THE MALAWI CONFEDERATION OF CHAMBERS OF COMMERCE AND INDUSTRY

COMMENTARY ON THE PROPOSED 2026/27 NATIONAL BUDGET

1.0 OVERVIEW

The Malawi Confederation of Chambers of Commerce and Industry (MCCCI) notes with appreciation Government's continued prioritization of Agriculture, Tourism, Mining and Manufacturing (ATMM), alongside infrastructure and human capital development in the 2026/27 National Budget. With K1.334 trillion allocated to ATMM (12.2% of the total expenditure), K664.4 billion to Transport and ICT infrastructure, and significant investments in education and health, the fiscal framework reflects a production-oriented and relatively private-sector-friendly policy stance.

MCCCI welcomes the 2026/27 National Budget, together with the accompanying taxation reforms, which has reflects a clear production-oriented and fairly private-sector-friendly policy stance. The Government has emphasized the need to expand domestic production capacity while creating an enabling environment for small and medium enterprises (SMEs) and emerging manufacturers. MCCCI has noted that the government has put Key priorities including:

- Support for SMEs, with measures designed to reduce administrative burdens and enhance predictability in taxation.

- Promotion of import substitution and protection of local manufacturers, encouraging domestic value addition and reducing reliance on imported goods.

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- Expansion of domestic production capacity, particularly in agriculture, agro-processing, and manufacturing sector.

- Simplification of tax compliance for smaller businesses, through threshold adjustments, final withholding mechanisms, and electronic administration.

- Strengthened revenue mobilization and enforcement, ensuring that larger and capital-intensive firms contribute effectively while ensuring that larger and capital-intensive firms meet their compliance obligations, but creating barriers that could limit expansion or discourage new market entrants .ie. the case of supernormal profit threshold retention.

Overall the budget framework balances relief and incentives for SMEs with protective and supportive measures for domestic manufacturing, while simultaneously ensuring compliance oversight for larger enterprises. The confederation understands that this dual approach aims to stimulate private sector growth without compromising fiscal discipline.

MCCCI is aware that Malawi’s economy remains heavily dependent on rain-fed agriculture, making it highly vulnerable to climate variability and external shocks. The country continues to face limited export diversification, persistent foreign exchange shortages, and structurally high transport and energy costs that undermine industrial competitiveness.

At the same time, rising public debt and inflationary pressures constrain fiscal space and macroeconomic stability. In this context, the quality and effective execution of public expenditure rather than the size of allocations alone will determine whether the 2026/27 Budget catalyzes meaningful structural transformation or merely reinforces existing inefficiencies within the economy.

2.0 KEY HIGHLIGHTS FOR THE 2026/27 BUDGET

MCCCI welcomes the allocation of K1.334 trillion (12.2% of the total budget) to ATMM sectors. The substantial investment in agriculture, including resources for irrigation development, contract farming, and mega farm initiatives, demonstrates recognition of the sector's central role in food security and economic stability.

However, while input subsidies and maize purchases remain important for short-term stabilization, MCCCI urges Government to gradually shift focus toward productivity-enhancing investments such as mechanisation, irrigation expansion, agro-processing, and export-oriented value chains.

2.1 Agricultural and Production Expansion

The Budget places a strong emphasis on agricultural transformation as the backbone of production expansion and industrialization. The objective is to enhance climate-resilient agriculture, secure raw material supply, and stimulate agro-based manufacturing. Key allocations include:

a) K111.45 billion – Fertilizer Input Subsidy Programme (FISP)
b) K60 billion – Maize purchases
c) K60 billion – ADMARC support
d) K40 billion – National Irrigation Development Programme
e) K241.1 billion – Shire Valley Transformation Project
f) K26.7 billion – Contract farming
g) K17 billion – Mega Farm Initiatives (including aquaculture)

The above commitment has the following Private sector implications;

- Significant growth in demand for irrigation equipment, seeds, fertilizers, and mechanization services.
- Expansion opportunities for agri-tech firms, storage providers, logistics operators, and packaging companies.
- Reliable and stable raw material supply for agro-processing, supporting food manufacturing and export-oriented value chains.
- Potential multiplier effects on downstream manufacturing and employment in rural areas.

MCCCI Position

The agricultural expenditure framework continues to exhibit a high recurrent bias toward subsidies and maize purchases, which limits the fiscal space available for productivity-enhancing investments. Large-scale government involvement in maize markets risks crowding out private traders and distorting price signals, potentially distorting price signals, potentially weakening market development over time. Continued reliance on subsidy-driven interventions also raises fiscal sustainability concerns, particularly if revenue performance underperforms or borrowing pressures intensify.

