



AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT

DEBT PROFILE *Malawi*

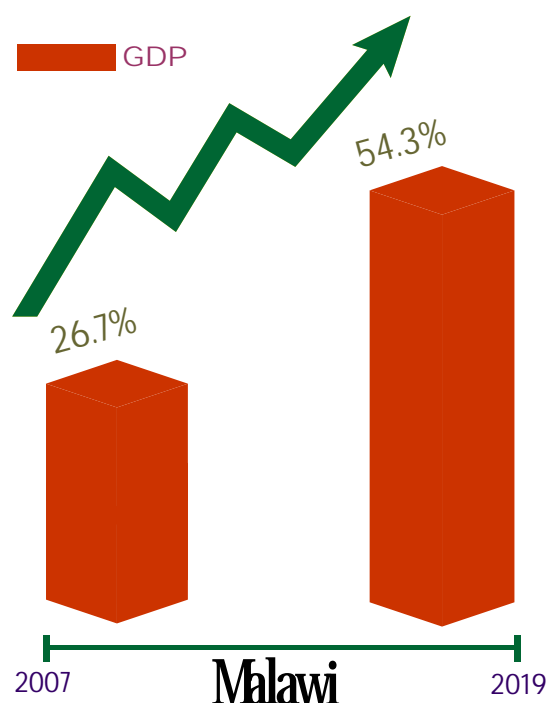


Malawi *in Moderate Risk of Debt Distress*

Malawi's economy has made progress in achieving macroeconomic stabilization following two years of severe drought and lingering consequences of corruption scandals.

Malawi faces a moderate risk of debt distress based on an assessment of public external debt, with heightened vulnerabilities related to domestic debt.

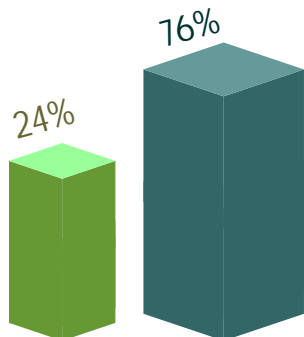
Malawi has accumulated debt at a fast rate over the recent years, and the country's debt level is high compared to its SSA peers



Since the HIPC and MDRI debt relief in 2006, Malawi's debt has more than doubled, and now stands at **54.3%** of GDP compared to **26.7%** of GDP in 2007, just after the debt relief.

