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EBS/00/105
Correction 3

CONFIDENTIAL

July 10, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **Madagascar—Staff Report for the 2000 Article IV Consultation, First Review Under the Second Annual Arrangement Under the Poverty Reduction and Growth Facility, and Requests for Augmentation, Extension of Commitment Period, and Waiver of Performance Criteria**

The following corrections have been made in EBS/00/105 (6/12/00):

Page 41, Table 2, last column: revised

Page 42, Table 3, last column: revised

Corrected pages are attached.

Att: (2)

Other Distribution:
Department Heads

Table 2. Madagascar: Central Government Accounts, 1995-2000

(In billions of Malagasy francs)

	1995	1996		1997		1998		1999		2000	
		Prog.	Act.	Rev. Prog. 1/	Act.	Target Scenario 1/	Act.	Prog. 1/	Est.	Prog. 1/	Rev. Prog.
Total revenue and grants	1,542	1,886	2,091	2,797	2,703	2,885	2,873	3,455	3,510	4,036	4,577
Total revenue	1,150	1,357	1,407	1,803	1,747	2,233	2,165	2,670	2,667	3,238	3,325
Budgetary revenue	1,149	1,348	1,405	1,758	1,747	2,230	2,077	2,646	2,667	3,210	3,311
Of which: tax revenue	1,121	1,316	1,374	1,715	1,688	2,159	1,984	2,567	2,580	3,127	3,214
Extrabudgetary and capital revenue 2/	1	10	3	45	0	4	0	24	0	28	14
Grants	392	528	683	994	956	652	708	786	843	798	1,253
Current grants	31	111	116	401	378	93	60	64	172	65	326
Project grants	362	418	567	594	579	559	648	722	671	733	927
Total expenditure	2,374	2,790	2,883	3,104	3,137	3,619	3,819	4,026	3,791	4,450	4,968
Current expenditure	1,523	1,748	1,704	1,726	1,960	2,090	2,146	2,203	2,175	2,421	2,590
Budgetary expenditure	1,498	1,728	1,679	1,644	1,802	2,032	2,052	2,232	2,172	2,421	2,476
Personnel	444	551	523	628	670	803	826	917	1,001	1,010	1,058
Other noninterest expenditure	366	450	397	534	583	628	672	722	679	763	770
Foreign interest obligations	624	638	629	418	504	517	467	461	325	546	467
Domestic interest obligations	64	88	131	64	45	84	87	133	168	102	181
Treasury operations 2/	25	20	25	19	120	58	94	-29	3	0	45
Emergency expenditure 3/ 4/	0	0	0	64	39	0	0	0	0	0	69
Capital expenditure	850	1,042	1,180	1,378	1,177	1,529	1,673	1,823	1,616	2,029	2,377
Of which: reconstruction 4/	...	...	...	...	...	...	...	...	...	...	200
Domestic financing	197	333	284	380	275	505	466	492	430	629	725
Foreign financing	654	709	895	998	902	1,024	1,208	1,332	1,186	1,400	1,653
Overall balance (commitment basis)											
Including grants	-832	-904	-793	-307	-434	-733	-947	-571	-281	-413	-390
Excluding grants	-1,224	-1,433	-1,476	-1,301	-1,390	-1,386	-1,654	-1,357	-1,123	-1,211	-1,643
Changes in domestic arrears 3/	45	-11	3	-109	-139	-100	-102	-28	68	-135	-99
Overall balance (cash basis)	-787	-915	-790	-416	-573	-833	-1,048	-599	-213	-548	-490
Net cost of structural reforms 5/	0	0	0	0	0	-409	-237	-495	-370	-250	-721
Exceptional revenue	0	0	0	0	0	47	0	76	46	37	39
Cost of structural reforms	0	0	0	0	0	455	237	570	415	287	760
Total overall balance (cash basis)	-787	-915	-790	-416	-573	-1,242	-1,285	-1,094	-583	-798	-1,211
Financing	787	915	790	416	573	1,242	1,285	1,094	583	798	1,211
Foreign (net)	825	909	805	430	692	510	379	878	285	576	1,007
Drawings	299	428	329	1,119	1,029	515	672	641	516	667	1,081
Amortization due	-795	-613	-604	-542	-509	-696	-662	-555	-608	-689	-653
Change in external arrears	1,320	1,094	1,080	-10,024	-5,460	-5,343	89	-5,708	28	0	-6,886
External debt relief	0	0	0	9,877	5,632	5,589	281	5,721	349	0	7,074
Financing gap	0	0	0	0	0	443	0	780	0	597	391
Domestic (net)	-38	6	-15	-14	-119	672	902	-541	246	71	-391
Banking system	-43	0	-45	-76	-146	513	741	-673	167	-57	-382
Nonbanking system	5	6	30	62	27	159	160	132	79	128	-9
Divestment revenue	0	0	0	0	0	60	4	758	52	151	595