Furthermore, improved transparency and efficiency in grain procurement and storage systems are essential to minimize leakages, strengthen accountability, and ensure that public resources achieve their intended economic and food security objectives.

2.2 Tourism and Manufacturing (K51.2 billion)

Tourism and manufacturing are strategically important high-multiplier sectors that can drive broad-based economic growth. They have the potential to generate employment, expand foreign exchange earnings, support export diversification, and deepen industrial capacity, thereby contributing significantly to Malawi's structural transformation and long-term development objectives.

In terms of tourism, MCCCI notes a K4.6 billion for international tourism promotion. Additionally, targeted development initiatives are planned for key tourism sites, including Kasungu National Park and Lake Malawi, to enhance the country's attractiveness as a regional tourism destination.

Tourism competitiveness depends on a combination of supportive infrastructure, safety, and service quality. Upgrading transport, accommodation, and visitor facilities ensures accessibility and convenience, while improvements in safety and security enhance traveler confidence.

Equally important, maintaining high service standards across the tourism value chain helps create memorable experiences, strengthens Malawi's reputation as a destination, and maximizes the economic benefits of tourism. Consequently, the Malawi Tourism Authority should play a stronger facilitative role in private sector development by acting as a one-stop interface between investors and government institutions.

In terms of manufacturing, the Budget has allocated K7.4 billion to Special Economic Zones (SEZs) to promote industrial clustering, attract investment, and stimulate economic activity, alongside K5.4 billion dedicated to industrial development and support for small and medium-sized enterprises (SMEs), aimed at enhancing competitiveness, fostering entrepreneurship, and creating employment opportunities.

MCCCI welcomes the allocations to Special Economic Zones (SEZs) and industrial development, recognizing their potential to stimulate investment, enhance industrial competitiveness, and support SME growth. MCCCI emphasizes that the effectiveness of these initiatives will depend on complementary measures such as competitive utility tariffs, efficient customs and trade facilitation, and stable policy frameworks.

For SEZs and SME programs to deliver tangible economic benefits, MCCCI urges Government to ensure streamlined regulatory processes, timely implementation, and integration with broader industrial and export strategies, thereby maximizing job creation and private sector participation.

The allocation is strategically sound but modest relative to transformation ambitions. Structural reforms in trade facilitation, energy pricing, and tax administration are critical complements.
Moreover the success of Special Economic Zones (SEZs) depends on creating an enabling environment that supports investment and industrial growth.

This includes competitive utility tariffs to reduce operational costs, efficient customs administration to facilitate the smooth movement of goods, and stable, predictable policy frameworks that give investors' confidence and encourage long-term commitments. Without these supportive measures, financial allocations alone may not translate into sustainable industrial development or increased competitiveness.

2.3 Energy and Mining

The Budget allocates K17 billion to the Malawi Mining Company (MAMICO) to strengthen state participation in the mining sector, alongside K5.6 billion to the Mining and Minerals Regulatory Authority to enhance oversight, regulation, and formalisation of mining activities. In addition, a substantial K219.8 billion has been directed to the energy sector, underscoring Government's recognition of energy as a critical enabler of mining, industrialisation, and broader economic growth.

However, MCCCI still advocating for Creation of a private sector driven Mining Investment Fund aimed at mobilizing domestic capital for strategic participation in mining developments. This fund would provide an accessible vehicle for pension funds, insurance companies, asset managers, and individual Malawian investors to collectively acquire equity stakes in mining projects, thereby enhancing local ownership and value retention.

MCCCI applauds the government for prioritising energy sector.

Energy is the single most critical enabler of industrialization. Without reliable and affordable electricity, manufacturing competitiveness declines due to higher production costs, mining sector expansion is constrained by limited power availability, and the effectiveness of Special Economic Zones (SEZs) is undermined, as energy-intensive industries struggle to operate efficiently and attract investment.

Key Considerations

To strengthen the mining and energy sectors, it is essential to maintain a clear separation between regulatory and commercial roles within the mining industry, ensuring that oversight is independent and free from conflicts of interest. Transparent and predictable licensing processes are critical to attract investment and foster private sector confidence. In the energy sector, encouraging private sector participation in power generation can help close the supply gap, while competitive electricity tariffs are necessary to support industrial competitiveness and reduce operational costs for businesses.

