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Madagascar: Recent Economic Developments and Selected Issues

This Recent Economic Developments and Selected Issues report on Madagascar was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Madagascar or the Executive Board of the IMF.

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MADAGASCAR

Recent Economic Developments and Selected Issues

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Madagascar: Basic Data

Area, population, and GDP per capita

Area: 582,000 square kilometers
 Population
 Total: 14.6 million (1999)
 Growth rate: 3.0 percent (1999)
 GDP per capita: US\$255.2 (1999)

	1995	1996	1997	1998	1999 Est.
National accounts					
	(In billions of Malagasy francs)				
GDP at current prices	13,479	16,224	18,051	20,343	23,379
GDP at constant prices	1,931	1,973	2,046	2,126	2,225
	(Annual percentage change at 1984 prices)				
GDP at market prices	1.7	2.1	3.7	3.9	4.7
Primary sector (at factor cost)	1.9	2.5	1.9	2.1	3.4
Secondary sector (at factor cost)	1.8	2.0	4.7	5.3	4.2
Tertiary sector (at factor cost)	1.5	2.1	4.7	5.1	5.5
	(In percent of GDP)				
Consumption	96.4	93.7	96.3	95.4	95.0
Gross domestic investment	10.9	11.6	11.9	12.5	12.9
Gross domestic savings	3.6	6.3	3.7	4.6	5.0
Current account balance 1/	-7.0	-3.7	-2.4	-4.8	-2.7
Price movements					
	(Annual percentage change)				
GDP deflator	45.2	17.8	7.3	8.4	9.8
Consumer price index (traditional basket) 2/	37.3	8.3	4.8	6.4	14.4
Government finance					
	(In billions of Malagasy francs)				
Current revenue and grants	1,541.8	2,090.7	2,703.2	2,872.6	3,509.9
Current expenditure	1,523.4	1,703.8	1,960.2	2,146.1	2,175.0
Capital expenditure	850.4	1,179.6	1,176.9	1,673.1	1,615.9
Overall balance on a cash basis (deficit -)	-786.8	-790.0	-573.3	-1,048.5	-213.4
Net domestic financing	-38.0	-15.0	-119.0	901.5	246.4
<i>Of which</i> : domestic banks (net)	-43.2	-44.8	-146.0	741.2	167.1
	(In percent of GDP)				
Overall deficit (commitment basis)					
Excluding total grants	-9.1	-9.1	-7.7	-8.1	-4.8
Overall balance on a cash basis (deficit -)	-5.8	-4.9	-3.2	-5.1	-0.9
Money and credit					
	(In billions of Malagasy francs)				
Foreign assets (net)	616.3	1,175.3	1,771.1	1,172.0	1,711.5
Domestic credit					
Claims on the government (net)	811.3	784.5	680.1	1,453.3	1,706.5
Claims on the economy	1,563.7	1,599.4	1,814.1	1,828.2	1,955.4

Madagascar: Basic Data

	1995	1996	1997	1998	1999 Est.
Broad money	2,717.3	3,209.7	3,846.2	4,169.1	4,972.5
	(Annual percentage change)				
Domestic credit					
Claims on the Government (net)	-3.1	-3.3	-13.3	92.6	8.1
Claims on the economy	15.3	2.3	13.4	15.8	19.1
Broad money	16.2	18.1	19.8	8.4	19.5
Balance of payments	(In millions of SDRs, unless otherwise indicated)				
Exports, f.o.b.	344.6	360.6	366.7	382.6	434.8
Imports, f.o.b.	414.0	444.0	495.6	495.5	550.2
Trade balance	-69.4	-83.4	-128.8	-112.9	-115.4
Services (net)	-193.4	-171.6	-157.3	-168.0	-139.4
<i>Of which</i> : interest payments due	112.3	112.9	75.8	67.2	39.8
Unrequited transfers (net)	116.5	151.7	224.4	147.4	181.2
Private transfers (net)	49.5	60.7	84.2	61.3	78.1
Public transfers (net) 3/	67.0	91.0	140.2	86.1	103.1
Current account balance					
In percent of GDP 4/	-7.0	-3.7	-2.4	-4.8	-2.7
Capital account (net)	-37.0	26.6	81.4	6.8	68.8
<i>Of which</i> : drawings	54.9	60.0	152.3	83.3	68.1
amortization	-142.8	-104.8	-72.6	-89.7	-71.0
direct investment	6.4	7.0	10.0	11.9	42.7
Overall balance	-183.3	-76.8	19.7	-126.6	-4.8
Debt relief and cancellation	0.0	0.0	803.0	38.0	40.8
IMF (net)	-9.4	1.9	0.7	-10.3	4.8
Arrears (reduction -)	223.1	169.3	-783.2	12.0	3.1
Reserves (net) (increase -)	-39.8	-92.6	-39.5	76.6	-39.1
Gross official reserves 5/	5.9	12.3	14.0	7.8	9.6
Outstanding external debt 6/	2,887.3	3,082.9	2,858.3	2,828.9	2,948.6
Exchange rates (period averages)					
Malagasy francs per SDR	6,474.4	5,882.4	7,016.1	7,381.7	8,585.8
Malagasy francs per U.S. dollar	4,265.6	4,061.3	5,090.9	5,441.4	6,283.8

1/ Including official transfers.

2/ End of period.

3/ Including project grants.

4/ Including official transfers.

5/ In weeks of imports of goods and services.

6/ Provisional. After debt relief.

I. INTRODUCTION

1. Madagascar is an island economy off the South-East coast of Africa. The population is estimated at 14.6 million of which 72 percent live in rural areas. With a GDP per capita estimated at US\$255 in 1999, poverty affects some three-quarters of the population. Madagascar has abundant natural resources, including a rich and unique eco-system, a varied topography, climatic variation, great agricultural diversification and mineral wealth. It is, however, subject to the risks of regional hurricanes, drought, and locust infestation.

