, and sustainability initiatives. However, the heavy reliance on external funding underscores the need for domestic resource mobilization to ensure long-term energy sector growth and stability.

Table 4: Energy Sector Budget Composition since 2021

Category	2021-22 (million)	2022-23 (million)	2023-24 (million)	2024-25 (million)	2025-26 (million)	% Change
Total Govt Expenditure	**2064.9**	**3042.6**	**4350.1**	**5978.3**	**8051.2**	**35**
Energy Sector Budget	**90.457**	**324.438**	**306.611**	**298.118**	**468**	**57**
Total MoE Budget	**30.31**	**25.23**	**43.224**	**42.318**	**56.1**	**32**
PE Budget	0.143	0.376	0.65	0.661	0.919	39
Recurrent	3.003	1.417	6.834	10.39	12	18
Development Budget-Total	27.164	23.438	35.74	31.267	43	37
Development Part 1	27.164	21.328	33.89	28.515	41	45
Development Part 2	0	2.11	1.85	2.752	2	-44
MAREP Total Budget	**60.147**	**92.508**	**88.387**	**109.8**	**6.80**	**-94**
Recurrent budget	58.58	2.179	2.476	2.793	1.60	-43
Development Budget-Total	1.567	90.329	85.911	107.008	5.20	-95
ESCOM		**204.7**	**171.6**	**135.4**	**321**	**137**
EGENCO		**2**	**3.4**	**10.6**	**84**	**692**

Source: Author's calculation based on National Budget Documents from the Treasury

To date, the Malawi Rural Electrification Programme (MAREP) has successfully implemented nine phases, electrifying 1,480 sites across the country. Phase 10 is scheduled for implementation in the 2025-26 fiscal year (FY), continuing its mission to expand electricity access in rural and peri-urban communities. The overarching goal of MAREP is to transform rural economies, reduce poverty, and contribute to the government's broader poverty reduction agenda.

The Department of Energy Affairs, under the Ministry of Energy, is responsible for planning and implementing MAREP. Funding for the programme is sourced from an energy sales levy under the Rural Electrification Fund, ensuring sustained financial support for electrification efforts.

Budget Allocation and Funding Challenges

For the 2025-26 FY, MAREP has been allocated MK6.80 billion, representing a 94% reduction from the MK109.8 billion allocated in the 2024-25 FY. This drastic cut stems from disruptions in fuel levy remittances, which traditionally finance rural electrification and road maintenance.

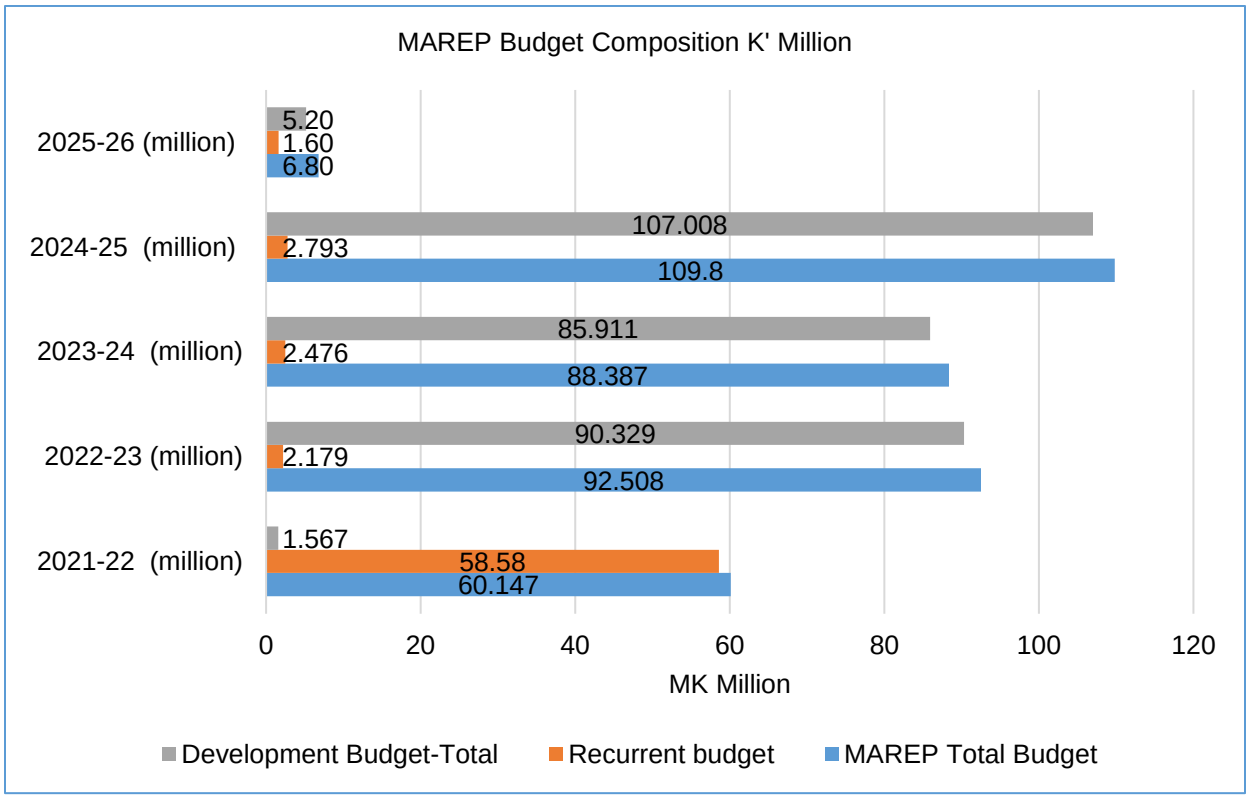
Currently, there is an ongoing dispute between fuel importers and the government regarding pump prices, which are set below cost-recovery levels. According to the World Bank, this pricing policy has resulted in MK785 billion in losses for fuel importers. While MERA has attempted to cover these losses, fuel importers have withheld MK330 billion in levies meant for infrastructure development, including rural electrification.

The depletion of the Price Stabilisation Fund in 2022 has worsened the situation, preventing adequate compensation to importers. The fixed administrative pump prices are insufficient to cover escalating fuel importation and transportation costs. While suppliers have continued to export fuel to Malawi on open credit, growing arrears have led to severed credit lines, further straining the energy sector.

The World Bank reports that since January 2021, gasoline prices have been adjusted only five times, with the last adjustment occurring in September 2023. Meanwhile, diesel prices have remained unchanged for nine months, exacerbating financial instability.

The sharp budget reduction significantly threatens the implementation of MAREP Phase 10 and the electrification of 703 planned sites across rural and peri-urban areas.

Between 2021 and 2024, MAREP financing grew from MK60 billion in 2021-22 to MK109.8 billion in 2024-25, yet the annual rate of new electricity connections has remained stagnant at 35,000. This falls short of the 116,000 and 605,000 yearly connections required to reach 30% and 100% electricity access by 2030, respectively. Based on the 2025-26 budget allocation, the number of new connections will decline further, jeopardizing efforts to electrify targeted locations under MAREP 10.



Source: Ministry of Finance, budget documents

Figure 9: Composition of MAREP allocation

4.1.2 The Electricity Supply Commission of Malawi(ESCOM) Budget

ESCOM's 2025-26 fiscal year (FY) plans are anchored on its Integrated Strategic Plan 2 (ISP2), which aims to achieve 30% grid connectivity and 50% electricity access by 2030. To support this goal, the Corporation is undertaking several key projects:

- Mozambique-Malawi 400kV Interconnector (MOMA): A critical infrastructure project co-funded by the World Bank and KfW, set for completion by November 2025.

