



MALAWI

May 2016

REQUEST FOR AN EXTENSION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE AND STAFF REPORT

In the context of the request for an extension of the Arrangement under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis. It is based on information available at the time it was completed on May 4, 2016.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Malawi*

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.**



INTERNATIONAL MONETARY FUND



Press Release No. 16/222
FOR IMMEDIATE RELEASE
May 16, 2016

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Approves Extension of the Arrangement under the Extended Credit Facility for Malawi

The Executive Board of the International Monetary Fund (IMF) approved on May 16, 2016—without an Executive Board meeting¹—an extension of Malawi’s arrangement under the Extended Credit Facility (ECF) to June 30, 2016. This extension will provide additional time for the authorities to implement structural measures under the program.

The [ECF](#) arrangement for Malawi was approved on July 23, 2012 (see [Press Release No. 12/273](#)) in an amount equivalent to SDR 104.1 million (about US\$146.7 million). The program is aimed at the achievement and maintenance of macroeconomic stability and implementation of policies and structural reforms to spur growth, diversify the economy and reduce poverty.

¹The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.



MALAWI

REQUEST FOR AN EXTENSION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT

May 4, 2016

Approved By
**David Owen (AFR) and
Masato Miyazaki (SPR)**

Prepared by the African Department (In consultation with other departments)

1. In the attached letter, the Malawi authorities request a short extension, to June 30, 2016, of their arrangement under the Extended Credit Facility (ECF) that is currently due to expire on May 22, 2016. The ECF arrangement was approved on July 23, 2012 for the equivalent of SDR 104.1 million (150 percent of quota).¹ The extension is needed to provide time for the authorities to implement two prior actions for completing the seventh and eighth reviews. These comprise the reconciliation of government bank accounts for the first half of FY2015/16 and another on preparing a report on the flow and stock of domestic arrears at end-2015.
2. Following the conclusion of the Board meeting on March 23, 2015, program implementation initially suffered from policy slippages that prevented the completion of the seventh review, but these have now been corrected. The macroeconomic policies that underpin the program supported by the current ECF arrangement are back on track. Staff visited Lilongwe from March 9 to 23, 2016 to assess performance under the program and to advise the authorities on the draft FY2016/17 budget. These discussions continued during the sidelines of the 2016 Spring Meetings. Available information suggests that program implementation through end-December 2015 has been satisfactory. Performance criteria (PCs) on net domestic borrowing of the government and net domestic assets of the Central Bank were met by large margins. However, the PC on net international reserves of the central bank was missed in part because of lower-than-programmed export revenues due to the drought, and a strengthening of the dollar relative to most currencies in the region.
3. On the structural side, reforms in the financial sector were carried out as planned. The authorities strengthened commitment controls and made good progress on bank reconciliations by requiring Ministries, Departments, and Agencies to provide five detailed fiscal reports before receiving their regular monthly funding. The authorities have applied sanctions for noncompliance with these reporting

¹ Under the Fourteenth General Review of Quotas this access is now equivalent to 75 percent of quota.

requirements. The IMF's resident public financial management advisor with support from AFRITAC East has been assisting with the implementation of key reforms.

4. Staff supports the authorities' request for an extension of the ECF arrangement to June 30, 2016. To this effect, a decision is proposed for adoption by the Executive Board on a lapse-of-time basis.

Letter of Intent

Lilongwe, April 25, 2016

Ref. No. MF/4/1

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700, 19th Street, N.W.,
Washington, D.C. 20431
USA

Subject: Request for an Extension of the ECF Arrangement 2012–15

Dear Madam Managing Director:

We would like to request an extension of the Extended Credit Facility (ECF) Arrangement until June 30, 2016. The ECF arrangement was approved by the Board of the International Monetary Fund (IMF) on July 23, 2012 and is due to expire on May 22, 2016.

The program extension would provide additional time for the conclusion of the seventh and eighth reviews under the current ECF arrangement. This request does not relate to any delays in program implementation, but simply allows sufficient time to meet the two prior actions necessary for completing the reviews.

The government remains committed to conducting stable macroeconomic policies and the observance of program conditionality during the remaining period.

Sincerely yours,

/s/

Hon. Goodall Gondwe
Minister of Finance and Economic Planning

/s/

Mr. Charles Chuka
Governor of the Reserve Bank of Malawi

cc: Ms. Kapwepwe
IMF Executive Director for Malawi