2. From the 1970s until to the first half of the 1980s, Madagascar pursued a development strategy based on economic nationalism and pervasive state control. These policies resulted in severe macroeconomic imbalances, declining output, and increased poverty (in the 1960s poverty is estimated to have affected only 45 percent of the population). From the second half of the eighties, Madagascar adopted more pragmatic policies in the context of a structural adjustment program based on disengagement of the state, fiscal and administrative reform, and economic and financial liberalization. Continued though halting progress has been accomplished. Between 1991 and 1993, political instability slowed economic reforms but in 1995-96 the stabilizing effects of the renewed policy came into evidence. In November 1996, the current Poverty Reduction and Growth Facility (PRGF) (former ESAF) program was approved by the Executive Board, and the World Bank approved the first and second Structural Adjustment Credits in 1997 and 1999, respectively. The following sections describe the progress made over the last three years.

II. PRODUCTION, INCOME, AND PRICES

A. Production and Income

3. **Real GDP growth** has increased steadily since 1995 from an annual average of 1.9 percent during 1995-96 to 4.1 percent between 1997 and 1999 (Table 1 and Figure 1). As a result, several years of decline in real per capita income were reversed and per capita income rose by an average of 1 percent in Malagasy Franc terms per year during the period 1997-99. The tertiary sector was the major source of overall growth, its value added increasing at an annual average rate of 5 percent in the period 1997 to 1999. Transport services for passengers, including tourism and private services, were the largest contributors. The secondary sector, while accounting for only 12.5 percent of output, has also been growing rapidly. The primary sector, with slower growth and therefore a slowly declining share of real value added, grew by over 3 percent in 1999, as a result of a surge in forestry output, despite the effect of swine fever on livestock production.

4. Agriculture accounts for about 55 percent of current value added in the **primary sector**, while livestock and fisheries represent some 28 percent and forestry 18 percent (Table 2). Real growth in the primary sector fell from 2.5 percent in 1996 to 1.9 percent in 1997, driven by a decline in agriculture, as a result of bad weather. The 1997's cyclone damage to coffee plantations in the north lowered production by 19 percent. However, the cotton crop, from the south, increased by 39 percent. In 1998, agricultural value added

declined as a result of the effects of locust infestation on major food crops, including rice and corn. Any effects of the locusts on livestock were offset by increased investment in fisheries where shrimp producers restructured their operations in anticipation of the removal of an embargo by the European Union (EU). Swine fever reduced livestock value added in 1999 but very rapid growth in forestry boosted primary sector growth to over 3 percent.

5. Growth in the **secondary sector** is estimated to have increased from 1.9 percent on average in 1995-96 to 4.7 percent in the period 1997-99 largely because of the good performance of the beverages and tobacco industries. The food and beverage industry contributes about 6 percent to total value added, and represents about half of output in the secondary sector. The free trade zone, which is an important contributor to exports and a significant source of employment in the manufacturing sector, but represents just 2 percent of total current value added, but grew rapidly from 17 percent on average in 1996-97 to 21.2 percent on average in 1998-99.

6. The growth of the **tertiary sector** averaged 5.1 percent in 1997-99, up from 1.8 percent in 1995-96. Transport and services, excluding government administration, and the retail and wholesale trade are the most important contributors to current value added in this sector. While passenger transport is less than a quarter of value added in the transport sector, it recorded strong growth of on average 13.5 percent in 1998-99. This reflects an average expansion of 38.7 percent in tourist nights over this period. In line with the policy of reducing the government's dominant role in the economy, growth in government services has been virtually zero between 1997 and 1999. Rising incomes and the expansion of capacity in the tourism industry have contributed to the growth rates of over 10 percent in the construction industry in 1998 and 1999.

B. Domestic Demand

7. Domestic savings increased from 3.6 percent of GDP in 1997 to 5 percent in 1999, as public savings were raised from -1.2 percent of GDP in 1997 to 1.8 percent in 1999 while private savings were broadly stable. Over the same period, overall investment rose by 1 percentage point of GDP to 12.9 percent in 1999, with public investment (excluding public enterprises) rising by 0.1 percentage points to 6.4 percent of GDP in 1999. Private investment shows a broadly positive trend, rising from 5.6 percent to 6.5 percent of GDP between 1997 and 1999. The most dynamic sectors have been the export-processing zone, fisheries, and tourism.

C. Prices

8. In 1997, the average rate of inflation, as measured by the traditional consumer price index, declined to 4.5 percent from 19.8 percent in 1996. This decline is attributable to tight financial policies implemented by the government in the framework of the PRGF-supported program. Consumer inflation rose modestly in 1998, to reach 6.4 percent in the 12-month

period to December; the rise was much more marked in 1999 as inflation reached 14.4 percent on an end-year basis as a result of faster money growth and shortages in key food items because of an epidemic that decimated the pig herd.

III. FISCAL DEVELOPMENTS

A. Overall Fiscal Developments

9. Reflecting progress made in the context of the Fund-supported program adopted in late 1996, the financial situation improved between 1997 and 1999. The primary balance¹ (which excludes foreign-financed investment expenditure) improved slightly from a deficit of 0.2 percent of GDP to a surplus of almost 1 percent of GDP at end-December 1999 (Tables 3 and 4). The fiscal deficit on a commitment basis, excluding grants, was cut almost in half, reaching 4.8 percent at end-December 1999, down from 9.1 percent of GDP in 1997. Similarly, the total overall fiscal balance on a cash basis narrowed by 0.7 percentage points of GDP, down from 3.2 percent of GDP in 1997. On the financing side, after repaying domestic bank credit of FMG 119 billion (equivalent to 0.7 percent of GDP) in 1997, borrowing from domestic banks increased to FMG 902 billion (4.4 percent of GDP) in 1998, but declined again to FMG 246 billion (1.1 percent of GDP) in 1999.