- Malawi Electricity Access Project (MEAP): A four-year, World Bank-funded initiative aimed at expanding electricity access by connecting 90,000 new customers annually.

- ASCENT Project: ESCOM has secured an MK263 billion grant to support electricity expansion.

- Foreign Borrowing: ESCOM has obtained funding from the World Bank, KfW, and Exim Bank of China through the Government of Malawi (GoM) to enhance electricity infrastructure.

To strengthen operations further, ESCOM will upgrade transmission poles from wooden to concrete and steel in 2025. Additionally, it will improve efficiency through a Performance Management System, revenue optimization, enhanced monitoring, resource ring-fencing, and various cross-cutting programs.

The Corporation projects MK15.8 billion in revenue from Optic Fibre Communications (OFC) sales, a 179% increase compared to the MK5.7 billion in the FY 2025 Revised Budget. Increased customer connections and the implementation of these drive this growth:

- US$22 million OFC Phase 1 Project

- US$99 million OFC Phase 2 Project

Despite revenue growth, ESCOM faces persistent challenges in collecting payments from the Government of Malawi (GoM), quasi-government departments, and private companies:

- As of 31 December 2024, MDAs and SOEs owed ESCOM MK10.7 billion, while Water Boards owed MK33.2 billion.

- ESCOM expects to receive MK24.0 billion in Promissory Notes from the GoM for Blantyre Water Board's overdue electricity bills.

To address financial constraints, ESCOM plans to finalize the transition of remaining domestic and general tariff customers to a prepaid metering system during the 2025-26 FY. It also intends to implement Advanced Metering Infrastructure (AMI), with MK284 million allocated for this function.

Vandalism and theft of ESCOM's equipment continue to strain operational capacity, as funds meant for infrastructure improvements are redirected to repair damaged assets. To mitigate this challenge, ESCOM will:

- Collaborate with the Police, Anti-Corruption Bureau (ACB), Judiciary, local communities, and other institutions to curb vandalism through public awareness campaigns and civic education.

- Utilize whistleblowing channels such as Tip-Offs Anonymous to report and address misconduct.
- Invest in advanced technology for early detection and deploy vandal-proof equipment.

ESCOM continues to experience power generation limitations, preventing it from meeting full system demand. To mitigate supply gaps, ESCOM has signed Power Purchase Agreements (PPAs) with various Independent Power Producers (IPPs) in:

- Hydro, Solar, and Thermal power generation
- Energy imports from Zambia (ZESCO) and Mozambique (EDM)

Additionally, the Mozambique-Malawi Interconnection Project (MOMA) is progressing, linking Malawi to the Southern Africa Power Pool (SAPP) at 400kV. ESCOM also plans to intensify Demand Side Management efforts to optimize electricity usage.

ESCOM faces significant financial constraints, struggling to settle liabilities due to cash flow shortages. Some suppliers, including IPPs, charge interest on overdue payments, further increasing operational costs. Additionally, ESCOM is:

- Struggling to meet payment terms for imported inputs due to forex scarcity.
- Facing penalties from foreign suppliers for outstanding balances.

To mitigate these challenges, ESCOM has engaged monetary authorities to prioritize forex allocation for the electricity sector, similar to liquefied petroleum products.

Furthermore, GoM introduced additional layers of approval in procurement processes, delaying submissions for over six months. ESCOM has requested special government consideration to expedite approvals and reduce procurement delays.

4.1.3 The Electricity Generation Company (Malawi) Limited (EGENCO) Budget

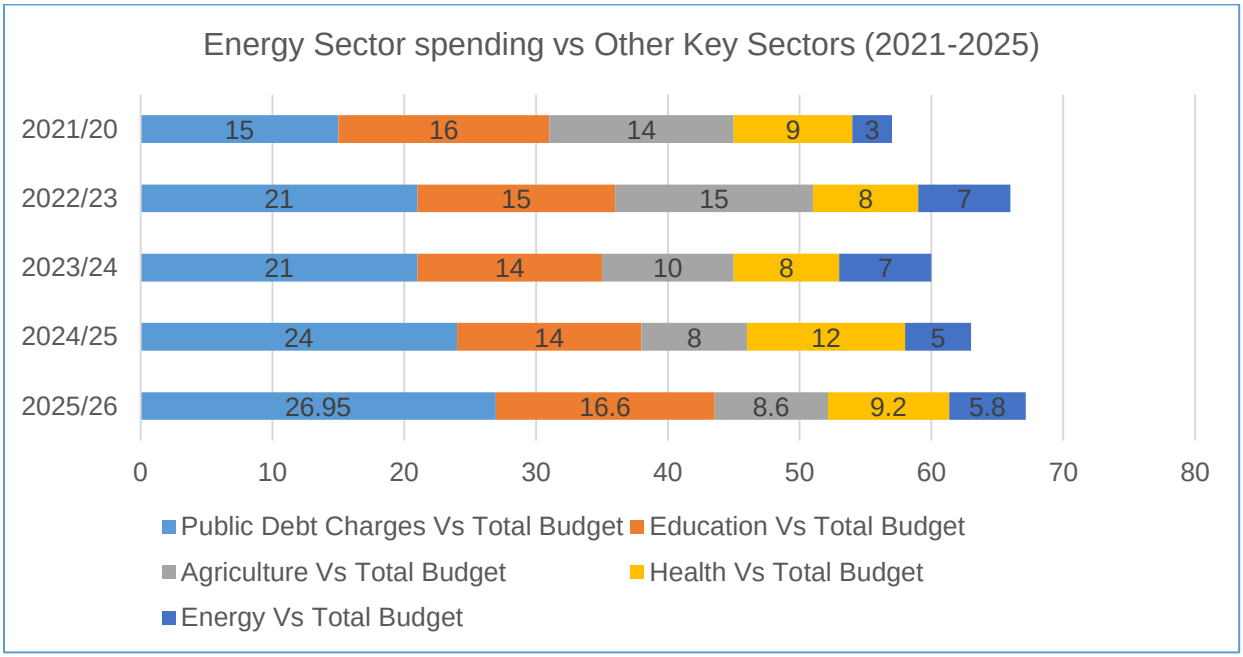
EGENCO has allocated MK83.9 billion for operations in the 2025-26 fiscal year (FY), reflecting a 13% increase compared to the 2024-25 Revised Budget. The breakdown of expenditure includes a 19% rise in payroll costs, services, supplies, and sundries, and a 28% increase in operational expenses relative to the March 2025 Revised Budget. However, the maintenance budget remains unchanged at MK13 billion, indicating a focus on maintaining infrastructure at current expenditure levels.

The Corporation projects energy production of 2,230.506 GWh for 2025-26 FY, with generation work units budgeted at 2,454 GWh, ensuring a 90% plant availability rate. For capital and project expenditures, EGENCO has allocated MK22.1 billion and MK21.5 billion, respectively. A key project in the pipeline is the finalization of a 10 MW Solar PV

installation at Salima, scheduled for commissioning in December 2025. Funding for these initiatives will be sourced through a combination of debt, grants, and internally generated resources, ensuring continued investment in energy infrastructure.

4.1.4 Comparison of Energy Budget Vs Other Key Sectors

In the 2025-26 fiscal year (FY), debt servicing charges and payments will constitute 27% of Total Government Expenditure (TGE), significantly outweighing the allocation for the energy sector, which accounts for only 5.8% of total spending. The estimated breakdown of key expenditures includes MK2.172 trillion for public debt interest payments, MK1.342 trillion for goods and services, MK543 billion in grants to other general government units, MK306 billion allocated for social benefits, and MK84 billion for other statutory expenses, underscoring the significant fiscal pressure posed by debt repayment compared to critical sector investments such as energy (Figure 10).