Sources: Ministry of Finance and Economy; Ministry of Budget and Development of Autonomous Provinces; Fund staff estimates and projections; and World Bank estimates.

1/ EBS/97/159 (8/21/97) for 1997; EBS/99/116 (7/8/99) for 1998-2000.

2/ Beginning in 1999, treasury revenue is classified as a negative outlay in treasury expenditures, which from then on are reported on a net basis.

3/ Expenditures projected under the revised program for 1997 include contingent once-and-for-all outlays of FMG 9 billion and an additional FMG 13 billion of repayment of arrears, as specified in page 12, paragraph 24, footnote 11 of EBS/97/159.

4/ For 2000 the government budgeted FMG 69 billion to address exceptional developments related to the resurgence of a cholera epidemic and the devastating effects of recent cyclones, and an additional FMG 200 billion for post cyclone reconstruction.

5/ The net cost of structural reforms comprise (i) as receipts, loan recovery by the debt-recovery unit that holds the nonperforming loans of the two (former) public banks (BFV and BTM) after their assets have been financially restructured; and (ii) as expenditures, those related to civil service reform (i.e. training, bonuses, and wage decompression); to the upgrading of pay and equipment in the justice services; to privatization (severance pay, administrative costs, transfers to the regional development fund that provides grants and concessional loans for basic social infrastructure purposes or to employees affected by privatization, and indemnization payments to formerly expropriated owners); and to the capital transfers for the asset restructuring at the two insolvent banks (BFV and BTM).

Table 3. Madagascar: Quarterly Financial Operations of the Central Government, 1999-2000

(In billions of Malagasy francs; cumulated)