10. The reduction in the primary deficit over the period 1997-99 reflected an increase in government revenue, but also a reduction in current expenditure. Total revenue (excluding grants) increased from 9.7 percent of GDP in 1997 to 10.6 percent in 1998 and 11.4 percent in 1999. Income taxes rose by 20 percent during the period 1997-99 on account of renewed economic growth and improved collection efforts from the authorities. Taxes on goods and services rose from 2 percent of GDP in 1997 to 2.8 percent in 1999, mainly as a result of higher revenue from the value-added tax (VAT) on local goods. The revenue from international trade reached 6.3 percent of GDP in 1999, up from 5.2 percent in 1997, attributable essentially to increased revenue from the VAT on imported goods.

B. Expenditure Developments

11. In the expenditure area, overall expenditure (including the net cost of structural reforms) remained broadly stable at about 17.8 percent of GDP during the period 1997-99, reaching 17.4 percent of GDP in 1997, surging to 19.9 percent in 1998, and then declining again to 17.8 percent in 1999. Current expenditure fell from 10.9 percent of GDP in 1997 to 9.9 percent in 1999, mainly on account of restraint on nonwage outlays and lower interest payments. To contain the growth of the wage bill, the authorities are working on civil service reform; the first step being the introduction in 2000 of a system of bonus payments based on performance. At the same time, capital expenditure rose modestly from 6.5 percent of GDP in 1997 to 6.9 percent in 1999, after reaching 8.2 percent in 1998.

¹ Revenue minus noninterest current expenditure, and excluding foreign financial investment expenditure.

12. As a result of the priority given to the social sectors, more resources are devoted to education and health. Total spending on health and education increased by almost 1 percentage point of GDP, from 2.6 percent in 1997 to 3.4 percent in 1999 (see Box 1). With respect to capital expenditure, the increase was more modest, as they rose from 0.6 percent of GDP in 1997 to 0.8 percent in 1999. Meanwhile, a mechanism is being put in place to ensure that budgeted resources are effectively provided to targeted groups in the local communities. At the same time, the number of teachers has increased by 3,000 in 1999. Despite these recent efforts, health and education's basic requirements are not met, and poverty is still widespread. In the face of such daunting challenges, the authorities are developing a national poverty reduction strategy, with the participation of local and foreign nongovernmental organizations (NGOs), civil society, and bilateral and multilateral donors and creditors.

Box 1. Government Spending on Social Sectors, 1995–99					
	1995	1996	1997	1998	1999
(In billions of Malagasy francs)					
Education					
Current	172.1	173.7	196.2	293.9	319.3
Capital	84.0	85.9	92.6	113.0	148.3
Total	256.1	259.6	288.8	406.9	467.6
Health					
Current	68.6	20.7	118.8	166.3	153.7
Capital	66.2	109.1	61.7	118.5	173.6
Total	134.8	129.8	180.5	284.8	327.3
(As a percentage of GDP)					
Education	1.9	1.6	1.6	2.0	2.0
Health	1.0	0.8	1.0	1.4	1.4

13. Public investment rose from the equivalent of 6.5 percent of GDP in 1997 to 8.2 percent in 1998, and 6.9 percent in 1999 (Table 4). Although investment remains largely funded by foreign resources, the share of domestic financing increased to 1.8 percent of GDP in 1999, up from 1.5 percent in 1997, and 2.3 percent in 1998. With regards to foreign financing of investment, the share of grants declined from 3.2 percent of GDP in 1997 to 2.9 percent in 1999. At the same time, external borrowing rose from 1.8 percent of GDP to 2.1 percent in 1999. The rise in investment over the period 1997-99 reflects the growing allocation of resources to the health, education, and infrastructure sectors.

14. The rise in public capital spending in health, education, and infrastructure was made possible by the significant lowering of the external debt service after 1997. External debt service declined from 58 percent of government revenue in 1997 to 35 percent in 1999. This reduction reflects a decline of the scheduled debt service due following the March 1997 debt relief granted by the Paris Club. In particular, Madagascar benefited from a flow rescheduling of maturities consisting of a 67 percent reduction in the net present value of

eligible debt falling due in the period January 1, 1997 to November 30, 1999 (in 1999, the rescheduling was extended to cover the period December 1, 1999 to July 31, 2000).

15. During 1997 and 1998, FMG 241 billion of domestic arrears was repaid. In 1997, in connection with the March 1997 rescheduling agreement concluded with the Paris Club, FMG 5,460 billion of external arrears were cleared. In 1999, there was a modest accumulation of new domestic and external arrears (FMG 68 billion and FMG 28 billion, respectively). The domestic arrears represent mainly the float between expenditure committed and paid, while the external arrears reflect the delay in concluding bilateral agreements with nonParis Club creditors.

16. Expenditure for structural reforms rose from 1.2 percent of GDP in 1998 to 1.8 percent in 1999. It includes funding for civil service reform, privatization, bank restructuring, and indemnizations for past expropriations.

C. Tax and Budgetary Reform

17. To improve fiscal management, important measures were introduced in recent years with a view to simplifying the tax system and extending the tax base, improving tax and customs administration, and tightening expenditure management. The VAT base was extended and exemptions for imported goods removed by June 1999, and the incentives granted under the Investment Code (abrogated in 1996) are now in part integrated in the tax code, with the provision that they will not be renewed as they expire. With respect to expenditure management, measures were taken to tighten the expenditure process and improve monitoring, including social outlays. A new classification harmonizing budgetary and treasury accounts was introduced effectively in June 1999, on the basis of which the 2000 budget was elaborated. Regarding customs administration, the computerization system was upgraded in 1998-99. Finally, additional staff resources were allocated to the revenue department.