Source: Author's calculation based on National Budget Documents from the Treasury

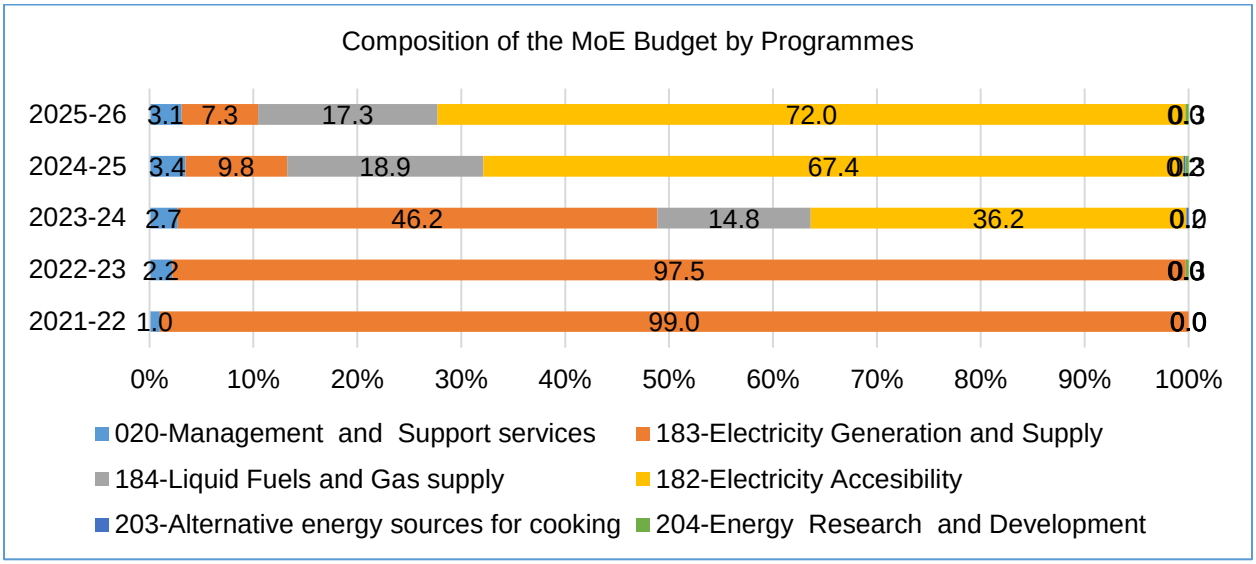
Figure 10: Energy sector spending vs other sectors

In the 2025-26 fiscal year (FY), major sectors account for 73.05% of the national budget, while public debt charges take up 26.95%, significantly limiting fiscal flexibility. The budget distribution among key sectors is as follows: education (16.6%), health (9.2%), agriculture (8.6%), and energy (5%). Given the substantial share allocated to debt servicing, there is an urgent need to re-evaluate public debt management, as it increasingly constrains the government's ability to fund critical sectors and expand development programs. Addressing this challenge is essential to ensuring long-term fiscal sustainability and maintaining adequate public investment

4.3 Allocation to Energy Sector by Programmes

4.3.1 The Energy Sector Budget Programme Overview

The composition of the Ministry of Energy (MoE) budget programme has evolved over the years, with several new programmes introduced since the 2024-25 fiscal year (FY). These include Management and Support Services (020), Electricity Accessibility (182), Electricity Generation and Supply (183), Liquid Fuels and Gas Supply (184), Alternative Energy Sources for Cooking (203), and Energy Research and Development (204). In the 2025-26 FY, electricity accessibility remains the dominant programme, accounting for 72% of the MoE budget, followed by liquid fuels and gas supply at 17.3%. The remaining funds are allocated across electricity generation and supply (7.3%), management and support services (3.1%), and energy research and development (0.3%) (Figure 11).



Source: Author's calculation based on National Budget Documents from the Treasury

Figure 11: Composition of the MoE budget by programmes

Box 4: Allocation to Energy Sector- Budget Type

Key Observations

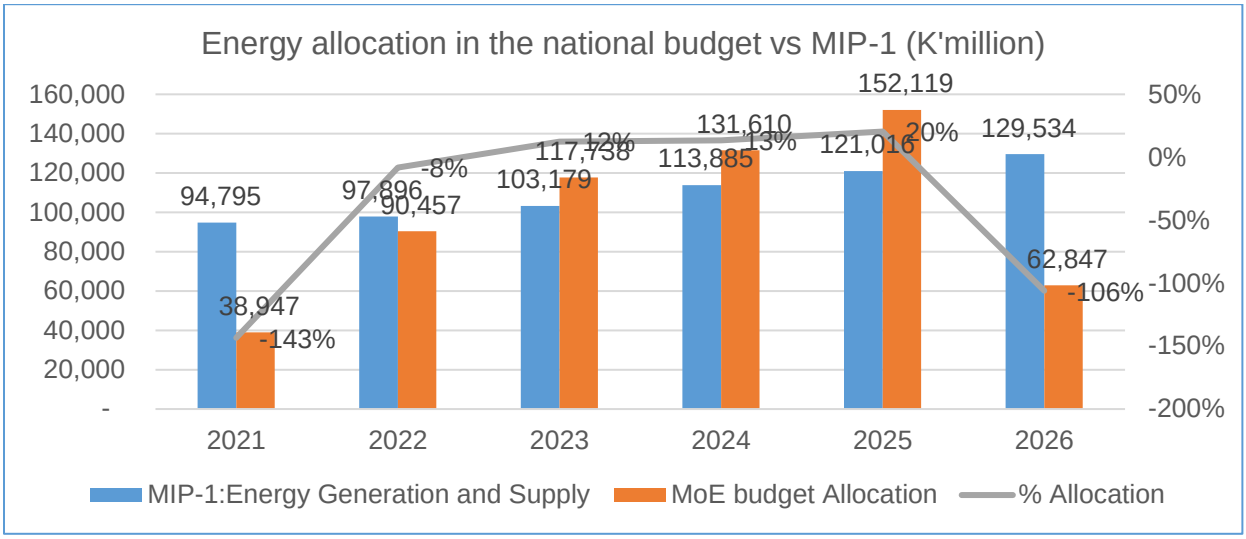
1. Over the years, investments in the energy sector have been relatively insignificant, constituting around 5.8% of the total national budget and approximately 2% of the GDP from 2018 to 2025, despite the sector being recognised as a significant economic growth catalyst.
2. The development budget has represented about 90% of the Ministry of Energy (MoE) budget. However, the MAREP budget has been significantly reduced by 94%, amounting to MK6.80 billion.
3. Notably, part 1 of the development spending accounts for 74% of the MoE budget and 96.3% of the MoE development budget, raising concern about the sustainability of long-term expenditure.

Recommendations

- Given MAREP's current budget ceiling, the Energy sector and the Ministry of Finance must find resources to ensure that MAREP phase 10 is implemented. The speed of the new connection is too low for universal electrification to be reached by 2030.
- Whilst the long-term solution rests on resolving the impasse between fuel importers and the Government, ongoing electrification programs like MAREP must be financed because the gap in financing and universal electrification is huge.
- We need deliberate plans to raise energy sector financing, especially from local resources—a deliberate commitment on the part of the Government to raise funds for the energy sector.
- The government, through the MoE, needs to consider other financing options, such as public-private partnerships and capital market financing. From the analysis, energy sector financing through the budget is not increasing significantly to have a long-term impact on universal electrification and other operational policies in Malawi.

