



## **Republic of Malawi**

### **PRESS RELEASE**

The Republic of Malawi welcomes the International Monetary Fund's (IMF) announcement on October 21<sup>st</sup>, 2022, of a staff-level agreement (SLA) for a Rapid Credit Facility (RCF) through the Food Shock Window and for an IMF Staff Monitored Program with Board Involvement (PMB). This publication forms an important milestone towards IMF Executive Board approval of the RCF and PMB. Malawi is the first low-income country in the world to reach an SLA to receive up to about US\$ 88.3 million (50 percent of Malawi's IMF quota) under this newly established emerging financing window. These funds will support the Authorities' efforts to address the country's food crisis and support the most vulnerable part of the population.

Malawi is currently assessed to be in debt distress, which mainly reflects legacy debts that have been inherited, driven by unsustainable fiscal and external policies and the recent deterioration of the global economic situation. Restoring debt sustainability has become the Authorities' key priority to support macroeconomic stability and to lay the foundation sustainable and inclusive growth.

In this context, the Authorities have committed to bring Malawi's public and publicly guaranteed external debt to a moderate risk of debt distress in the medium-term through a combination of policy adjustment and the necessary debt treatment. This means that all external debt ratios of the World Bank and IMF Debt Sustainability Framework for Low-income Countries ("LIC-DSF") will have to go below their respective thresholds under the baseline. More specifically, this requires the baseline of (i) the present value of debt-to-GDP ratio to reach below 30%, (ii) the present value of debt-to-exports ratio below 140%, (iii) the external debt service-to-exports ratio below 10%, and (iv) the external debt-to-revenue ratio below 14% in the medium-term.

To achieve this objective, the Authorities and its debt advisor have developed a debt strategy which has recently been endorsed by IMF Staff. The Authorities are currently engaging in a credible process as part of the effort to regain debt sustainability based on adequate creditor engagement to ensure the approach taken delivers the necessary contributions in a sustainable manner. A global reduction of US\$ 579 million in net present value of public and publicly guaranteed external debt will be sought from Malawi's creditors as part of the effort to regain debt sustainability.

In addition, the Authorities will undertake a strong fiscal adjustment in the medium-term and implement measures to strengthen debt management, monitoring and recording and reporting, while seeking further grants support from Malawi's development partners.

The Authorities would like to thank all partners for the constructive discussions so far and will pursue discussions with all lenders towards debt sustainability.

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