

**Malawi and the IMF:
two press clippings from The Nation**

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IMF smiles on Malawi

Denis Mzembe, 26 September, 2003-09-29

The three-year aid drought to Malawi is expected to end next month when the International Monetary Fund (IMF) when the Board concludes the first review of the Poverty Reduction Growth Facility-supported programme, the Fund has said.

The development follows recommendations by IMF's Staff Reports issued in Washington DC on Thursday.

The second disbursement to Malawi of about K1 billion (US\$ 9 million) will "immediately follow the Board meeting when it concludes the first review of the PRGF-supported programme on or about October 20", resident representative Girma Begashaw said on Friday.

"Unless something drastic happens, I see no problem Malawi starting to access the funding," Begashaw said.

Malawi only accessed US\$8 million from a total of K5.8 billion (US\$55 million) from the IMF's PRGF funding on December 21, 2000, before further disbursement were frozen due to slippages in implementing agreed programmes by government.

"Disbursements of five other tranches of the same amount will follow satisfactory conclusions of quarterly reviews of Malawi's performance under the PRGF-supported program; these reviews will be conducted during the remainder of 2003 and the whole of 2004," Begashaw said in a response to a questionnaire.

The resumption of aid to Malawi follows a successful IMF mission that visited the country between July and August this year.

"The IMF mission that visited Malawi during late July and early August observed that Malawi's performance under this track-record program has been broadly satisfactory as fiscal targets set under the program for end-March and end-June, 2003 were largely met," he said.

Begashaw said the mission also agreed with authorities on a programme covering the period up to end-2004, and this agreement, together with the performance under the track-record programme formed the basis for the forthcoming review by the IMF Board.

"The program for the rest of 2003 and 2004, which the IMF Board will be reviewing in October tries to establish a stable macroeconomic environment—that is achieve lower inflation and interest rate, and stable and competitive exchange rate—and to remove structural blocks for resumption of higher growth in the economy," he also said.

Asked what government must do to avoid future slippages in implementing agreed programmes, Begashaw said; "The key phrase is "implementation of economic and financial policies — to restore macroeconomic stability — and structural reforms to accelerate growth" as contained in Malawi's Poverty Reduction Strategy Paper (MPRSP) and as also specified in the Letter of Intent (LOI) of the Government of Malawi to the IMF".

Malawi will also benefit from disbursements of balance of payments and budgetary assistance from other development partners—who have been waiting for IMF's recommendations — after the October 20 IMF board meeting.

Commenting on the development Malawi Confederation of Chambers of Commerce and

Industry (MCCCI) chief executive Chancellor Kaferapanjira said the resumption of aid to Malawi would stimulate the economy.

"The currency will stabilise. Inflation too will stabilise and most of the projects that were halted would now be undertaken. This will have a multiplier effect as jobs too will be created," Kaferapanjira said.

The resumption of aid would also be a deciding factor in reducing current fuel prices. Economic Planning and Development minister Bingu Mutharika said recently that the aid freeze by the IMF made it difficult for government to make any headway in reducing poverty as required by the MPRSP.

As a result of the aid freeze, Mutharika said: "there were no resources coming into the country. That slowed down the process of implementing the PRSP. But once the IMF programme is resumed and funds start flowing, we will catch up with areas that we failed to implement".

The Common Approach to Budget Support (Cabs) which is a composition of European donor countries including the European Union are jointly withholding US\$75 million from Malawi. "The decision by the IMF on its programme with the government of Malawi will be an important factor in Cabs group's final decision on whether or not to resume budget support," said a Cabs statement recently.

Account for IMF aid – Mutharika

Joseph Langa, 28 September 2003

Economic Planning and Development Minister Bingu Mutharika said on Sunday now that the IMF has given Malawi the greenlight to resume its programme in the country, the challenge is for government to tighten fiscal discipline so that "we don't go off-track again".

Mutharika said both the International Monetary Fund (IMF) and the World Bank are willing to work with Malawi to address its economic problems, but "we must first demonstrate our commitment to reduce public expenditure and domestic borrowing in order to correct the fundamentals for macroeconomic growth".

He was speaking at Lilongwe International Airport in Lilongwe on arrival from an IMF and World Bank annual meeting in Dubai, United Arab Emirates. Mutharika said the fund, which will be reviewing the country's position on October 20 assured the Malawi delegation that the country is now on track with all the conditions they were told to meet if the programme is to be resumed.

He said government now needs to put something on the ground so that the country should not reach a situation where its programme with the IMF, once approved, gets off track. "We have to make sure that we don't slide back to the conditions that led us to have problems with the IMF," he said.

Mutharika said once donor money starts flowing the environment for foreign direct investment (FDI) will improve and this will lead to reduction in public expenditure. Government borrowing will begin to reduce and interest rates will begin to come down, he said.

Asked when people should expect the donor money to start flowing after the IMF board meeting Mutharika said: "The money may even start flowing before the board meets. But there are conditions under which the money will be disbursed in tranches.

"We must ensure that when the money is coming we account for it and we will use it for the purposes that it is intended for particularly to make sure that the programmes that are designed to help that the poor people in this country do not suffer," said Mutharika.