4.4 Energy Sector Budget and the Malawi Implementation Plan (MIP-1)

The alignment between the National Budget and MIP-1 allocations has shown inconsistencies, particularly between 2021 and 2025, with notable disparities in intervention priorities and allocation levels. In the 2025-26 fiscal year (FY), the MIP-1 planned allocation for the energy sector stands at MK129.5 billion, while the actual allocation for the Ministry of Energy (MoE) and MAREP is MK62.8 billion, reflecting an under-allocation of 106%. Conversely, in 2024-25 FY, the energy budget exceeded the planned MIP-1 allocation by 20% (Figure 12), despite Malawi 2063 recognizing the energy sector as a critical driver of economic growth that attracts foreign direct investment and enhances equitable wealth creation. The primary objective of the MIP-1 energy sector plan is to diversify the number of independent power producers, with a strong emphasis on sustainable and renewable energy sources to reduce dependency on hydroelectric power generated from a single river.



Source: Author's calculation based on National Budget Documents from the Treasury

Figure 12: Energy allocation in the national budget vs MIP-1 (K'million)

Looking at the MoE budget, many MIP-1 interventions, some of which may have to be done outside the main national budget, do not have budget allocations. Table 5 shows key interventions from the MIP-1 that have yet to take off due to the non-allocation of funds in the annual national budgets since 2021(Table 5).

Table 5: Energy sector interventions in the MIP-1 (MK'million)

SN	Planned Interventions	Period	2021	2022	2023	2024	2025	2026
	Outcome: Increased energy generation and access							
1	Establish a solar equipment manufacturing plant through PPP	2023-2026	-	-	400	420	445	250
2	Identify and develop sites for hydro, coal, geothermal, natural gas, solar, wind, agricultural waste, forestry waste, and biogas resources through IPP and PPP arrangements	2021-2030	600	618	643	675	715	765
3	Provide incentives for renewable energy equipment to promote investments and adoption of renewable energy	2021-2030	-	-	-	-	-	
4	Scale up the Rural Electrification Program to widen national electricity coverage	2021-2030	25,750	26,780	28,119	29,806	31,892	34,444

SN	Planned Interventions	Period	2021	2022	2023	2024	2025	2026
5	Develop more hydro-power plants	2021-2030	68,410	70,462	73,280	76,945	81,561	87,270
6	Expedite the completion of energy projects in the pipeline, which have already commenced, to increase energy supply to the national grid	2021-2025	35	36	37	39	43	
7	Fast-track the commencement & completion of the interconnection of Malawi's power system with that of Mozambique and Zambia	2021-2025	-	-	-	-	-	
8	Invest in new high-capacity power plants and construct new distribution lines and substations to support energy generation and distribution capacity	2021-2030	-	-	700	6,000	6,360	6,805
	MIP-1: Energy Generation and Supply		**94,795**	**97,896**	**103,179**	**113,885**	**121,016**	**129,534**

Source: Author's calculation based on National Budget Documents from the Treasury

There is a clear-cut discrepancy between the cost estimates of key interventions in MIP-1 and the MoE budget and MAREP. From Figure 12, from 2023 to 2025, the total allocations for MIP-1 are on the lower side but peak in 2025-26FY due to the massive reduction in MAREP. Specifically, the projects in Table 5 do not have any allocations in the Energy Sector budget, so while in some years there is over allocation in comparison to the MIP-1, the budget is not implementing MW 2063. The MIP-1 has been missed in the MoE budget. This means that lack of resources in the energy sector budget means no chance of implementing the MIP-1. Looking through the MIP-1 projects, some have no chance of being implemented by MoE, ESCOM, and EGENCO.

Box 5: Linkages Between MIP-1 and the 2025-26 FY Budget

Key Observation

- Five years after the blueprint was established, key interventions identified in the MIP-1 to spur the energy sector forward have not received an annual budget allocation.
- The cost estimates of key interventions seem low due to the differences in assumptions used to determine them.
- Misalignment exists between the MIP-1 and national budget, as programme names differ in both nomenclature as well as intensity of allocation
- Currently, the MIP-1 estimates are higher than budgetary estimates, but mainly due to a reduction in MAREP allocation

Recommendations

- The government, through NPC, should revisit implementing projects in the Energy sector against the projects envisaged in the MIP-1. The MIP 1 projects are not in the MoE, ESCOM, **and EGENCO budget documents.**
- The MIP-1 identified projects, especially the off-grid initiatives and other means, must start being provided resources or sourced to ensure they take off. The Energy sector must, therefore, provide the policy framework and package the project work packages so that financiers can resource the off-take of these projects and programs.

4.5 Estimation of the Electrification Goal Financing Gap

The 2025-26 FY and 2024-25 FY energy budget allocations account for 105% and 48%, respectively, of the total financial resources required to achieve universal electrification access by 2030. This target is based on an estimated annual growth rate of 607,567 new connections, aiming to connect 5.5 million households by 2030.

The Integrated Energy Planning Tool (2022) projects that 42% of new consumers will gain access through grid expansion, while 22% will be connected via densification efforts. Meanwhile, off-grid electrification will contribute 26% to the overall electrification plan—7% through mini-grid expansion and 19% via standalone solar solutions. However, the National Energy Policy (NEP, 2018) states that to achieve 30% electrification by 2030, Malawi needs 116,000 new connections annually from 2019 to 2030, amounting to 1.5 million newly connected consumers. Current annual connections stand at 35,000, which is only 30% of the expected rate required to meet the 2030 electrification goals.

*The **NEP, 2018** also outlines cost estimates for expanding electricity access, considering required resources for **grid densification, grid expansion, mini-grids, and standalone solar solutions**. For a total of **1.5 million consumers** by **2030**, the following cost components were assessed:*Table 6: Funding requirements to achieve 2030 electrification goals.

Electrification solution	Connection estimate	Estimated cost per unit (USD)	Total cost (USD)
Grid Densification	500,000	500	250,000,000
Grid Expansion	700,000	1300	910,000,000
Mini-grid	50,000	1500	75,000,000
Stand-alone Solar	250,000	200	50,000,000
Total	**1,500,000**		**1,285,000,000**

Source: Malawi National Electrification Strategy-2019

Table 7 Electrification Financing Gap

Category	2021-22	2022-23	2023-24	2024-25	2025-26
Electrification goals- expected new Connections to reach 30% access	116,000	116,000	116,000	116,000	116,000
Electrification goals- expected new Connections to reach universal (100%) access	607,567	607,567	607,567	MK607,567	607,567
The rate for connecting a single customer	860.0	860.0	860.0	860.0	860.0
Funding Requirement to electrify universal access- USD	522,507,620	522,507,620	522,507,620	522,507,620	522,507,620
Exchange Rate	799.52	1015	1700	1751	1751
Funding Requirement-MK (universal access)	417.76	530.35	888.26	914.91	914.91
Energy Sector Budget	**90.457**	**324.438**	**306.611**	**298.118**	468
Energy Sector Budget-Financing Gap (universal access)	**327.298**	**205.907**	**581.652**	**616.793**	**447.042**
% of Energy budget to Funding Requirement (universal access)	28	158	53	48	105

Source: Malawi National Electrification Strategy 2019 and Ministry of Finance Budget Documents.

Based on the foregoing, this report estimated that on average, a total of 860 USD would be required to connect a single customer and the electrification goal financing gap is estimated in the 2025/26 FY as being MK447 billion as indicated in Table 7 above.