18. In line with the tax reform under the COMESA regional agreement, the custom tariff structure was rationalized in 1999 and now includes only the rate bands of 5, 15, 25, and 30 percent. The fourth rate band will be maintained for an interim period, during which most goods will be reclassified into lower categories. In January 2000, the preferential rate for Mauritius and the Comoros was raised to 100 percent, up from 80 percent.

IV. MONETARY DEVELOPMENTS AND STRUCTURE OF THE FINANCIAL SECTOR

A. Structure of the Banking System

19. There are currently six banks operating in Madagascar; a seventh entity, the Banque de Solidarité Malgache (BSM), has recently applied for a banking license. There are also

two nonbank financial institutions—Investco and the recently licensed Equipbail²—a number of mutually owned financial institutions, mainly in the micro-finance sector, a national savings bank, and a postal checking system. The deposits of the latter two institutions are included in the monetary survey. All the six currently operating banks are subsidiaries of foreign banks:³ BNI/CLM, BFV/SG, BTM-BOA, BMOI, UCB, and SBM are subsidiaries of Crédit Lyonnais, Société Générale, African Financial Holdings-Bank of Africa (AFH-BOA), Banque Nationale de Paris, Mauritius Commercial Bank, and the State Bank of Mauritius, respectively. The first three, formerly publicly owned banks, are now privatized; the BFV and the BTM were restructured and privatized over the last 18 months (see Box 2).

B. Monetary Policy

20. The Central Bank of Madagascar (BCM) is responsible for the implementation of monetary policy. Established in the context of the new Banking Law, which went into force in 1996, the Commission on Banking and Financial Supervision (CSBF) has been responsible for supervising and regulating all financial services in Madagascar (with the exception of the insurance sector, which is still regulated by the Ministry of Finance and Economy). The two main instruments of monetary policy are a required reserve ratio and a treasury-bill auction system, both of which influence the liquidity of the banking system; the latter is becoming increasingly the main determinant of interest rates in the economy, especially for the shorter maturities. In addition, the BCM uses its discount rate to signal changes in its monetary policy stance. From November 1996 to April 1999, the required reserve ratio was set at 20 percent of all bank deposits, with reserves held either as cash or as unremunerated current account deposits at the central bank.⁴ In April 1999, a distinction was introduced between sight deposits, on which the reserve ratio was raised to 23 percent, and term deposits, on which the reserve ratio was lowered to 5 percent. While providing an incentive to banks to actively seek out term deposits, by reducing the cost of intermediation, the new reserve ratios released some additional liquidity to the banks. When it became clear, later in the year, that monetary policy was too loose (see below), the central bank raised the ratio on sight deposits to 25 percent in August 1999. The treasury-bill auction system in its

² Equipbail is a leasing subsidiary of the BTM-BOA; the latter has just been granted permission by the Central Bank to issue two-five-year certificate of deposits to finance this operation.

³ While the BSM is being promoted by a group of Malagasy investors, it will be required to partner with an international banking institution of standing, especially with respect to its senior management.

⁴ Funds placed by the banks with the Central Bank under the deposit auction system (appels d'offres négatifs) were not counted as reserves. There has been no use of this system since August 1998. To mop up bank liquidity, the Treasury now authorizes the Central Bank to auction additional treasury bills, over and above its own need for funds.

present form dates from May 1997 when a fortnightly system of auctions of 4-, 12-, and 24-week bills was launched. While the primary market has grown rapidly and has been opened to an increasingly wide-range of qualified bidders, through a lowering of minimum bids, prices were considerably higher, thus giving a much lower return to buyers, compared with those in the primary market.⁵

21. From a system of administered interest rates, Madagascar is moving rapidly to a system of market-determined rates. While the central bank fixes a base rate (taux directeur (TD)—currently 15 percent), since August 1999, its rediscount rate is fixed as the average bid rate on 12- and 24-week bills at the previous treasury-bill auction, plus a margin—currently 50 basis points—which can be adjusted by the central bank as a signal to markets on tightening or loosening of monetary conditions.⁶ This discount rate is also applied to the central bank's statutory advances to the Treasury.⁷

C. Monetary Developments

22. As inflation was squeezed out of the economy, interest rates on treasury bills declined rapidly from their very high levels of 1996, and bottomed out in early 1998; the average bid at auction on all maturities of treasury bills dropped from over 35 percent in the first quarter of 1996 to just under 6 percent in the first quarter of 1998 (Figures 2 and 3). In 1998 and 1999, treasury-bill rates moved up again reaching just over 17 percent in August 1999. This resulted in part from the significant tightening of monetary policy by the authorities to counter accelerating inflation; the central bank's base rate (TD) was increased from 10 percent to 12 percent in April and again to 15 percent in August. The commercial banks' excess reserves also declined significantly in the course of 1999, from 21.9 percent of required reserves in February to 2.2 percent in November 1999, though they jumped again sharply at the end of the year as seasonal crop credits were repaid, to 21 percent in December and 22.9 percent in January 2000 (Figure 4).

23. The interest rates charged by the banks, and paid on deposits, have generally tracked the same pattern as treasury-bill rates, falling through mid-1998 before subsequently firming again in 1999.⁸ Nevertheless, with the return of higher inflation in the course of 1999,

⁵ This differential has narrowed significantly from an average of over 200 basis points in 1997-98 to a negative 2 basis points in the final quarter of 1999.

⁶ This new feature of the system has, however, not yet been used by the Central Bank. The TD, moreover, still acts as a minimum discount rate, if the calculated rate falls below it.

⁷ The Central Bank, again since August 1999, has suspended the rediscounting of private bills. Banks can now only discount treasury bills, bought at auctions, or the special treasury bills issued as part of the bank restructuring (see Box 2).

