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GRAY/20/3092

October 1, 2020

**Statement by Mr. Massourakis and Mr. Persico on Malawi
(Preliminary)
Executive Board Meeting 20/99
October 2, 2020**

We thank staff for the informative reports and Mr. Mahlinza and Mr. Sitima-wina for their helpful Buff statement. We support the authorities' request for disbursement under the Rapid Credit Facility (RCF) which will help catalyze additional support from Malawi's development partners. We would like to offer the following comments for emphasis:

- **We concur with staff on the need to timely address the current account deficit rising from the deterioration of the economic situation, both at global and regional level.** We commend the authorities' swift response to the crisis and share their call for greater support to face the persisting crisis. We noted that staff signaled an acceleration of COVID cases. *In this regard, we would like to ask staff greater details on recent pandemic trends in the country.*
- **Accommodative policies are warranted in the short-term to counterbalance the deteriorated economic performance.** As highlighted by staff, key priorities should be given to ensure spending on health care, social assistance, and food security. However, the authorities should complement those most needed short-term measures with an appropriate medium-term strategy to ensure debt sustainability.
- **We share staff's assessment that the ongoing crisis requires an immediate upscale of the Fund's support.** The continued support from the Fund, completed by the G20 Debt Service Suspension Initiative (DSSI), will certainly play a catalytic role to help the authorities closing the future potential financing gap. Ongoing support from a broad range of international development partners (including World Bank, African Development Bank, EU, DFID, and GAVI, UN, Irish Aid, GIZ, and KfW) remains pivotal.
- **We noted the authorities' interest for a new Extended Credit Facility (ECF) arrangement and invite them to build on the experience of the previous program.** We regret the cancellation of the ECF. As we noted during the previous RFC discussion, the

ECF, even if backed by a limited funding (around 75 p.c. of quota), provided a balanced path to maintain debt sustainability while pursuing ambitious development plans. We invite the authorities to resume that path once the crisis is over. In this regard, we would stress the importance to ensure adequate social safety nets, and to enhance resilience to natural disasters and climate-related shocks. *Could staff provide some contextual information on how the objectives of the previous and of the potential new arrangement will be linked?*