

***Washington, DC, US, October (Infosplusgabon) - The Executive Board of the International Monetary Fund (IMF) on Friday approved a disbursement of US\$101.96 million to Malawi under the Rapid Credit Facility (RCF), noting that the southern African nation's economic outlook has worsened since the first RCF assistance in May 2020.***

“This is the second emergency disbursement since the onset of the coronavirus pandemic and will help finance Malawi’s urgent balance of payment and fiscal needs,” the IMF said in a statement announcing its approval.

According to the statement, Malawi’s economic outlook has worsened due to the accelerated spread of the pandemic in the country and the deteriorating global and regional economic situation.

“As a result, external financing needs have substantially increased. The fiscal situation has also deteriorated with revenue losses and channelling of budget resources toward critical spending, including to support incomes and food security of the most vulnerable and increased health sector outlays—in line with Malawi’s national response plan supported by the World Health Organization and other development partners,” the IMF said.

IMF financing under the second RCF will help fill part of the external financing gap and catalyse other concessional financing.

Malawian authorities have committed to transparency and accountability to ensure that the RCF resources are used appropriately and for their intended purpose.

Following the Executive Board's discussion on Malawi, IMF Deputy Managing Director and Chair, Mr. Tao Zhang, remarked that the authorities in the country "are actively implementing measures to mitigate the impact of the pandemic and preserve macroeconomic stability."

He said that key steps being taken include strengthening the health care system, stepping up social spending, ensuring food security, and easing liquidity constraints in the banking system.

"The IMF's emergency financing under the second RCF will help close the immediate additional external and fiscal financing gaps. Further concessional assistance from the international community will be critical to close the remaining external financing gaps during 2020 and 2021 and help ease the adverse economic and social impacts of the pandemic, while preserving Malawi's hard-earned macroeconomic stability," he pointed out..

According to Mr. Zhang, a widening of the budget deficit is appropriate in the near term, given the fiscal costs associated with the economic slowdown and critical pandemic-related spending, which should be executed transparently and targeted at the most affected segments of society.

To safeguard medium-term debt sustainability and fiscal space for development initiatives, he suggested, “it will be important to formulate medium-term measures now—such as policies that strengthen debt management and boost domestic revenue mobilisation—and implement them once the pandemic abates”.

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