⁸ Both measures of commercial bank interest rates suffer from shortcomings; the end-of-period rates are medians of ranges that are not weighted by the volume of business, whereas

(continued...)

interest rates paid by the banks on term deposits have again turned negative in real terms. The banking intermediation margin remains very high in Madagascar due to limited competition among banks and to risk factors; and this is reflected in the profitability of the banks. Net bank earnings increased by 12 percent in 1998 and are set to increase even faster in 1999. With the reduction in the need to make provisions for nonperforming portfolios, as the balance sheets of the two public banks were cleaned up, net bank profits, after tax, more than doubled to FMG 103 billion in 1998 and had already reached a similar level in the first nine months of 1999. It should be noted that transactions in foreign exchange are also a very important profit center for the Malagasy banks.

24. In 1998, the growth of broad money slowed dramatically to 8.4 percent, compared with an average yearly increase of 19 percent in 1996-97, as the net foreign assets of the banking system declined by the equivalent of 15.6 percent of beginning broad money (Tables 5 and 6). Further pressure on the net foreign assets resulted from rapid growth in claims on the economy, up by 15.8 percent, excluding the impact of bank restructuring, and a massive increase in net credit to government, which nearly doubled, even before taking account of the issue of special treasury bills resulting from the restructuring and privatization of the BFV. The weakness in the public finances and the balance of payments in 1998 reflected the slowdown in capital inflows resulting from the interruption in the Fund-supported PRGF program after the first annual program was completed and the delay in agreeing on a second annual program.

25. In 1999, the demand for money accelerated once again and broad money increased by 19.5 percent (excluding the effect of the restructuring of the BTM), more than double the programmed rate of 8.7 percent. The measures taken to tighten monetary policy in August 1999 have not yet had a noticeable effect on the growth of money supply at end-December. As the needs of the Treasury fell sharply in 1999 to the equivalent of 2.8 percent of beginning-of-period broad money stock (compared with 4.9 percent in 1998), the banking system was able to increase its net foreign assets by the equivalent of 12.2 percent of beginning broad money (compared with a loss of 15.6 in 1998), and still increase credit to the private sector by 19 percent (compared with 15.8 percent in 1998); all these figures exclude the impact of bank restructuring.

26. In both 1998 and 1999, most of the Treasury's need for bank financing was met by the central bank. As the Treasury's recourse to statutory advances from the central bank in domestic currency is legally limited to 15 percent of the previous year's budgetary revenue,⁹

the weighted averages include both old and new business and therefore are slow to fully reflect current rates.

⁹ Furthermore, holders of Malagasy treasury bills are believed to consider the unused margin on statutory advances as their first line of defense to ensure timely servicing by the Treasury of its obligations.

the Treasury started borrowing foreign exchange from the central bank in the third quarter of 1998 in order to service its external debt obligations. While these transactions are executed in dollars, and the interest rate is keyed to the U.S. Federal Government's overnight rate, the debt is actually denominated in SDRs. The Treasury's exchange risk in this operation is offset in a small part by some treasury deposits, which are held at the central bank in foreign currency. Under current legislation, the central bank is not permitted to bid on its own account in the primary treasury-bill auctions. Thus, the smallholdings shown in the data in 1998 and in June 1999 reflect rediscounts or other secondary market transactions.

Box 2. Restructuring of the Privatized Banks, BFV and BTM

One of the most important elements of the authorities' efforts to reform and strengthen Madagascar's financial sector over the past two years has been the restructuring and privatization of the two remaining publicly owned banks, the BFV (Bank Fampanandrosoana ny Varotra, or National Bank of Commerce) and the BTM (Bankin'ny Tantsaha Mpamokatra, or Bank for Rural Development).¹⁰ While, in both cases, the end result was the same, namely, transfer of the sound assets of both businesses into the hands of solvent banks with majority foreign ownership and strong management drawn from major international banking groups, the route to such an end differed significantly. In the case of the BFV, the existing bank was restructured and recapitalized, with a majority shareholding (70 percent) of the going concern then being sold to the Société Générale Group of France at the end of 1998. In the case of the BTM, the chosen foreign partner (the AFH/Bank of Africa Group, with participation of the IFC and the Dutch FMO) first set up a new locally licensed bank in Madagascar in the fourth quarter of 1999, which then bought the sound elements of BTM's balance sheet from the government for cash and a 15 percent shareholding in the new bank. Because both the new banks are majority foreign owned and thus, under Malagasy law, cannot own real estate in Madagascar, the property holdings of the old banks were leased to the new banks.

Although the subject of earlier restructurings and reorganizations at the end of the 1980s, both banks experienced continuing financial and managerial difficulties in the 1990s, accumulating significant portfolios of nonperforming loans, having difficulty in maintaining the required level of reserves at the Central Bank, and both becoming effectively insolvent. Both banks were then put under receivership while audits were carried out and a search conducted by consultants for suitable purchasers. This process received significant technical assistance from the World Bank. While the original intention had been to conduct an open bidding process for the banks, in the end, a lack of interest led to both sales being negotiated with a single qualified buyer.

The nonperforming loans of both banks were transferred to debt recovery units (Société Financière de Réalisation—SOFIRE, in the case of the BFV, and Société Générale de Recouvrement—SGR, in the case of BTM); amounts recovered by these companies will be paid to the Treasury to offset, in part, the cost of the special treasury bills issued to fill the resulting gaps in the banks' balance sheets. The net cost to the Treasury will nevertheless remain substantial; the government also provided funds to cover redundancy payments to excess personnel at both banks. The Treasury issued FMG 95.5 billion and FMG 147.9 billion of special treasury bills for BFV and BTM, respectively. In both cases, the bills are to be amortized over five years, in semiannual installments in the case of the BFV, and in annual installments in the case of the BTM, and carry an interest rate pegged to movements in the Central Bank's discount rate, but subject to floors and ceilings. In the case of the BFV, the Treasury also committed all the proceeds from the sale to Société Générale to filling the gap in the old BFV's balance sheet.