Box 6: Energy electrification goals financing gap

Key Observations

1. 105% and 48% of the funds required to achieve the universal electrification target have been allocated in the 2026-25 FY and 2024-25 FY energy sector budget, respectively.
2. The existing sources of electrification expansion, including ESCOM customer fees and the REF levy, do not provide sufficient funding to finance the electrification program needed to achieve the NEP goals.

Recommendations

1. We need deliberate plans to raise energy sector financing, especially from local resources—a deliberate commitment on the part of the Government to raise funds for the energy sector. This can be done by exploring tax and nontax revenues without increasing the burden on the people.
2. Outside budget interventions on alternative power projects may also ease the annual cuts in budget allocations towards the energy sector. In terms of preparedness, the sector must therefore ensure that the reigning policies are ready to steamroll investment into power-generating ventures
3. At the community level, where geographically possible, communities can be mobilised to use locally available materials to generate power using waste and other methods, and these can be linked to the National Economic Empowerment Fund (NEEF) to finance bankable projects.

Table 7: Energy electrification goals financing gap

Category	2021-22	2022-23	2023-24	2024-25	2025-26
Electrification goals-expected new Connections to reach universal (100%) access	607,567	607,567	607,567	607,567	607,567
The rate for connecting a single customer	860.0	860.0	860.0	860.0	860.0
Funding Requirement to electrify universal access- USD	522,507,620	522,507,620	522,507,620	522,507,620	522,507,620
Exchange Rate	799.52	1015	1700	1751	1751
Funding Requirement-MK (universal access)	417.76	530.35	888.26	914.91	914.91
Energy Sector Budget	**90.457**	**324.438**	**306.611**	**298.118**	468
Energy Sector Budget-Financing Gap (universal access)	**327.298**	**205.907**	**581.652**	**616.793**	**447.042**

Category	2021-22	2022-23	2023-24	2024-25	2025-26
% of Energy budget to Funding Requirement (universal access)	28	158	53	48	105

Source: Author's calculation based on National Budget Documents from the Treasury and NEP-2018

4.6 Analysis of Budget Execution

4.6.1 National Budget Expenditure Credibility

The 2024-25 fiscal year (FY) overall expenditure budget exhibits a variance of 0.7% between revised expenditure projections and the likely outturn, as highlighted by the credibility variance analysis. While this overall variance remains relatively small, a closer examination of individual budget items reveals notable over-expenditure.

Expenses exceeded the acceptable threshold by 0.4 percentage points, with Wages and Salaries (Personal Emoluments) experiencing an 18.7% over-expenditure. As a mandatory payment, this overrun suggests an impact from inflationary pressures or unplanned recruitment costs. Conversely, under-expenditures were noted in critical areas such as Government Contributory Pension (18%), Health (15.6%), Affordable Input Program (18.4%), Fertilizer payments (19.7%), Net Acquisition of Non-Financial Assets (10.5%), and Net Lending/Net Financing (-2.2%).

These budget variances pose significant challenges for budget management, particularly in mandatory and social impact areas, where reductions or overspending may have adverse effects on the population. Despite these disparities, the overall variance remains just 0.7% (see Table 09).

Table 8: Expenditure budget variances from 2024-25 FY

Variable	2024/25 Revised	2024/25 Outturn	2024/25 Variance %
Expenditure	**5,998,833**	**6,040,373**	**0.7**
Expenses	**4,227,175**	**4,455,532**	**5.4**
PE	**1,121,981**	**1,314,767**	**17.2**
Wages and Salaries	1,075,232	1,276,421	**18.7**
Government Contributory Pension	46,749	38,347	**-18.0**
Use of Goods and Services	**845,543**	**930,932**	**10.1**
Health Sector	122,423	103,359	**-15.6**
Social Benefits	**358,613**	**317,055**	**-11.6**
Affordable Input Program	161,285	131,585	**-18.4**
Fertilizer payments	150,700	121,000	**-19.7**
Net Acquisition of Non-Financial Assets	**1,771,658**	**1,584,841**	**-10.5**
Fixed Assets	1,771,658	1,584,841	**-10.5**
Foreign-financed projects (Part I)	1,387,058	1,310,239	**-5.5**

Variable	2024/25 Revised	2024/25 Outturn	2024/25 Variance %
Domestic financed projects (Part II)	384,600	274,602	**-28.6**
Net Lending/ Net Borrowing	**-1,446,613**	**-1,414,136**	**-2.2**
Total Financing	**1,446,613**	**1,414,135**	**-2.2**
Foreign Financing (net)	149,915	196,488	**31.1**
Foreign Borrowing	368,246	337,808	**-8.3**
Foreign Amortization	-218,331	-141,320	**-35.3**
Domestic Borrowing (Net)	**1,296,699**	**1,217,647**	**-6.1**

Source: Author's calculation based on National Budget Documents from the Treasury

Table 9: Expenditure Budget Credibility

4.6.2 Energy Sector Expenditure Credibility

The Ministry of Energy (MoE) budget for the 2024-25 fiscal year (FY) was underspent by 2.8%, primarily due to an 11.1% under-expenditure in Other Recurrent Transactions (ORT) (Table 11). By contrast, in the 2023-24 FY, the ministry overspent by 135%, largely driven by a 46.1% over-expenditure in Personal Emoluments (PE) and a 260% overrun in Development Budget Part 1, making the variance in 2024-25 more reasonable.

Additionally, in the 2022-23 FY, the MoE recorded a 28% underspending on its overall budget, mainly due to underfunding of Development Budget Part 1 (68%) and Part 2 (26%). However, in the 2021-22 FY, expenditure remained within planned thresholds. The 2023-24 development budget overspending stemmed from MK4.5 billion in additional spending for the Malawi-Mozambique Interconnector Project and MK3.7 billion allocated to the Mpatamanga Hydropower Plant, resulting in a total MK8.2 billion budget overrun (Table 12).

Table 9: Energy Spending Credibility

Category	2023-24 Approved	2023-24 likely Outturn	2024-25 Approved	2024-25 likely Outturn	2021-22 Variance %	2022-23 Variance %	2023-24 Variance %	2024-25 Variance %
Vote 490-Ministry of Energy	18.37	43.22	41,045.8	39,913.5	0.4	-28	135.3	-2.8
Personal Emoluments	0.44	0.65	870.4	870.4	86.3	18.3	46.1	-
Other Recurrent Transactions	6.68	6.83	10,160.5	9,028.2	0	-6.3	2.3	-11.1
Development-2	1.85	1.85	1,500.0	1,500.0		-68.2	0	-
Development-1	9.4	33.89	28,514.9	28,514.9	0	-26.2	260.6	-

Source: Author's calculation based on National Budget Documents from the Treasury

Table 10: 2024-2025 FY Development Budget Execution

Project	Source	2024/2025 Approved	2024/2024 Revised	Variance
107 - Development of Mpatamanga Hydro Power Plant	Part I	2,325.93	2,325.93	0
	Part II	1,500.00	1,500.00	0
105 - Malawi Electricity Access Project	Part I	26,189.01	26,189.01	0
	Part II	151.64	0	-100
002 - Malawi - Mozambique Interconnector	Part I	0	0	
	Part II	100	0	
Kapichira Emergency Power Restoration Project	Part I	0	0	
	Part II	0	0	
ASCENT Project	Part I	0	0	
	Part II	0	0	
Part I		28,514.94	28,514.93	0
Part II		1,751.64	1,500.00	-14
Total Capital Budget		30,266.58	30,014.93	-1

Source: Budget Submission from the Ministry of Energy

Although the Ministry's submission indicates a -14% variance in Development Budget Part II, the 2024-25 likely outturn for development shows no variance in the budget documents. Under MAREP Phase 9, the Ministry successfully electrified 285 sites out of 460 planned locations, achieving 75% of the target and providing 7,125 households with electricity.