3.0 KEY HIGHLIGHTS OF TAX REFORMS

3.1 SME-Focused Tax Reforms

The 2026/27 taxation reforms include multiple measures aimed at supporting SMEs by simplifying compliance and reducing operational costs.

A. VAT Registration Threshold Increase

- Threshold raised from MK25 million to MK50 million, exempting smaller businesses and cross-border traders from VAT registration and EIS compliance.
- Reduces accounting and administrative costs, improves cash flow management, and lowers audit exposure.
- Strengthens SME survival prospects and encourages gradual formalization.

B. Simplified Tax Regimes

- Introduction of final withholding taxes for residential rental income, capital market transactions, and the gaming sector.
- Reduces annual filings, enhances predictability, and minimizes disputes with tax authorities.
- While beneficial, taxing gross proceeds rather than net profits may compress margins in low-profit activities.

C. Digital Administration and Automation

- Implementation of electronic service of tax documents
- Digital collection of non-tax revenue via mobile money, bank transfers, and POS systems.

- Reduces corruption, improves transparency, levels the playing field, and strengthens compliance fairness for SMEs.

MCCCI welcomes these incentives since collectively, these reforms provide structural support to SMEs, improving the ease of doing business and enabling growth through reduced compliance burdens.

3.2 Manufacturing and Industrial Policy Measures

The Budget also includes measures to stimulate domestic manufacturing and protect emerging industries.

A. Import Surcharges

- Applied to goods that can be produced domestically, such as processed foods, household items, and light manufactured products.
- Protects local manufacturers, reduces foreign exchange leakage, and promotes the "Buy Malawi" initiative.
- Creates opportunities for domestic firms to expand market share and invest in capacity.

B. Scrap Metal Export Duty

- Discourages the export of scrap metal, securing raw materials for local steel and metal industries.
- Supports domestic manufacturing and construction value chains, ensuring a steady supply of critical inputs.

C. Duty-Free Raw Materials for Uniform Production

- Security institutions are required to procure uniforms locally, with duty-free importation of raw materials.
- Stimulates textile and garment manufacturing, while enabling backward integration into fabric and accessory production.

D. Agro-Processing Linkages

- Large-scale irrigation and mega farm initiatives increase raw material availability and reduce seasonal volatility.
- Supports stable supply for agro-processing, enabling scale expansion, value addition, and export readiness.
- Agro-processing manufacturers are expected to benefit significantly if project implementation is efficient.
- Reduces corruption, improves transparency, levels the playing field, and strengthens compliance fairness for SMEs.

MCCCI welcomes these interventions because they are expected to strengthen domestic manufacturing, secure raw material supply, and promote the "Buy Malawi" agenda.

3.3 Compliance and Enforcement for Larger Firms: Supernormal profit tax

MCCCI notes that while SMEs enjoy compliance relief, medium-to-large manufacturers face heightened oversight, including retention of the supernormal profit tax, extended transfer pricing audit look-back periods to nine years, and strengthened administrative powers. These measures strengthen revenue mobilisation but may increase compliance costs and investor perception risks in capital-intensive sectors.

4.0 RISKS AND CONSIDERATIONS

Several risks and considerations accompany the policy framework:

- Protectionist measures may lead to inflation if domestic supply is insufficient, quality gaps, limited consumer choice, and potential trade tensions.
- Success factors include productivity improvements, access to affordable long-term finance, technology upgrading, skills development, and macroeconomic stability.
- Development finance gaps remain, particularly limited long-term industrial financing and insufficient blended finance mechanisms.
- Investment climate perception for larger firms must be managed to avoid discouraging private sector participation.

5.0 CONCLUSION

MCCCI recognizes the 2026/27 National Budget reflects a deliberate production-oriented and relatively private-sector-friendly policy stance, emphasizing SME support, domestic manufacturing, agricultural transformation, and strategic investments in infrastructure, energy, and human capital.

The Confederation welcomes the measures aimed at simplifying tax compliance, promoting import substitution, strengthening industrial linkages, and enhancing resource allocation to high-impact sectors such as agriculture, tourism, mining, and energy. While these allocations and reforms have the potential to stimulate broad-based growth, industrial competitiveness, and export diversification, their success will depend on efficient execution, policy consistency, fiscal discipline, and enabling private sector participation.

MCCCI encourages continuous engagement to identify key implementation issues and ensure that policy measures translate into tangible outcomes for the private sector. We underscore the importance of complementing financial allocations with productivity-enhancing interventions, transparent governance, competitive energy and utility pricing, and access to long-term finance. These elements are critical to driving sustainable, inclusive, and resilient economic transformation for Malawi.

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