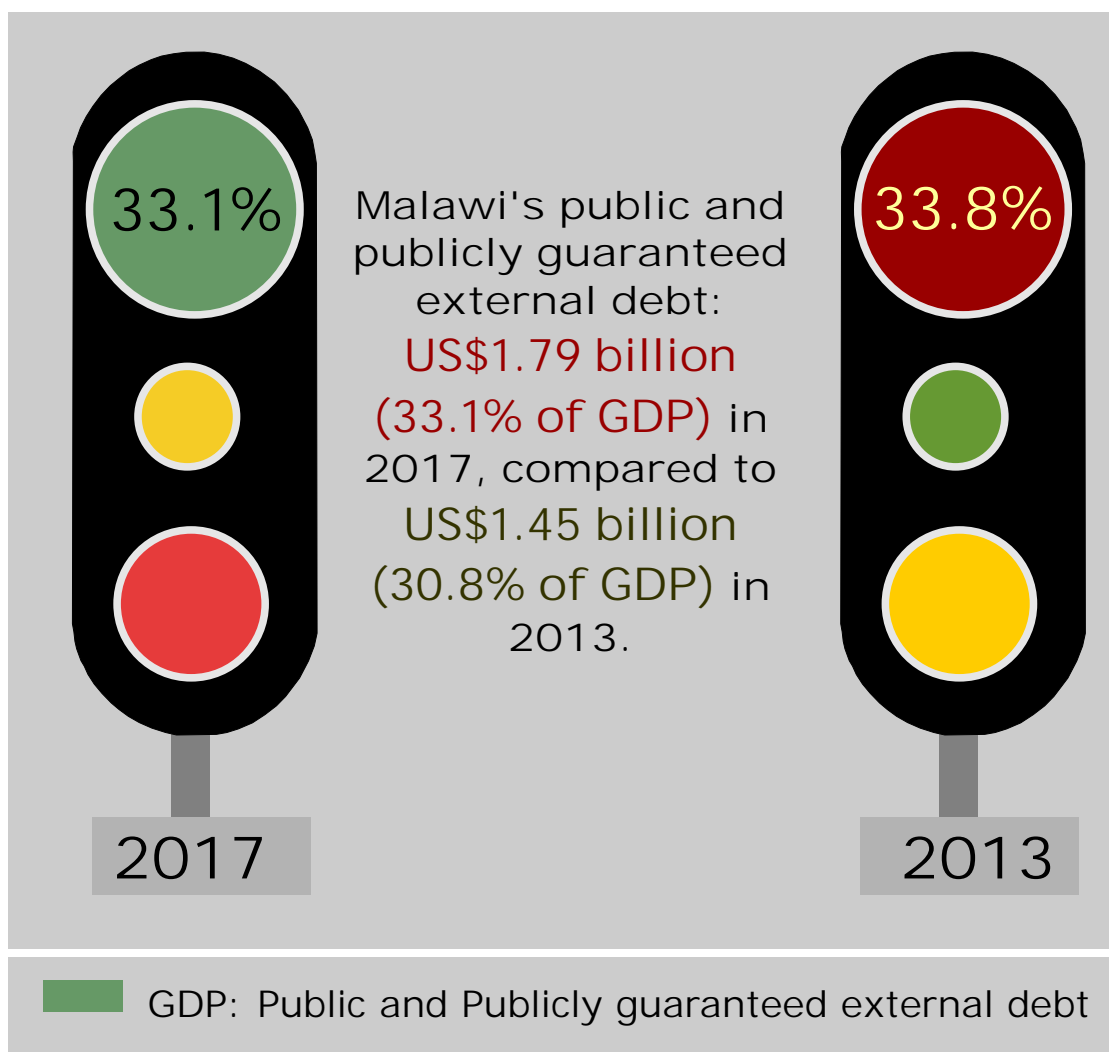
This is one of the fastest pace of accumulation of debt amongst countries which received HIPC and MDRI debt relief.

EXTERNAL DEBT *MALAWI*



The external Debt of Malawi: **76%** multilateral creditors (2017), 24% by bilateral creditors

