

SU/20/137

July 31, 2020

**The Acting Chair's Summing Up  
Madagascar—Request for Disbursement Under the Rapid Credit Facility  
Executive Board Meeting 20/85  
July 30, 2020**

Executive Directors noted that Madagascar's economy is severely affected by the impact of the COVID-19 pandemic, including key sectors, such as tourism, and export-oriented manufacturing. The macroeconomic outlook has further weakened, with growth projected to be negative in 2020, and urgent balance of payments needs from the pandemic have increased significantly. Emergency support under the RCF is helping to finance health and economic relief, and continues to catalyze donor support. Directors noted that budget support committed for 2020 almost doubled since the approval of the first RCF disbursement on April 3, 2020. Against the background of a high degree of uncertainty, more support will be needed to ease the adjustment burden. In this context, Directors welcomed the authorities' decision to apply for the Debt Service Suspension Initiative, and their commitment to use released resources to finance spending on COVID-19 health-related and economic relief.

Directors supported the temporary loosening of macroeconomic and financial policies to accommodate the impact of the pandemic. They expressed concerns regarding the limited increase in social spending in the revised budget law and, noting the projected high level of investment, encouraged the authorities to prioritize projects with the highest social impact.

Directors noted the authorities' commitment to transparency and accountability to ensure that the RCF resources are used appropriately and for their intended purposes, including with the publication of procurement contracts related to the response to the pandemic and their beneficiaries, and post-crisis audits of pandemic-related procurement contracts.

Directors noted that Madagascar's risk of external debt distress has increased from low to moderate while it remains moderate for overall public debt. Since risks to the outlook are substantial, they encouraged the authorities to be ready to implement contingency measures for their investment plans. Stressing the importance of preserving fiscal sustainability once the crisis abates, Directors welcomed the commitment, beyond the immediate response to the crisis, to continue reforms needed toward higher, more inclusive and sustainable growth.