

SU/20/17

January 29, 2020

**The Acting Chair's Summing Up
Republic of Madagascar—2019 Article IV Consultation and
Sixth Review Under the Extended Credit Facility Arrangement
Executive Board Meeting 20/10
January 29, 2020**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the broadly satisfactory implementation of the economic reform program and peaceful political transition followed by solid macroeconomic performance. However, they regretted the slowdown in progress on structural reforms and continued underperformance on priority social spending. In light of Madagascar's long-standing challenges of high poverty, stagnant per capita income and vulnerability to natural disasters, Directors emphasized the need for further efforts to bring Madagascar onto a path of sustainable and inclusive growth. In this regard, they welcomed the authorities' ambitious development agenda summarized in the *Plan Emergence Madagascar* and their commitment to strengthen macroeconomic stability and debt sustainability, and implement outstanding reforms. Directors noted that enhanced capacity development will be essential to support the authorities' objectives and welcomed the intention to start discussions on a successor arrangement.

Directors emphasized that fiscal policy should remain focused on efforts to create fiscal space to allow for scaling up of priority social and investment spending, notably in education, health and housing. In this context, they encouraged the authorities to continue their efforts to improve revenue mobilization through credible medium-term tax revenue mobilization plans, containment of lower-priority spending, and enhancement of the investment implementation capacity. To contain risks to macroeconomic stability and debt sustainability, Directors called for reducing transfers to the public utility company JIRAMA and finalizing and implementing its medium-term recovery plan, improving the sustainability of the civil servant pension fund, and containing liabilities to fuel distributors. They also encouraged the authorities to adopt the planned fuel pricing mechanism without further delays, while putting in place mitigating measures and social safety nets to limit the impact on the poorest.

Directors welcomed continued progress in improving the monetary framework and strengthening the financial sector. They called for continued efforts to improve foreign exchange market operations and gradually phase out the surrender requirement on export proceeds, as well as further steps to strengthen the bank supervisory framework. They encouraged the authorities to implement the new banking and financial stability laws, and to continue their efforts to improve financial inclusion.

Directors welcomed progress on governance reforms and the anti-corruption legal framework, and they urged its effective and impartial enforcement in order to strengthen the business climate and attract private investment. Directors also called for continued efforts to strengthen public financial management and for prioritizing measures to increase resilience to natural disasters.

It is expected that the next Article IV consultation with the Republic of Madagascar will be held on the standard 12-month cycle.