¹⁰ A majority share of a third publicly owned bank, the BNI, was purchased by the Crédit Lyonnais of France in early 1991.

V. BALANCE OF PAYMENTS AND EXTERNAL DEBT

A. Balance of Payments

27. Between 1997 and 1999, the overall strength of Madagascar's external position mainly reflected its access to the Fund's PRGF facility, with inflows in support of the adjustment program¹¹ supplementing a stable or improving current account. The current account deficit (excluding official transfers) narrowed to 6.5 percent of GDP in 1999 from an average of 7.8 percent in 1997-98, as a result of growth in exports of goods and services, slower import growth, and private transfers (Table 7). Official transfers and the capital account were markedly stronger in 1997 and 1999, as compared with 1998 when elections and the accompanying political activity slowed the adjustment process and the PRGF program lapsed.

28. The external current account improvement was based on strengthening of both the trade balance and services account. Traditional exports have been volatile, but nontraditional products, such as shrimp and manufactures, especially textiles and the products of the free trade zone, have proved more robust. In 1997, the trade balance deteriorated by over 50 percent as a result of import growth and a decline in traditional exports (coffee and vanilla) following the 1997's cyclone damage to production. In addition, the European Union placed a sanitary embargo on imports of shrimps and meat from Madagascar. Shrimp exports were not much affected because the exporters found alternative markets and responded rapidly with the required sanitation measures. But as a result of these restrictions, fledging meat exports fell in both 1997 and 1998. In 1998, traditional exports recovered somewhat, growing by 17 percent in value terms, mainly as a result of higher prices. Nontraditional exports grew moderately, but cotton cloth exports more than doubled in value, reflecting the expansion of the export-processing zone. In all, exports rose by 5 percent in SDR value terms and by 5.9 percent in volume. In 1999, export performance was strong (growth of 13.6 percent in value and 13 percent in volume), reflecting a near tripling of international clove prices and increased vanilla production, as well as the increasing exploitation of the sapphire sector. Estimates of official sapphire exports quadrupled to SDR 8.3 million in 1999. Malagasy sapphires are similar in quality but lower in price than those from established sapphire markets; and international dealers are therefore attracted to the Madagascar market. In addition, the sugar industry was able to meet both the European Union and U.S. quotas in 1999, doubling sugar exports to SDR 11.6 million. These improvements more than compensated for the cyclical decline in shrimp exports and a further decline in cotton prices.

29. Import fluctuations reflect the investment activity boosted by structural reforms and the related inflow of foreign financing, as well as increased consumption fuelled by growth and rising incomes. Overall imports grew by an average of 13.4 percent in volume in 1997-

¹¹ PRGF arrangements were approved in November 1996 and July 1999.

98, but the growth declined to 7.7 percent in 1999. Imports of equipment, raw materials, and spare parts rose by 5.8 percent in 1997 and by 4.7 percent in 1999 but fell by 3 percent in 1998. Consumer goods import growth rose to 21 percent on average between 1997 and 1998, before slowing to 3 percent in 1999.

30. The service account deficit remained constant at about 6 percent of GDP during 1996-98 before narrowing to 5.5 percent in 1999. Starting in 1997, the service account improved steadily, reflecting the agreement reached with the Paris Club in March 1997, which reduced substantially interest charges.¹² In 1998, tourism receipts increased significantly. Tourist arrivals are estimated to have increased by 21.9 percent in 1997 and 20.3 percent in 1998 as a result of investment in the tourism sector and the liberalization of the air transport market. In late 1996, the permitted entry of an air charter company improved access from the European market and this was reinforced by a September 1997 decree, which allowed visas to be obtained at the port of entry. In 1999, net service receipts improved mainly as a result of increased foreign companies' contributions to the costs of local subsidiaries and continued good tourism sector growth.

31. Private transfers appeared to react positively to progress on adjustment. After rising by 39 percent in 1997, private transfers fell by 27 percent in 1998 when political uncertainty slowed the adjustment process, and rose by 27.4 percent in 1999. In 1999, the increase reflects a rise in the receipts of nongovernmental organizations (NGOs).

32. Official grants, the release of which is often linked to IMF program approval, and inflows on the capital account have responded positively to the approval of the PRGF. In 1997, grants in support of the balance of payments surged and the capital account improved by over 200 percent as a result of program loans of almost SDR 100 million, obtained from the World Bank Group and the African Development Fund; amortization payments also declined following the Paris Club agreement. In 1998, delays in approving the second annual PRGF arrangement caused a decline in official grants and program loans. The surplus on capital account fell to 0.2 percent of GDP from 3.2 percent in 1997. It rose again to 2.5 percent in 1999 following approval by the Executive Board of the second annual arrangement under the PRGF in July. In addition, in 1999, the capital account benefited from significant private investment flows, including the first significant inflows from the privatization program; the capital inflows also reflected suppliers' credit obtained by the petroleum company, SOLIMA.

33. Madagascar's exchange rate is determined on the interbank foreign exchange market established in 1994. In the last three years, the Malagasy franc has tended to depreciate in line with Madagascar's higher rate of inflation relative to trade partners; overall, therefore, the real effective exchange rate has been broadly stable (see Figure 5), as a depreciation of 8 percent in 1997-98 was followed by an appreciation of 5.9 percent in 1999. The Malagasy

¹² In particular, following the rescheduling of arrears, late interest due declined.

franc has depreciated gradually following a steady trend, with limited volatility except in mid-1999, when some large fluctuation occurred in response to large private transactions.

