IMF Executive Board Approves US$312.4 Million ECF Arrangement for Madagascar

March 29, 2021

- The 40-month financing package will support the implementation of the authorities' ambitious economic reform agenda to raise sustainable and inclusive growth and reduce poverty.
- Reforms will focus on strengthening fiscal space to allow for much needed investment and social spending, improving the business environment, advancing the anti-corruption and governance agenda, and strengthening the monetary policy framework and supporting financial stability.
- Madagascar's macroeconomic outlook has been affected by weaker external and domestic demand due to the pandemic reversing recent progress in per capita income and poverty reduction.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) approved today a 40-month arrangement under the Extended Credit Facility (ECF) equivalent to SDR219.96 million (about US$312.4 million or 90 percent of quota) for Madagascar.

The Board's decision allows an immediate disbursement of SDR 48.88 million (about US$69.4 million). The ECF arrangement follows the Fund's emergency support to Madagascar in April 2020 for SDR122.2 million (about US$165.99 million or 50 percent of quota), and in July 2020 for SDR122.2 million (about US$171.9 million or 50 percent of quota). The arrangement is expected to catalyze additional bilateral and multilateral financial support.

The program design considers Madagascar's fragilities, including its high exposure to climate-related shocks, and will focus on mitigating the economic impact of the pandemic, maintaining macroeconomic stability, and reviving the reform momentum to raise and sustain growth and reduce poverty. It aims to rebuild and further strengthen fiscal space to allow for much needed investment and social spending through revenue mobilization and improving quality of spending; resuming and advancing the structural reform and anti-corruption efforts and governance agenda; and strengthening the monetary policy framework and supporting financial stability, while maintaining price stability with exchange rate flexibility. Capacity development is crucial for the success of the program.

Following the Executive Board discussion, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, made the following statement:

"The COVID-19 pandemic continues to take a severe human and economic toll on Madagascar, reversing recent social and economic progress, and creating fiscal and external financing needs.

The authorities' program, which will be supported by a new arrangement under the Extended Credit Facility, will focus on supporting the economic recovery and implementing structural reforms to increase sustainable and inclusive growth that reduces poverty.

"The authorities are implementing measures to create fiscal space for much needed social spending and investment. These include medium-term revenue mobilization efforts and improving the quality of public spending.

"Given that Madagascar remains at a moderate risk of debt distress, the authorities plan to follow a prudent debt management strategy that relies on concessional financing for scaling-up investment and improving investment management. They also envisage developing contingency plans and mitigating fiscal risks, including addressing potential fuel pricing-related liabilities and implementing the public utility JIRAMA's recovery plan with World Bank support. They have also developed a disaster risk management strategy to assess and manage climate-related risks.

"The authorities have made progress towards COVID-19-related transparency commitments, including publishing information on pandemic mitigation spending and procurement contracts. They are working to further strengthening budget transparency and to implement remaining transparency commitments.

"To improve the business environment and attract much needed private investment, the authorities are committed to fully implementing the anti-corruption legal framework. They also plan to continue improving the monetary policy framework, developing, and strengthening the financial sector, and boosting financial inclusion."