Through the Malawi Electricity Access Project, the Ministry has connected 87,742 households to the grid against a target of 180,000, positively impacting 386,065 people. The remaining 92,258 connections are expected to be completed by June 2025. Additionally, the project has exceeded expectations in solar home system installations, providing 210,040 households with solar power, surpassing the 200,000-household target and benefiting 924,176 people.

During the year under review, the Ministry commissioned the Chisi Mini-Grid under the UNDP-funded Access to Clean and Renewable Energy Project (ACRE), connecting 50 households, 1 primary school, 9 business facilities, and 1 health facility. Meanwhile, construction of the Mwansambo Mini-Grid in Ntcheu is 30% complete, with wiring finalized for 180 households. Under the Malawi Rural Electrification Program, feasibility studies for three mini-grid sites have been completed, and EPC works for the Battery Energy Storage System at Kanengo, Lilongwe, have commenced, aiming to stabilize the grid once operational.

Box 7: Expenditure status, prospects and implication on Energy spending

Observations

- There is no significant budget overruns in the 2024-25FY budget apart from the under expenditure on ORT of 11.1%.
- Development Budget did not have clear cut variances, meaning that funding was done according to the approved budget.
- Whilst TGE had a variances of 0.7%, it was observed that there was budget over spend on Personal Emoluments and under expenditures on Pensions and the social sectors.

Recommendations

- The over expenditure on mandatory payments like Personal Emoluments by 18 percent far exceed the allowable margins for budget variances. The amount also points to under budgeted forecasts which affect implementation of growth catalysts in the economy. Another reason would point to unbudgeted for recruitments which in turn derails resources for the development budget.
- Ministry of Energy outturn points to funding being equal to the approved budget but with the sector only enjoying 5% of TGE and less than 2 percent of the GDP, the funding equalling to the budget is very far from breaching the required annual connections to reach universal connections in 2030
- Energy sector budget resources remain very subdued to make meaningful in-roads to catalyse the different sectors of the economy. The budget analysis has clearly shown that resources to the sector have not increased in real terms and under MAREP there is a massive 94% reduction clearly affecting rural electrification goals.

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

This document presents key findings from an in-depth analysis of Malawi's 2025-26 fiscal year (FY) budget, informed by a review of government budget documents, stakeholder consultations, and feedback from the Natural Resources and Climate Change Parliamentary Cluster and other stakeholders.

Macroeconomic Context and Fiscal Challenges

According to the Terms of Reference (TOR), the study analyzed the 2025-26 FY budget allocation, focusing on clean energy investments. The assessment of Malawi's macroeconomic conditions revealed that:

- The GDP growth rate is projected at 3.2%, an unprecedented increase compared to the last three fiscal years.
- Inflationary pressures are expected to remain high, exacerbated by persistent foreign exchange shortages.

Within this economic environment, key budgetary concerns were identified:

- Government expenditures continue to exceed revenues, leading to budget deficits financed through borrowing. Despite strong tax performance in recent years, approximately 24% of the national budget is funded through debt, which reduces fiscal space.
- The shrinking fiscal space has severely constrained energy sector investments, with significant reductions in key budget lines, including MAREP.
- Public debt servicing remains the highest expenditure item, accounting for 27% of Total Government Expenditure (TGE) in 2025-26 FY, a trend that has persisted at a quarter of TGE over the past 2 to 3 years.
- Energy sector investments have been minimal, averaging 3–5% of TGE and less than 1% of GDP from 2018 to 2025, despite the sector being recognized as a key economic growth catalyst.

Alignment of Budget Allocations with Energy Sector Needs

A critical evaluation of energy sector allocations, in relation to long-term policy frameworks and strategic plans—including MAREP, the National Electrification Strategy (2018), and the Integrated Energy Plan (2022)—revealed:

- Despite nominal increases, budget allocations remain below the recommended minimum thresholds outlined in national energy strategies.

- MAREP suffered a drastic budget reduction in 2025-26 FY, rendering Phase 10 objectives unattainable—a serious setback for rural electrification efforts.
- Budget cuts significantly hinder equitable access to clean energy, particularly for marginalized populations. Inflation-adjusted figures show that increases in allocation are negligible in real terms.
- 96% of the Ministry of Energy's development budget is funded by development partners, raising concerns about long-term sustainability. Additionally, non-compliance with donor processes could lead to funding delays, affecting project implementation.
- Key interventions outlined in MIP-1 have not received any budgetary allocation for five years, delaying the realization of Malawi 2063 energy sector goals. The lack of financial backing for MIP-1 projects suggests that national energy priorities have yet to be effectively implemented.

Budget Efficiency, Execution, and Sectoral Impact

The study examined the efficiency and effectiveness of budget execution, focusing on the 2024-25 FY, and found:

- Allocative deficiencies in energy spending prevent Malawi from reaching its universal electrification goals.
- Budget constraints limit efforts to promote equitable access to clean energy, falling short of policy commitments in MIP-1 and other strategic plans.
- Annual energy sector budget allocations since 2018 have remained below 5% of TGE, while the sector's share of GDP has stayed under 2.5%, further restricting its capacity to expand access.

6.2 Recommendations

Summary of Key Recommendations

To effectively address fiscal and energy sector challenges, the following recommendations are outlined:

- The Government must continue to manage inflationary pressures, primarily by controlling the expansion of the money supply and maintaining a positive real interest rate.
- Energy sector stakeholders should actively advocate for programs that unlock foreign exchange potential and stabilize the country's foreign exchange reserves.
- Inflation-adjusted budgets must be developed for energy projects to mitigate the effects of rising import prices in domestic currency terms.

- The Government, through MDAs responsible for energy policies, must ensure strong alignment between budget allocations and energy policy frameworks, ensuring adequate resources for achieving sector targets.

- The energy sector must develop community-based energy solutions that attract direct investment outside the national budget, including leveraging initiatives such as NEEF for financing viable projects.

- Given the shrinking fiscal space, the energy sector must seek off-budget financing, particularly from regional basket funds that support clean energy technologies.

- The Government must resolve financing challenges within MAREP, ensuring that resources for Phase 10 are secured, even outside traditional budgetary sources, if necessary.

- Domestic revenue generation efforts should be strengthened by expanding the tax base, closing tax evasion loopholes, and enhancing operational efficiencies in state-owned enterprises to increase non-tax revenues.

- The Government must take a deliberate approach to raising energy sector financing, especially through local resource mobilization, to ensure consistent and sustainable investment.

- The Ministry of Energy (MoE) must explore alternative financing options, including public-private partnerships (PPPs) and capital market financing, while fostering a conducive environment for private sector participation, civil society involvement, and community-led energy initiatives.

- The Government should review cost estimates in the MIP-1, ensuring they align with realistic financial planning and strategic budgeting.

- There is an urgent need for both government and development partners to increase financing for energy interventions outlined in MIP-1 and Malawi 2063, as continued underfunding will leave targets unachieved.

- Energy sector financing must be prioritized from local resources, ensuring sustained government commitment while exploring tax and non-tax revenue streams without increasing the burden on citizens.

- Debt management measures must be intensified, with full implementation of the National Debt Strategy (2022). Successful restructuring of Chinese-related debt should serve as a model for other creditors.

- The government must uphold strict fiscal discipline, prevent budget overruns, achieve deficit targets, contain rising debt stock, and ensure adherence to budget implementation guidelines.

