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July 29, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Mr. Abalala on Republic of
Madagascar
(Preliminary)
Executive Board Meeting 20/85
July 30, 2020**

We thank staff for the informative report and Mr. Raghani, and Mr. Andrianarivelo and Mr. Nguema-Affane for their helpful Buff statement. We are in broad agreement with the staff appraisal and would like to underscore the following points:

- 1. We support the authorities' request for an additional disbursement under the exogenous shock window of the Rapid Credit Facility to address an urgent financing gap.** Here, we support the authorities' temporary loosening of fiscal and financial policies to address the impact of the pandemic. We also welcome the authorities' Multisectoral National Response Plan to mitigate the pandemic impact. However, we share the staff's concern over the prioritization of some of the infrastructure projects given that the financing gap is projected to widen over the medium term. In this regard, we are reassured to note that the authorities will implement contingency plans to further prioritize spending and delay the investment projects that have not started. We take note of the authorities' interest in initiating discussions for a successor arrangement to support their economic reform strategy.
- 2. We note that the authorities' capacity to repay the Fund remains adequate, albeit with an increase in the risk of external debt distress from low to moderate.** In this connection, we welcome the authorities' request for debt service suspension under the G20 DSSI that would help towards closing the financing gap and creating fiscal space for the much-needed social spending. Indeed, we are encouraged by the authorities' commitment to use freed up resources under the DSSI for COVID-19 spending and mitigating measures to provide economic relief from the crisis.
- 3. We positively note the authorities' commitment to ensuring transparency and traceability of COVID-19 related spending.** To this end, we commend the authorities'

intention to publish online, among others, all procurement contracts and the list of beneficiaries as well as the ex-post audits of these contracts conducted by an independent third party. We also welcome the central bank's commitment to undergo a safeguards assessment before the approval of any new subsequent arrangement and to continue to provide staff with access to most recently completed audit reports.

With these remarks, we wish the authorities every success in addressing the policy challenges.