 Multilateral creditors  bilateral creditors

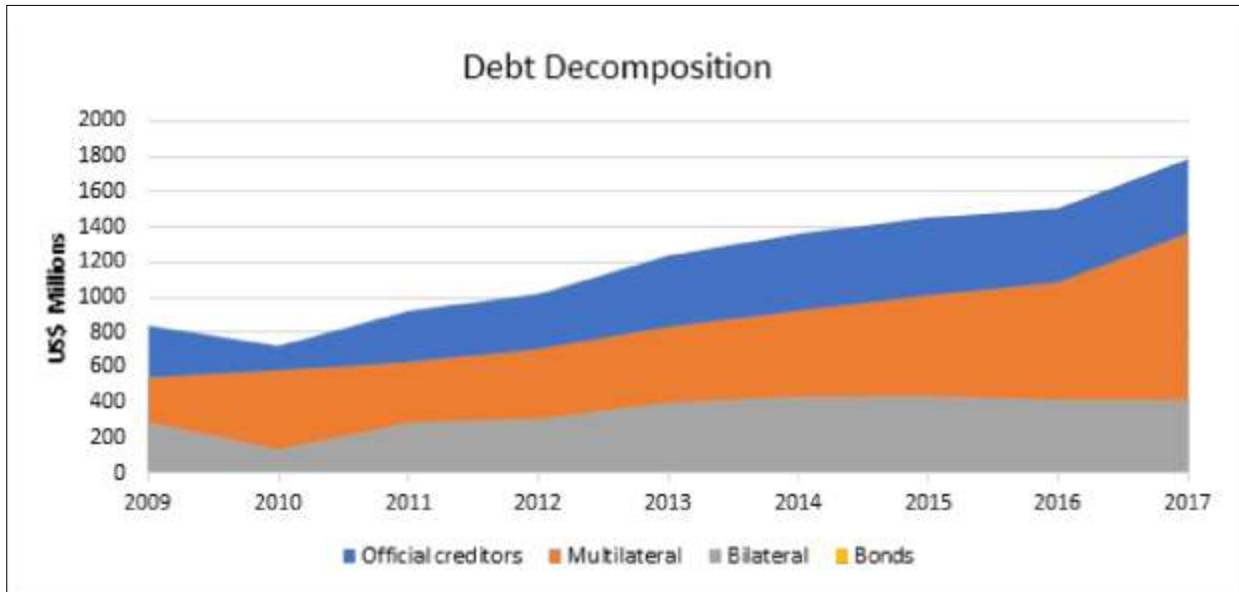


Debt Composition *MALAWI*

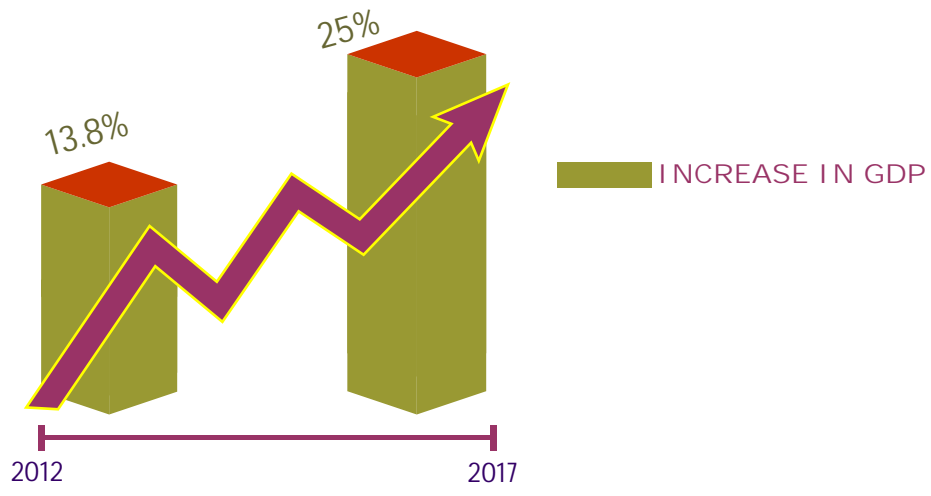


Debt composition of has shifted from external to domestic borrowing, Why?

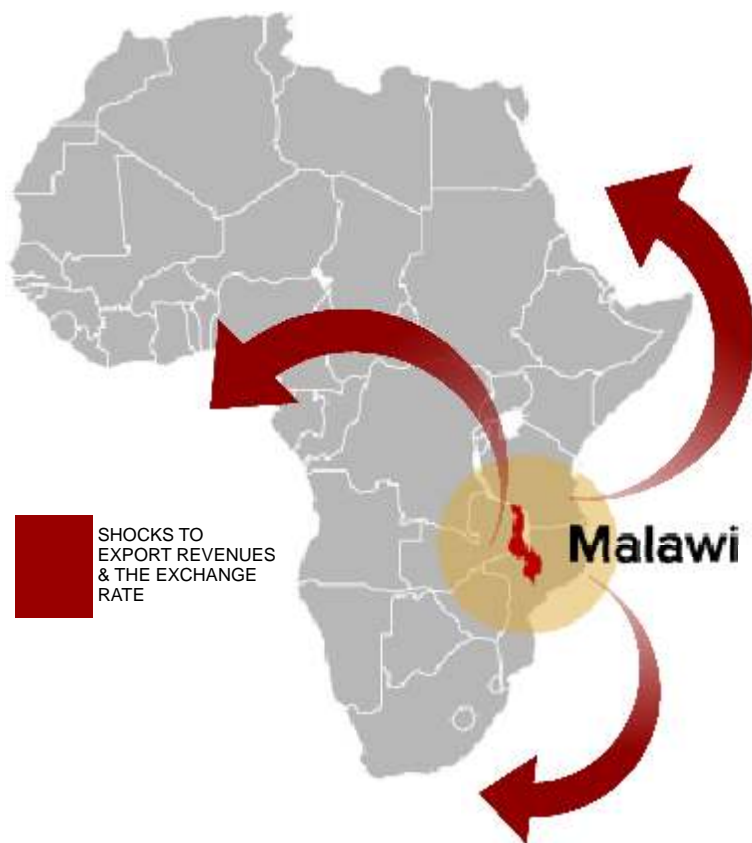
Sustained large fiscal deficits incurred during 2013–17, the securitization of domestic arrears, and the withdrawal of donor financing.