- Civil Society Organizations must hold the Government accountable for failing to implement MIP-1 interventions, ensuring transparency and progress in energy sector reforms.

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APPENDICES

Appendix 1: National Budgets 2020-2024

Variables	2020/21 Outturn	2021-22 Outturn	2022/23 Outturn	2023/24 Outturn	2024/25 Proposed	% change 24/25-23/24	% Share of Total Expenditure	% Share of GDP
Expenditure	**2,347,108**	**1,994,946**	**3,042,557**	**4,350,053**	**5,978,322**	**37**	**100.0**	**37.2**
Expenses	**1,709,962**	**1,531,646**	**2,354,104**	**3,306,621**	**4,207,663**	**27**	**70.4**	**26.2**
Compensation of Employees	**552,891**	**496,604**	**771,157**	**1,028,922**	**1,121,981**	**9**	**18.8**	**7.0**
Wages and Salaries	536,014	479,609	746,583	987,571	1,075,232	9	18.0	6.7
Government Contributory pension	16,877	16,995	24,574	41,351	46,749	13	0.8	0.3
Public Debt Interest	**355,377**	**280,138**	**645,200**	**931,480**	**1,455,690**	**56**	**24.3**	**9.1**
Interest Payable to Non-Residents	15,833	14,474	33,200	94,780	79,750	-16	1.3	0.5
Interest Payable to Residents	339,544	265,664	612,000	836,700	1,375,940	64	23.0	8.6
Use of Goods and Services	**349,305**	**311,925**	**418,777**	**647,316**	**826,743**	**28**	**13.8**	**5.2**
Generic goods and services	229,562	181,557	254,989	392,599	487,723	24	8.2	3.0
Health Sector	58,789	61,526	77,549	104,250	122,423	17	2.0	0.8
Agriculture Sector	7,619	12,400	26,175	34,678	70,638	104	1.2	0.4
Education Sector	34,205	31,956	41,841	53,992	73,060	35	1.2	0.5
Arrears	2,877	3,121	755	1,800	500	-72	0.0	0.0
Storage levy expenses	2,065	1,164	1,874	5,992	7,303	22	0.1	0.0
Maize purchases	10,353	19,000	12,594	12,000	12,000	0	0.2	0.1
Elections	3,836	1,200	500	42,004	53,097	26	0.9	0.3
Grants	**178,806**	**163,675**	**245,740**	**327,489**	**411,661**	**26**	**6.9**	**2.6**
Road Fund Administration	27,836	31,310	53,120	75,849	85,024	12	1.4	0.5
Roads Authority	4,416	3,312	4,166	5,000	6,200	24	0.1	0.0
Transfer to MRA	33,175	30,992	45,467	64,830	97,653	51	1.6	0.6
Subvented Organisations	104,378	89,061	130,986	161,812	198,784	23	3.3	1.2
Net Lending	9,000	9,000	12,000	20,000	24,000	20	0.4	0.1
Social Benefits	**244,419**	**248,790**	**258,430**	**297,729**	**358,613**	**20**	**6.0**	**2.2**
Affordable Input Program	138,165	168,818	140,266	109,817	161,285	47	2.7	1.0
Fertiliser payments	119,340	152,830	128,500	102,000	150,700	48	2.5	0.9
Maize seed subsidy	17,025	12,250	6,563	6,562	4,000	-39	0.1	0.0
Livestock			585	585	585	0	0.0	0.0

Variables	2020/21 Outturn	2021-22 Outturn	2022/23 Outturn	2023/24 Outturn	2024/25 Proposed	% change 24/25-23/24	% Share of Total Expenditure	% Share of GDP
Logistics	1,800	3,738	4,618	670	6,000	796	0.1	0.0
Pensions and Gratuities	103,254	77,348	115,754	184,288	193,169	5	3.2	1.2
Pension Fund-Past Liabilities		375	503	600	-			
Social Cash Transfer	3,000	2,250	1,908	3,023	4,159	38	0.1	0.0
								-
Other expenses	**29,165**	**30,514**	**14,800**	**73,685**	**32,975**	**-55**	**0.6**	**0.2**
Other Statutory expenditures	29,165	30,514	14,800	73,685	32,975	-55	0.6	0.2
Net Acquisition of Non-Financial Assets	**637,146**	**463,300**	**688,453**	**1,043,431**	**1,770,658**	**70**	**29.6**	**11.0**
Foreign financed projects (Part I)	537,785	319,889	507,528	682,413	1,387,058	103	23.2	8.6
Domestic financed projects (Part II)	99,361	143,411	180,925	361,018	383,600	6	6.4	2.4

Appendix 2: 2024/25 Total Government Revenue

Variables	2020/21 Outturn	2021-22 Outturn	2022/23 Outturn	2023/24 Outturn	2024/25 Proposed	% change 24/25-23/24	% Share of Total Expenditure	% Share of GDP
Revenue and Grants	**1,533,999**	**1,209,032**	**2,035,651**	**2,992,756**	**4,552,220**	**52**	**76.1**	**28.4**
Domestic Revenue	**1,169,795**	**1,070,072**	**1,656,351**	**2,407,430**	**3,383,808**	**41**	**56.6**	**21.1**
Tax Revenue	**1,128,966**	**1,022,340**	**1,568,393**	**2,198,090**	**3,257,273**	**48**	**54.5**	**20.3**
Other Revenue	**40,829**	**47,732**	**87,958**	**209,340**	**126,535**	**-40**	**2.1**	**0.8**
Parastatal dividends	5,922	9,623	33,645	141,720	15,000	-89	0.3	0.1
Sales of goods and services	24,425	35,833	49,171	60,973	67,711	11	1.1	0.4
Departmental receipts	20,958	31,663	45,470	56,383	63,014	12	1.1	0.4
Treasury Funds	3,466	4,170	3,701	4,590	4,697	2	0.1	0.0
Fines, Penalties and Forfeits	10,482	2,275	5,142	6,647	9,664	45	0.2	0.1
Grants	**364,204**	**138,961**	**379,300**	**585,326**	**1,168,412**	**100**	**19.5**	**7.3**
From Foreign Governments	**66,835**	**58,430**	**25,200**	**16,652**	**72,693**	**337**	**1.2**	**0.5**
Capital	66,835	58,430	25,200	16,652	72,693	337	1.2	0.5
From International Organisations	**297,369**	**80,530**	**354,100**	**568,674**	**1,095,719**	**93**	**18.3**	**6.8**
Capital	95,931	80,530	189,600	202,850	149,600	-26	2.5	0.9