34. Madagascar is a member of three regional trade groupings: the Indian Ocean Commission (IOC), the Common Market for Eastern and Southern Africa (COMESA), and the Cross-Border Initiative (CBI) and has been actively pursuing trade liberalization. As agreed under the IOC, in September 1999 an 80 percent reduction in tariffs on goods with at least 45 percent value added was introduced on trade between Madagascar and Mauritius and the tariffs were completely eliminated for both the Comores and Mauritius in January 2000. Trade between Mauritius and Madagascar, while growing steadily since 1995, remains very small (6.9 percent of Madagascar's exports and 1 percent of imports in 1998). In line with CBI objectives, the budget for 2000 amended the tariff structure by eliminating 10 and 20 percent rates to arrive at a four-rate structure (5, 15, 25, and 30). When revenue performance is sufficiently resilient, the intention is to eliminate the 30 percent rate to arrive at the three-rate CBI-mandated structure.

B. External Debt

35. In March 1997, Madagascar reached its eighth agreement with members of the Paris Club, obtaining Naples terms (a 67 percent reduction in the net present value of the eligible debt) for debt relief. Most creditors achieved the reduction by according relief on debt service; only three accorded a debt stock reduction. As a result, at end-1997, outstanding debt had fallen to 2.9 billion SDR, 44 percent of which was owned by international institutions, from 3.1 billion in 1996 (Table 8). The debt-service ratio (before debt relief) fell from 41.3 percent at the end of 1996 to 17.8 percent at the end of 1999. By end-1998, Madagascar had cleared all its arrears to the international institutions. Its main international creditors are the International Development Association (IDA) and the African Development Fund (AfDF). The second largest group of creditors are Paris Club members. Other important creditors are the Arab development funds and several non-Paris Club bilateral debtors. Most of this debt (92 percent) is in arrears and the authorities are in negotiation in order to reach bilateral agreements on terms comparable to those of the Paris Club-agreed minute of 1997. Madagascar is expected to reach the decision point under the enhanced HIPC Initiative in July 2001.

VI. STRUCTURAL REFORMS

36. Madagascar's structural reform program focuses on three broad strategies: (i) state disengagement from key sectors through privatization of state-owned companies, particularly in the power and energy sectors, telecommunications, and transport; (ii) the establishment of a regulatory framework to promote efficient operation of the privatized and other enterprises; and (iii) an improved legal and administrative business environment.

37. The first phase of the privatization program targets 46 public enterprises.¹³ The program emphasizes transparency and competition in the privatization process; this is being achieved through a public information campaign, the publication of bidding results, and the provision of regular reports to the press and the general public. It also provides for severance payments to employees laid off in the process of privatization, as well as funds for the retraining of such employees. In addition, 10 percent of the privatization proceeds will go toward setting up a regional social development fund. While the program aims at obtaining strategic foreign investment partners, allowance is being made for more widespread share ownership through the setting up of a share-warehousing fund, whose contents are to be sold to small investors as incomes increase and interest in shareholding develops. The combined state and fund participation in any privatized enterprise is to remain below the 33 percent, which is the controlling minority stake.

38. Three of the initial 46 companies are particularly significant: SOLIMA (the petroleum company), Air Madagascar (the national airline), and TELMA (the telecommunications company). The first two are scheduled for privatization in 2000. SOLIMA, which held the state monopoly in petroleum product imports, refining, and distribution, was split up into several components for the purpose of its sale—the refinery and terminal, four distribution companies, a logistical company, the aviation fuel company, and lubricant, transport, and gas companies (in addition to subsidiaries outside of the petroleum sector). The refinery/terminal was purchased by a consortium of companies, as was one of the distribution companies. In March 1999, in preparation for ending the petroleum monopoly, the importation of refined petroleum products was liberalized and distribution companies were given unrestricted access to storage facilities. In June 1999, a regulatory body (Office Malgache des Hydrocarbures) was established. Following adoption of a new price formula, which would allow the price at the pump to approach international prices gradually, the major components of SOLIMA were sold in May/June 2000.

39. The privatization of Air Madagascar is taking place in the context of an open skies policy, which allowed early entry of charter companies to improve competition in the sector. Initially, Air Madagascar is to continue to operate its eight national routes with permitted entry by other technically certified (according to international standards) carriers, without bilateral agreements, after a five-year period. The regulatory framework was established in March 1998 and the regulatory body became operational in 1999. In December 1999, a new civil aviation law was passed. At least 65 percent of Air Madagascar is to be sold before the end of 2000, ensuring that the state does not have a controlling minority, since the company already has private shareholders. In addition to the airline, concessions for the operation of two of Madagascar's main airports are to be sold, as is the company (SOFITRANS) operating airport duty-free shops, catering, and handling services for Air Madagascar.

¹³ The privatization of the state-owned banks is described in Box 2, Section IV.

40. In 1996, a new telecommunications law liberalized the sector, allowing competition in all services; in 1998, four licenses were granted for cellular services and an interconnection decree was approved, giving all companies equal access to the fixed network operated by TELMA. The state is committed to selling 34 percent of TELMA by early 2001; 33 percent is already owned by a private company. Shortly after its sale, another license for the operation of a fixed network will be awarded.

41. The procedures being put in place to promote private sector development include a number of legal and judicial reforms. Among the most important are the following:

