

IMF gives Malawi US\$79m to meet its balance of payment

The International Monetary Fund (IMF) has increased the financial assistance it renders to Malawi through the Poverty Reduction and Growth Facility (PRGF) arrangement from US\$16.9m to US\$79m to help it meet its run-away balance of payment, which has been soaring due to higher fuel and fertiliser prices.

 By [Gregory Gondwe](#) 17 Jul 2008

This comes against a backdrop of the absence of the national budget which Malawi Parliament was supposed to pass before the start of Malawi's financial year on July 1.

Many local commentators predicted that donors will be withholding aid following a political impasse in Parliament which has left the house refusing to pass the country's K229bn 2008/2009 national budget.

"Institutions out there are watching; and realise that the current political problems do not reflect what we are exactly achieving on the economic front," said Finance Minister Goodall Gondwe.

And a statement from the IMF indicates that the institution has been obliged to hike the financial assistance after the review of Malawi's sixth and final review of its economic performance under a three-year PRGF arrangement.

The Executive Board of IMF has also waived the non-observance of the end December 2007 performance criterion on central government domestic borrowing.

According to Gondwe the completion of the review enables the release of US\$24.7m which will fully disburse the total amount available under the arrangement.

The three-year PRGF arrangement for Malawi was approved in 2005, originally for a total amount of US\$62.1 m to support government's economic programme for 2005-2007.

Malawi's IMF resident representative Maitland Macfarlan who held a joint press conference with Gondwe in Lilongwe on Wednesday said, Malawi has been helped by "favourable weather and debt relief to grow robustly and in the process managed to reduce poverty while its inflation has fallen to single digits and all this has been boosted by its debt situation."

Said Macfarlan; "A major fiscal consolidation helped a decline in interest rates and large expansion in credit to private sector."

The IMF hopes that Malawi's strong growth would continue and even spread beyond agriculture, although this is being thwarted by rising fuel and fertiliser prices which were increasing the downside risk and adding inflation pressure.

Takatoshi Kato, IMF deputy managing director and acting chair for the executive board said the IMF are concerned with Malawi's repeated expenditure overruns. "Despite efforts to accelerate public financial management reforms, capacity constraints remain serious and budget preparation, execution and control need to be further strengthened."

In order to meet the 2008/09 budget Kato said firm fiscal discipline and continued strong political commitment would also be required.

ABOUT GREGORY GONDWE

Gregory Gondwe is a Malawian journalist who started writing in 1993. He is also a media consultant assisting several international journalists pursuing assignments in Malawi. He holds Diploma and an Intermediate Certificate in Journalism among other media-related certificates. He can be contacted on gregorygondwe@gmail.com. Follow him on Twitter at [@Kalipochi](#).
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