Appendix 3: Expenditure budget variances from 2020 to 2023FY

Variable	2023/24 Revised	2023/24 Outturn	2020/21 Variance Approved vs Outturn	2021/22 Variance Approved vs Outturn	2022/23 Variance Approved vs Outturn	2023/24 Variance Approved vs Outturn
Expenditure	**4,329,067**	**4,350,053**	**7.2**	**0.0**	**7.1**	0.48
Expenses	**3,251,193**	**3,306,621**	**1.8**	**7.5**	**16.5**	1.70
Compensation of Employees	**1,021,842**	**1,028,922**	**2.8**	**10.5**	**12.0**	0.69
Wages and Salaries	980,491	987,571	**2.4**	**9.9**	**11.4**	0.72
Government Contributory pension	41,351	41,351	**17.7**	**27.9**	**32.8**	0.00
Public Debt Interest	**931,480**	**931,480**	**-5.5**	**-6.5**	**23.9**	**0.00**
Interest Payable to Non-Residents	94,780	94,780	**33.6**	**0.0**	**68.7**	0.00
Interest Payable to Residents	836,700	836,700	**-6.8**	**-6.9**	**22.1**	0.00
Use of Goods and Services	**615,884**	**647,316**	**13.0**	**15.7**	**15.2**	5.10
Generic goods and services	367,560	392,599	**24.0**	**10.2**	**13.0**	6.81
Health Sector	104,130	104,250	**-2.3**	**25.5**	**10.2**	0.12
Agriculture Sector	29,982	34,678	**0.9**	**148.5**	**183.9**	15.66
Education Sector	52,416	53,992	**-2.4**	**7.3**	**1.3**	3.01
Arrears	1,800	1,800	**-58.9**	**-37.6**	**-24.5**	0.00
Storage levy expenses	5,992	5,992	**-30.8**	**-59.5**	**89.1**	0.00
Maize purchases	12,000	12,000	**3.5**	**58.3**	**5.0**	0.00
Elections	42,004	42,004	**191.0**	**0.0**	**0.0**	0.00
Grants	**327,369**	**327,489**	**0.9**	**6.3**	**12.2**	0.04
Road Fund Administration	75,849	75,849	**-18.1**	**-0.1**	**31.8**	0.00
Roads Authority	5,000	5,000	**0.0**	**0.0**	**0.0**	0.00
Transfer to MRA	64,830	64,830	**2.4**	**0.0**	**-0.2**	0.00
Subvented Organisations	161,691	161,812	**7.1**	**12.2**	**11.9**	0.07
Net Lending	20,000	20,000	**0.0**	**0.0**	**0.0**	0.00
Social Benefits	**297,716**	**297,729**	**-8.1**	**12.2**	**21.0**	0.00
Affordable Input Program	109,817	109,817	**-13.7**	**18.9**	**28.0**	0.00
Fertiliser payments	102,000	102,000	**-10.1**	**21.3**	**31.8**	0.00
Maize seed subsidy	6,562	6,562	**-33.7**	**0.0**	**-25.0**	0.00
Livestock	585	585			**0.0**	0.00
Logistics	670	670	**0.0**	**0.0**	**68.7**	0.00
Pensions and Gratuities	184,288	184,288	**0.4**	**0.2**	**14.7**	0.00
Pension Fund-Past Liabilities	600	600		**0.0**	**0.6**	0.00
Social Cash Transfer	3,010	3,023	**0.0**	**0.0**	**-26.4**	0.43
Other expenses	**56,902**	**73,685**	**133.3**	**3.6**	**-3.1**	29.49
			133.3			
Net Acquisition of Non-Financial Assets	**1,077,875**	**1,043,431**	**24.6**	**-18.8**	**-15.9**	-3.20
Foreign financed projects (Part I)	797,077	682,413	31.1	-8.9	-12.6	-14.39

Variable	2023/24 Revised	2023/24 Outturn	2020/21 Variance Approved vs Outturn	2021/22 Variance Approved vs Outturn	2022/23 Variance Approved vs Outturn	2023/24 Variance Approved vs Outturn
Domestic financed projects (Part II)	280,798	361,018	-1.5	-34.7	-24.0	28.57
Net Lending/ Net Borrowing	**-1,288,452**	**-1,357,297**	**7.7**	**8.6**	**13.9**	5.34
Total Financing	**1,288,452**	**1,357,297**	**7.7**	**8.6**	**13.9**	5.34
Foreign Financing (net)	**194,630**	**126,445**	**10.8**	**0.0**	**13.5**	-35.03
Foreign Borrowing	**366,741**	**298,556**	**8.9**	**0.0**	**37.9**	-18.59
Program Loans	366,741	298,556			**138.0**	-18.59
Project Loans	**-172,111**	**-172,111**	8.9		**22.0**	0.00
Foreign Amortisation			**0.0**	**0.0**	**115.8**	
Domestic Borrowing (Net)	**1,093,822**	**1,230,852**	**6.5**	**10.5**	**14.0**	12.53

Appendix 4: 2024/25 Allocations to Major Sectors

Sector	2021/22 million	2022/23 MK'million	2023/24 MK'million	2024/25 MK'million	% Change	% of Total Expenditure	% of GDP
Expenditure	1,995	3,043	4,350	5,978	37.4		37
Public Debt Charges-nominal	300	645	915	1460	59.6	24.42	9.10
Public Debt Charges-real	274	529	711	1174	65.1	19.63	7.31
Education-nominal	327	462	603	875	45.1	14.64	5.45
Education-real	299	379	469	703	50.1	11.77	4.38
Agriculture-nominal	284	448	455	497.7	9.4	8.33	3.10
Agriculture-real	260	367	354	400	13.2	6.69	2.49
Health-nominal	187	244	330	729.47	121.1	12.20	4.54
Health-real	171	200	256	586	128.7	9.81	3.65
Transport & Public Works-nominal	208	212	246	439.64	78.7	7.35	2.74
Transport & Public Works-real	190	174	191	353	84.9	5.91	2.20
Social Welfare-nominal	62	64	132	202	53.0	3.38	1.26
Social Welfare-real	57	52	103	162	58.3	2.72	1.01

Appendix 5: Key Energy Sector Interventions in the Malawi Implementation Plan

Planned Interventions	Period	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Outcome: Increased energy generation and access											
Establish solar equipment manufacturing plant through PPP	2023-2026	0	0	400	420	445	250				
Identify and develop sites for hydro, coal, geothermal, natural gas, solar, wind, agricultural waste, forestry waste, and biogas resources through IPP and PPP arrangements	2021-2030	600	618	643	675	715	765	827	901	991	1090
Provide incentives for renewable energy equipment to promote investments and adoption of renewable energy	2021-2030	0	0	0	0	0	0	0	0	0	0
Scale-up the Rural Electrification Program to widen national electricity coverage	2021-2030	25750	26780	28119	29806	31892	34444	37544	41298	46254	46254
Develop more hydro-power plants	2021-2030	68410	70462	73280	76945	81561	87270	94252	102735	111981	123179
Expedite the completion of energy projects in the pipeline which already commenced to increase energy supply to the national grid	2021-2025	35	36	37	39	43					
Fast-track the commencement & completion of the interconnection of Malawi's power system with that of Mozambique and Zambia	2021-2025	0	0	0	0	0					
Invest in new high-capacity power plants and construct new distribution lines and substations to support energy generation and distribution capacity	2021-2030	0	0	700	6000	6360	6805	7350	8011	8812	9693

Appendix 6: Energy Sector Budget Analysis: Data Collection Tool for MDAs

1. **Please fill in the budget performance figures (2019-2023) and allocation for 2024-25FY as in the table below.**

	2019/20 Approved	2019/20 Outturn	2020/21 Approved	2020/21 Outturn	2022-23 Approved	2022-23 Outturn	2023-24 Approved	2023-24 Outturn	2024-25 Estimates
Revenue Budget									
1.									
2.									
Recurrent									
1.									
2									

	2019/20 Approved	2019/20 Outturn	2020/21 Approved	2020/21 Outturn	2022-23 Approved	2022-23 Outturn	2023-24 Approved	2023-24 Outturn	2024-25 Estimates
Development Budget									
1									
2									
3									
Total Expenditure									

Approved means the budget figures endorsed by the board at the beginning of the year.

Outturn means actual expenditures at the end of the year.

2. Estimate the financing gap based on the annual targets by the Agency.
3. Provide a table of the Agencies' targets in terms of energy generation (and any other key indicators the Agency is responsible to report on) to improve energy access.
4. Explain the adequacy of revenue generation measures by the Agency and how best can they be improved.
5. Explain the challenges faced by the Agency in budget planning and implementation.