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Summing Up by the Acting Chairman
Madagascar—Decision Point Document Under the Enhanced Initiative
for Heavily Indebted Poor Countries (HIPC) and Interim Poverty
Reduction Strategy Paper (PRSP)
Executive Board Meeting 00/129—December 21, 2000

Directors welcomed the government's interim PRSP and considered that it constitutes a sound basis for the preparation of a full PRSP. They commended the authorities on their participatory process and encouraged them to strengthen further the consultative approach, with a view to including the poor and most vulnerable groups of society more fully in the participatory process. Directors agreed with the authorities that poverty reduction will require policies to sustain economic growth, expand income-generating activities for the poor, and improve health and education and other essential services. They stressed the importance of ensuring that environmental concerns are properly incorporated in the PRSP. Directors welcomed the government's objective of completing a full PRSP by mid-2001, but noted that much remains to be done in order to ensure that the PRSP is based on realistic economic assumptions; reflects sufficient prioritization among the various objectives; and includes full costing of the programs intended to achieve these objectives.

Madagascar is a PRGF-eligible and IDA-only country, and its external debt burden is unsustainable, even after taking into account relief provided under traditional debt relief mechanisms. Directors agreed that Madagascar has established a credible track record of good performance in the context of IMF- and World Bank-supported adjustment and structural reform programs, and that it therefore has reached the decision point under the enhanced HIPC Initiative. Some Directors would have preferred this decision to be taken once Madagascar has reached an agreement with the Fund on a medium-term economic program to be supported by a new PRGF-arrangement.

Directors agreed that Madagascar could reach the floating completion point when the conditions contained in Box 8 of the HIPC Decision Point Document are satisfactorily implemented (EBS/00/251). A few Directors would, however, have preferred a stronger concentration on the triggers that are of critical importance for assessing policy progress. Directors welcomed the agreement on a comprehensive set of indicators to monitor the implementation of the government's program.

Directors emphasized the importance of ensuring that the budget resources released by debt relief are used for the priority action programs that are directed at poverty reduction. They welcomed the authorities' intention to monitor the utilization of these resources with appropriate mechanisms. In this context, Directors attached importance to the commitment

by the authorities to strengthen the procedures for improved monitoring and reporting of government budget execution; this will be essential to improve transparency and strengthen oversight of the use of public resources. They urged the authorities to implement their strategies in the health and education sectors with determination, and to improve the delivery of basic social services, as a key element of the fight against poverty.

Directors welcomed the Malagasy authorities' commitment to continue their adjustment efforts, and looked forward to a medium-term program that could be supported by a new three-year arrangement under the PRGF. It was also suggested that Madagascar's debt sustainability be kept under regular review, given the high vulnerability of its export base to exogenous shocks.