	1999		2000							
	Q4		Q1		Q2		Q3		Q4	
	Prog.	Est.	Prog.	Rev. Prog.	Prog.	Rev. Prog.	Prog.	Rev. Prog.	Prog.	Rev. Prog.
Total revenue and grants	3,455.4	3,509.9	783.7	912.5	1,749.5	2,091.8	2,810.8	3,372.5	4,036.4	4,577.1
Total revenue	2,669.5	2,667.4	610.6	608.3	1,392.3	1,502.7	2,258.5	2,380.6	3,238.5	3,324.5
Budgetary revenue	2,646.0	2,667.4	605.9	606.0	1,383.0	1,498.7	2,241.0	2,371.9	3,210.5	3,310.5
Of which: tax revenue	2,566.8	2,580.1	605.9	606.0	1,383.0	1,450.2	2,241.0	2,299.2	3,127.5	3,213.6
Capital revenue	23.5	0.0	4.7	2.3	9.3	4.0	17.5	8.8	28.0	14.0
Grants	785.9	842.5	173.1	304.2	357.2	589.2	552.3	991.9	797.9	1,252.6
Current grants	63.9	171.9	11.8	32.3	42.8	156.7	60.2	156.7	65.0	326.1
Project grants	722.0	670.6	161.3	271.9	314.4	432.5	492.1	835.1	732.9	926.5
Total expenditure	4,026.9	3,790.9	729.2	840.9	1,831.9	2,199.7	2,870.2	3,857.3	4,449.6	4,967.6
Current expenditure	2,203.7	2,175.0	407.2	468.3	1,047.0	1,285.8	1,557.1	1,897.5	2,421.0	2,590.2
Budgetary expenditure	2,232.4	2,172.4	407.2	433.6	1,047.0	1,150.3	1,557.1	1,748.2	2,421.0	2,475.8
Of which: personnel	917.1	1,000.6	244.0	254.2	504.5	509.7	757.1	767.2	1,010.1	1,057.5
other noninterest expenditure	722.0	679.0	65.2	65.2	256.2	337.6	428.5	577.2	763.0	769.7
foreign interest obligations	460.8	325.0	80.5	83.1	245.8	221.5	315.2	303.8	545.9	467.3
domestic interest obligations	132.5	167.8	17.6	31.2	40.5	81.5	56.3	100.0	102.0	181.2
Treasury operations	-29.3	2.6	0.0	18.7	0.0	75.5	0.0	84.3	0.0	45.0
Emergency expenditure	0.0	0.0	0.0	16.0	0.0	60.0	0.0	65.0	0.0	69.4
Capital expenditure	1,823.2	1,615.9	322.0	372.5	784.9	913.9	1,313.1	1,959.8	2,028.6	2,377.4
Of which: reconstruction						66.0		121.0		200.0
Domestic financing	491.5	429.6	31.4	34.2	185.5	289.9	374.7	572.6	628.7	724.8
Foreign financing	1,331.7	1,186.3	290.6	338.3	599.4	624.0	938.4	1,387.2	1,399.9	1,652.6
Overall balance (commitment basis)										
Including grants	-571.4	-281.0	54.4	71.7	-82.3	-107.9	-59.4	-484.8	-413.2	-390.5
Excluding grants	-1,357.4	-1,123.5	-118.7	-232.6	-439.5	-697.1	-611.7	-1,476.7	-1,211.1	-1,643.1
Changes in domestic arrears	-28.5	67.6	-33.8	-24.9	-67.6	-40.0	-101.4	-62.0	-135.0	-99.4
Overall balance (cash basis)	-599.9	-213.4	20.6	46.8	-149.9	-147.9	-160.8	-546.8	-548.2	-489.9
Net balance of structural reforms	-494.9	-369.7	-34.6	-94.1	-67.2	-294.5	-76.8	-500.1	-249.5	-720.6
Exceptional revenue	75.6	45.6	7.0	7.0	17.0	19.4	27.0	29.4	37.0	39.4
Cost of structural reforms	570.5	415.3	41.6	101.1	84.2	313.9	103.8	529.5	286.5	760.0
Total overall balance (cash basis)	-1,094.8	-583.1	-14.0	-47.3	-217.1	-442.4	-237.6	-1,046.9	-797.7	-1,210.5
Financing	1,094.8	583.1	14.0	47.3	217.1	442.4	237.6	1,046.9	797.7	1,210.5
Foreign (net)	878.1	284.9	-34.6	40.4	-50.5	273.8	-55.0	672.8	-21.7	1,006.7
Drawings	641.4	515.7	125.5	66.4	269.7	319.7	425.3	699.1	667.0	1,081.4
Of which: projects				66.4		141.5		442.0		566.1
Amortization due	-555.3	-607.5	-160.1	-170.7	-320.2	-334.1	-480.3	-512.9	-688.8	-653.5
Change in external arrears	-5,708.2	27.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6,886.0
Debt relief	5,720.6	349.1	0.0	144.7	0.0	185.9	0.0	184.6	0.0	7,074.1
Financing gap	779.6	0.0		0.0		102.3		302.0		390.7
Domestic (net)	-541.0	246.4	-11.9	6.6	-62.6	-197.9	-187.3	7.6	71.0	-390.9
Banking system, excluding reevaluation	-673.0	167.1								
Banking system, including reevaluation		235.2	-43.9	-78.4	-126.6	-160.9	-283.3	55.1	-57.0	-381.7
Reevaluation effect (net)		-68.1								
Deposits		-15.4								
Credits/losses		83.5								
Nonbanking system	132.0	79.3	32.0	85.0	64.0	-37.0	96.0	-47.5	128.0	-9.2
Divestment revenue	757.9	51.8	12.3	0.4	126.4	366.5	138.6	366.5	151.2	594.7
Foreign	573.1		3.7	0.0	109.4	349.2	113.0	349.2	117.2	543.1
Local	184.8		8.6	0.4	17.0	17.3	25.6	17.3	34.0	51.6
Memorandum items:										
Financing gap	779.6	0.0	48.1	0.0	203.9	102.3	341.3	302.0	597.2	390.7
Financing gap (in millions of SDRs)	97.6	0.0		0.0		11.4		33.7		43.5

Sources: Ministry of Finance and Economy; and Fund staff estimates and projections.