

SU/22/35

March 8, 2022

**The Acting Chair's Summing Up  
Republic of Madagascar—First Review Under the  
Extended Credit Facility Arrangement  
Executive Board Meeting 22/22  
March 7, 2022**

Executive Directors welcomed the broadly satisfactory performance under the Fund-supported program despite the challenging global environment, the ongoing pandemic, and several recent natural disasters. They noted that while the economy is gradually recovering, important economic and social challenges remain, including the low vaccination rate. Against this backdrop, Directors called on the authorities to press ahead with their efforts to preserve macroeconomic stability and advance the reform program, which would help Madagascar achieve stronger, more sustainable, and more inclusive growth.

Directors reiterated the urgency of strengthening governance and transparency, including in public administration. They called for further improvements to budget transparency and reporting. Directors welcomed the publication of four audit reports by the supreme audit institution on the response to the COVID-19 pandemic and emphasized the need to address their findings and recommendations as well as to implement promptly the remaining transparency commitments. They also called for effective enforcement of the anti-corruption legal framework through sufficiently resourced and independent anti-corruption courts and the operationalization of the agency in charge of illicit asset recovery.

Directors supported the gradual fiscal consolidation envisaged in the 2022 Budget Law and the projected increase in social and investment spending. Noting their persistent under-execution, Directors urged better planning, execution, and monitoring of both social spending and priority investment. The new tax measures together with the planned spending prioritization and additional efforts needed to limit the wage bill and energy subsidies will help create the fiscal space needed for more social spending. Given Madagascar's moderate risk of debt distress, Directors also called on the authorities to rely more on concessional financing and grants.

Directors stressed the need to mitigate fiscal risks, in particular by overhauling the public utility company. They welcomed the preparation of a timetable for the implementation of an automatic fuel pricing mechanism with an adequate social safety net to protect the most vulnerable groups. Directors supported the strengthening of the disaster risk management system, including by building on the results of the ongoing Climate Macroeconomic Assessment Program.

Directors generally agreed that the current monetary policy stance remains appropriate. They welcomed the progress in reforming the monetary policy framework toward interest rate targeting and stressed the importance of protecting the central bank's autonomy and updating its reserve management strategy. Directors agreed with the need to monitor rising non-performing loans, further develop and strengthen the financial sector, and boost financial inclusion.