Gross domestic debt increased from MK206.6 billion (13.8% of the new rebased GDP) at the end of 2012 to MK 1.1 trillion (25% of GDP) at the end of 2017.

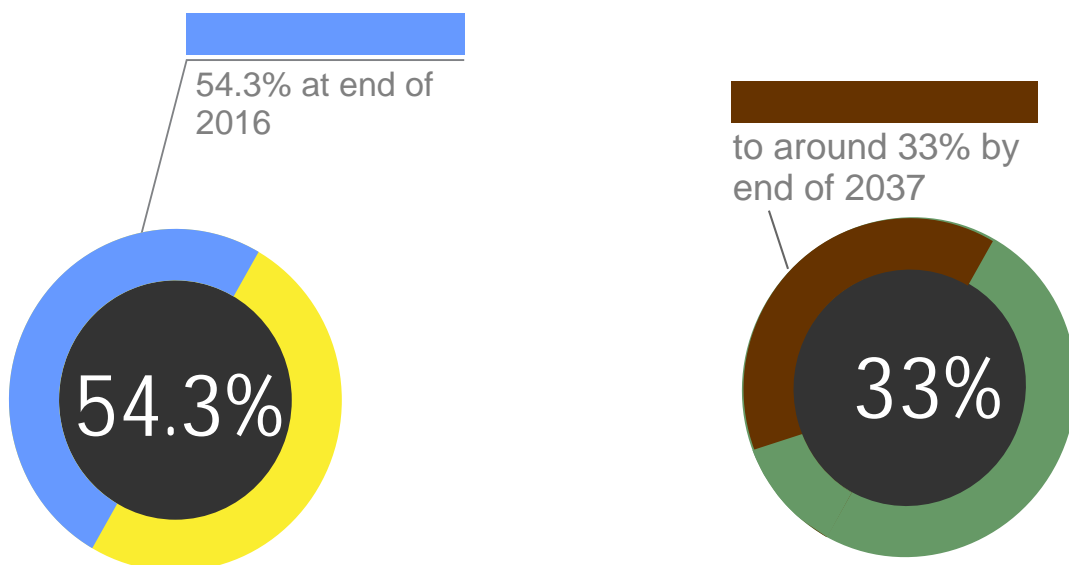


Debt Sustainability: *Malawi*



All baseline external debt burden indicators remain below their indicative thresholds, but **public external debt** remains vulnerable to exogenous shocks, notably **shocks to export revenues and the exchange rate**.

Gross total debt as a percentage of GDP is projected to decline from:



Recommendations: *Malawi*

·The government should direct resources from debt to capital projects that have ability to payback and also towards productive sectors of the economy, contrary to funding recurrent expenditure.

·There has been a significant rise in domestic debt, constituting a large share of the total public debt. Hence, the government should formulate and implement prudent domestic debt management strategies to mitigate the effects of rising debt on the economy.

·There is need to strengthen the soundness of fiscal position through promotion of FDI policies and through capacity utilization across all key sectors of the economy.



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