



REPUBLIC OF MALAWI

NATIONAL ADDRESS

BY HIS EXCELLENCY

**DR. LAZARUS McCARTHY CHAKWERA,
PRESIDENT OF THE REPUBLIC OF MALAWI**

KAMUZU PALACE, LILONGWE, MALAWI

15TH NOVEMBER 2023

Fellow Malawians,

An hour ago, the Board of the International Monetary Fund approved the Extended Credit Facility to Malawi that we have been negotiating for the past two years. Under this facility, Malawi will receive an injection of 174 million dollars over the next four years, as well as the resumption of direct budget support from international partners after a 10 year absence because of Cashgate and the financial mismanagement of the previous administration.

The benefits of this IMF Program are many, but allow me to mention a few critical ones. First, the IMF approval will unlock foreign direct investments into the country to strengthen productivity. For example, as a result of our qualification for this IMF Program, several development partners have already lined up a number of financial facilities that will boost the supply of foreign exchange in our banks. This includes the World Bank's US\$60 million Trade Finance Facility that will assist domestic banks to support importation of strategic commodities like fertilizer, pharmaceuticals and industrial raw materials. It also includes the World Bank's 217 million dollar package in response to the fiscal reforms we have implemented, one third of which will be made available immediately. It also includes 250 million dollars from the World Bank for the Agricultural

Commercialization Project, which I will be launching tomorrow, from which 30 million dollars has been set aside for the procurement and distribution of Maize to address the threat of hunger that is looming over several parts of the country. It also includes our ability to meet all the requirements for 70 million Euros in budget support from the European Union, 30 million dollars in budget support from the African Development Bank, and 6 million dollars in support from the International Fund for Agricultural Development. These injections of foreign investment from our partners over the next four months will greatly enhance our foreign exchange reserves position and provide the macroeconomic stability needed for economic and business growth.

Apart from the injection of liquidity into our system, the ECF signals to private sector international investors that Malawi is back on track with being an investment friendly economy whose economic and financial reforms have met the strictest international standards. It is these investments that will power our plans to ramp up production in Agriculture, Tourism, and Mining in line with our ATM Strategy, which includes scaling up the development of Mega Farms for exports, reorganizing and monetizing our minerals for reinvestment, and creating friendly conditions for eco-tourism. Additionally, many of you who run your own businesses and whose operations have been hampered

by acute forex shortages can look forward to better and busier days for your business ahead, because the cornerstone of a strong economy is a strong private sector. In other words, the investment and business friendly environment that this IMF Program will stimulate in our economy over the next four months is a fresh opportunity for us to rebuild our economy.

I am sure you now know that securing this fresh opportunity for rebuilding our economy has come at a painful cost. It has come at the painful cost of enacting reforms in the management of our economy, our financial institutions, and our historic debt. I know that all of you are feeling the agony of the painful corrections we have had to make in order to give our economy a fresh start, and I want you to know that I have not made these painful corrections lightly.

At my inauguration on Independence Day three years ago, I carried in my heart the heavy burden of knowing that you had trusted me to correct the mistakes in economic management I had inherited. In that moment, I knew that I had the choice of either telling you the truth about how bad things were or continuing the lies of the past that claimed that our economy was built on sound principles and practices. But I chose to tell you the truth that day, which is why I told you that the principles and practices our economy had been built on

previously were so unsound like a dislocated bone that even correcting them to create economic liberation would cause enormous pain for all of you. That pain I spoke of is the pain we are all feeling now, and that pain is going to continue for the next few months as we complete the process of putting the dislocated bones back into place. But once this short painful season of sowing ends, I assure you that a season of joyful harvest will come.

But that joyful harvest will only come if we put this fresh opportunity for international support coming back to Malawi to good use. The choice is ours. And this is not the first time we are having to make this choice. In September 2006, after two years in office and struggling to make progress economically because of high levels of debt, the late President Bingu and Malawi were given a fresh start when the International Monetary Fund and the World Bank announced the cancellation of our international debt, and in the two years that followed, that fresh start was put to good use and Malawi's economy began to rebound. However, after the elections of 2009, the gains started being squandered, as people developed insatiable appetites for spending on consumption and neglecting to invest in production, including a presidential order to the banks to allow people to cash government checks at commercial banks without any controls. The result was Cashgate and the loss of the

international budget support we had received in 2006, which we have never gotten back until now.

And now that we have successfully restored international confidence and international support, we once again have the opportunity to put it to good use. I know that there will be some who will want us to squander this opportunity by spending money carelessly. I will not allow that. I know that there will be some who will want us to squander this opportunity by pointing fingers at me for making the painful corrections that I had already said I'd make three years ago. I will not be distracted by that. I know that there will be some who created this mess that I am now cleaning up who will be the loudest in calling me names, claiming that I am the problem, and calling on citizens to attack me. But I am not intimidated by that.

I am here to serve Malawians, and to do so, I am prepared to do things that are painful as long as they are the right things. The most painful thing by far has been the recent devaluation of our currency to correct the false value of the kwacha based on nothing and rebuild true value in the kwacha based on production of exports. I know that this decision has caused a lot of pain, and I know that all of us now have to make big adjustments in spending so that we can prioritize those areas

that are most productive and stay the course until our economy becomes productive and profitable again.

In making those painful adjustments, I myself have to lead by example. This is why effective immediately, all my international trips between now and the end of the fiscal year, beginning with my trip to COP28 at the end of this month, are cancelled. By extension, I am putting a freeze on all public-funded international trips for all public officers at all levels, including those in parastatals, until the end of the financial year in March. In fact, all Cabinet members currently abroad on public-funded trips must return to Malawi with immediate effect. Any travel deemed absolutely necessary by anyone during that period must be submitted to my office for my personal authorization.

Secondly, I order that all fuel entitlements for Cabinet Ministers, Principle Secretaries, Directors and all Members of Senior Management of Public Institutions should be cut in half with immediate effect. Thirdly, until further notice, I order the Secretary to the President and Cabinet to circulate to all public institutions a criteria for local trainings and local travel that will be acceptable, as well as a cap on how much of their budgets can be spent on allowances for such trainings and trips. By doing this, I am effectively ending the practice of draining public coffers to spend on allowances for useless activities.

Fourthly, I have directed the Minister of Finance and Economic Affairs to include provisions in the upcoming midyear budget review for cushioning Small to Medium Enterprises so that we can protect the jobs that they create. Fifthly, I have ordered the Minister of Finance to also include in that mid-year budget review provisions for a reasonable wage increase for civil servants. In the meantime, I have also directed him to review the Pay As You Earn income tax and incorporate a reduced percentage in the new budget he presents to Parliament in a few months so that workers whose incomes have lost value in the devaluation are helped with a lower tax burden.

In the meantime, to protect Malawians from the predatory behaviours of those who want to exploit consumers in the wake of the devaluation, I have tasked the Ministers of Finance and Trade to work together with the Competition and Fair-Trading Commission to investigate all price increases for any sign of unfair business practices and to give me a weekly report on the culprits we need to hold accountable for raising prices in violation of the law. Similarly, I have ordered the Secretary to the President and Cabinet to see to it that the recent hiking of the price of water by Waterboards is absorbed by the operating costs of those boards for now, and not placed on Malawian consumers. Most importantly, the savings we will make from

these and other spending cuts will go towards the procurement of food and fertilizer to ensure that no Malawian family in any district is left without food in the next four months while we plant our fields.

Lastly, as for those who are in positions of leadership and who know that they are responsible for creating the mess we are in, all I can say to them is that I will deal with you soon enough.

God bless you all and God bless Malawi.