

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/83/255
Correction 2

CONFIDENTIAL

January 12, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Madagascar - Request for Stand-By Arrangement

The following corrections have been made in EBS/83/255 (11/30/83):

Page 2, Table 1, lines 2 and 3: the figures for proposed purchases from ordinary and enlarged access resources have been corrected following the adoption of the decision on enlarged access.

lines 10 and 12: figures for holdings excluding CFF have also been corrected.

A corrected page is attached.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND
DEMOCRATIC REPUBLIC OF MADAGASCAR

Request for Stand-By Arrangement

Prepared by the African Department and
the Exchange and Trade Relations Department

(In consultation with Fiscal Affairs, Legal
and Treasurer's Departments)

Approved by Oumar B. Makalou and S. Kanesa-Thasan

November 29, 1983

I. Introduction

In the attached letter dated November 21, 1983 from the Minister at the Presidency in charge of Finance and Economy to the Managing Director, the Government of Madagascar requests a stand-by arrangement for 15 months in an amount equivalent to SDR 33 million, or 65 percent of Madagascar's present quota (50 percent of Madagascar's proposed quota of SDR 66.4 million). Discussions on the proposed stand-by arrangement began during the 1983 Article IV consultation discussions, July 19/August 4, 1983 (EBS/83/235), continued during a visit to Washington of a delegation from Madagascar, September 8-16, 1983, and concluded during the 1983 Annual Meetings. ^{1/} As various elements of the program were identified and agreed upon, the authorities began to implement some of them in anticipation of the requested stand-by arrangement.

As of October 31, 1983, the Fund's total holdings of Malagasy francs subject to repurchase were SDR 133.1 million, or 261.0 percent of present quota, of which SDR 85.6 million were from purchases under the credit tranches, including supplementary financing of SDR 22.2 million and enlarged access of SDR 20.5 million, and SDR 47.4 million (93 percent of quota) were from purchases under the compensatory financing facility. The expected purchases and scheduled repurchases during the period of the requested stand-by arrangement are shown in Table 1. Assuming that the full amount of the stand-by arrangement is purchased, the Fund's holdings of Malagasy francs subject to repurchase would increase from 261 percent to 266 percent of Madagascar's present quota and 204 percent of the proposed quota. Madagascar's relations with the Fund are summarized in Appendix III.

^{1/} The staff team involved in the negotiations was composed of Mr. Bhatia (head-AFR), Mr. Stillson (AFR), Mrs. Tyler (ETR) and Messrs. Schiavo-Campo and Gilman (both AFR).

Table 1. Madagascar: Proposed Purchases and Scheduled Repurchases
during the Period January 1984-February 1985

(In millions of SDRs)

	1984			1985	
	Jan.-March	April-June	July-Sept.	Sept.-Dec.	Jan.-Feb.
Purchases	9.00 ^{1/}	6.00	6.00	6.00	6.00
Ordinary resources	(4.50)	(3.00)	(3.00)	(3.00)	(3.00)
Enlarged access resources	(4.50)	(3.00)	(3.00)	(3.00)	(3.00)
Repurchases	4.29	3.65	7.03	8.53	7.03
Credit tranches	(0.64)	(--)	(3.38)	(4.88)	(3.38)
Compensatory financing facility	(3.65)	(3.65)	(3.65)	(3.65)	(3.65)
Net purchases	4.71	2.35	-1.03	-2.53	-1.03
Total Fund holdings (cumulative)	188.81	191.16	190.13	187.60	186.57
As a percent of existing quota					
Total holdings	370.2	374.8	372.8	367.8	365.8
Holdings excluding CFF	284.5	296.3	301.4	303.6	322.9
As a percent of proposed quota					
Total holdings	284.4	287.9	286.3	282.5	281.0
Holdings excluding CFF	218.5	227.6	231.5	233.2	248.0

^{1/} Of which SDR 3 million would be available when the stand-by arrangement becomes effective and with observance of December 31, 1983 performance criteria.

The staff report for the 1983 Article IV consultation with Madagascar (EBS/83/235, November 2, 1983) reviews the economic background, performance under recent stand-by arrangements, and current policies. Therefore, this report is confined to discussions of the program which the authorities are implementing and is to be supported by the requested stand-by arrangement. The report also discusses the balance of payments prospects of Madagascar in the medium term during which period debt service on existing debt is dominant. Appendix IV contains selected economic indicators for the program period.