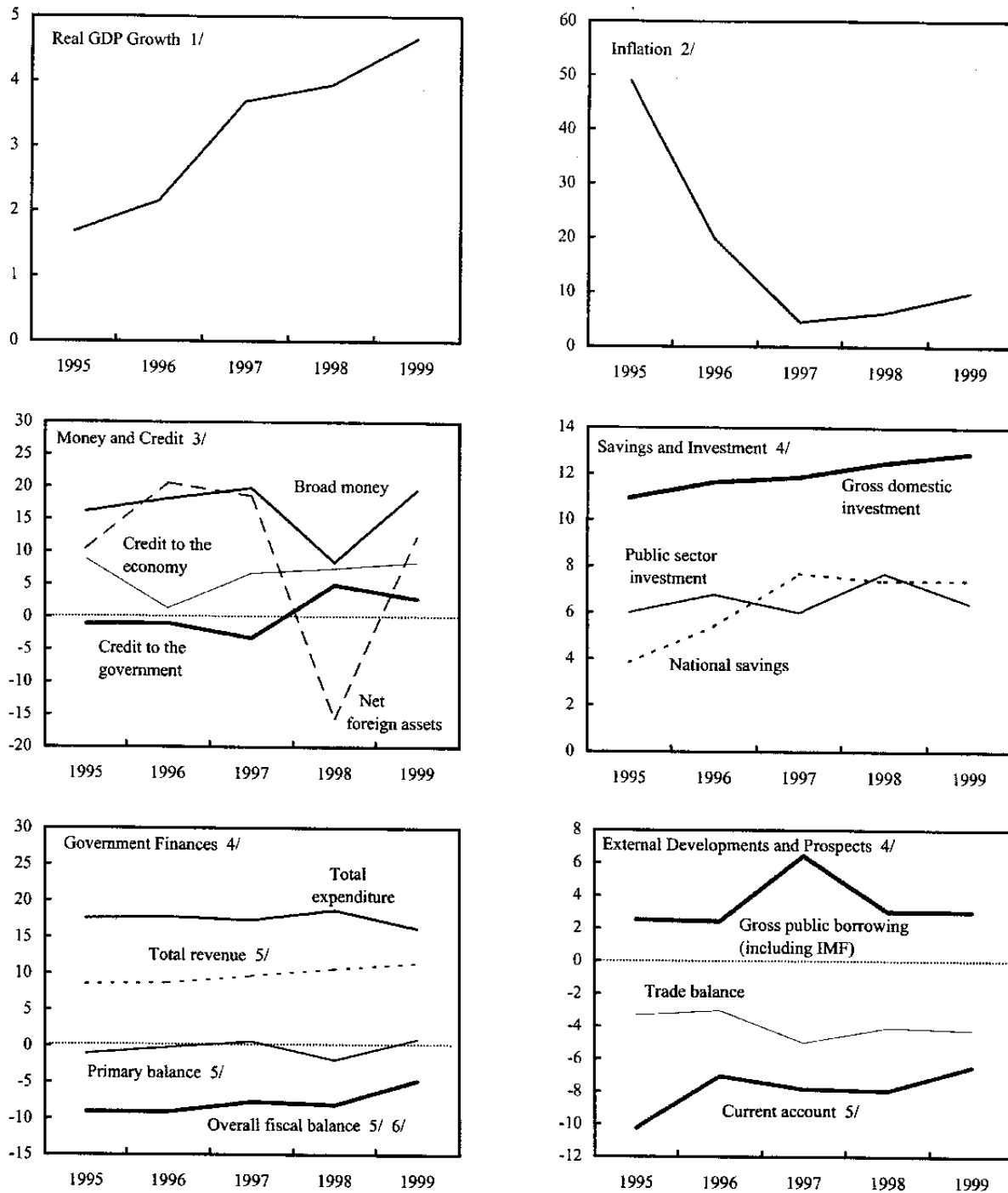
- Legal instruments for long-term land lease have been established to address the inability of nonnationals to own outright Malagasy property, and recommended procedures to effect a lease in 60 days are to be published. Five industrial and five tourist zones, in which lots will be sold or leased to investors, are being created to facilitate entry into these sectors.
- Arbitration has been introduced to resolve commercial disputes; the 1998 Arbitration Law became effective in 1999, and three pilot arbitration bodies were established in the first quarter of 2000.
- Several reforms identified by the Commission on the Reform of Business Law were carried out in 1999, including the passing of laws on partnerships, enterprise transparency, and the trader's statute.
- Work has started on improving the work conditions and professional capacity of magistrates through the provision of libraries, journals, and continued training.
- Civil service reform has begun in earnest with the elimination of fictive employees from the government's payroll in 2000; a new civil service statute and code of conduct should be adopted in 2000. Reorganization began in six pilot ministries in 1999.

42. In addition to general and administrative legislation, the laws and rules governing sectors of particular importance have been or are in the process of reform. In the mining sector (Madagascar has important deposits of nickel and titanium, in addition to small deposits of precious stones), a new Mining Code was passed in July 1999 and is to be followed by the adoption of environmental regulations. The aim of the new Code is to enhance transparency in the allocation of mining concessions. In addition, a law on large investments in the sector (over US\$200 million) is under consideration and will be submitted to the National Assembly during 2000.

43. In the fisheries sector (shrimp are Madagascar's single largest export), the aim was to put in place a transparent, nondiscretionary and competitive system of licenses, while increasing government revenue and providing licensees with an incentive to preserve the fishing stock. In 1999, the number of fishing licenses was frozen until a study of exploitation feasibility could be completed. At present, there are 69 industrial licenses on the West Coast

where there are two exclusive zones and one communal zone; and six industrial licenses, a communal zone, as well as 36 artisanal licenses on the East Coast. In early 2000, the new system for the award of shrimp licenses was adopted. This system treats the fishing license as a right of access to fishing in Madagascar, valid for 20 years, which can be transferred among private operators. It also establishes a system for monitoring performance in the sector. Initially, 20 percent of licenses can be reallocated annually on the basis of auctions, which would determine the licensing fee payable, with all existing licensees paying the new fees. The system thereafter will be adjusted as a function of the operating information initially obtained.

Figure 1: Madagascar: Selected Economic and Financial Indicators, 1995-99



Source: IMF, African Department.

1/ In percent.

2/ Percentage change in consumer prices based on traditional price index (yearly average).

3/ In percent of beginning-of-period stock of broad money.

4/ In percentage of GDP.

5/ Excluding grants.

6/ Commitment basis.

Figure 2. Madagascar : Interest Rates, 1995-99
(in percent per annum)

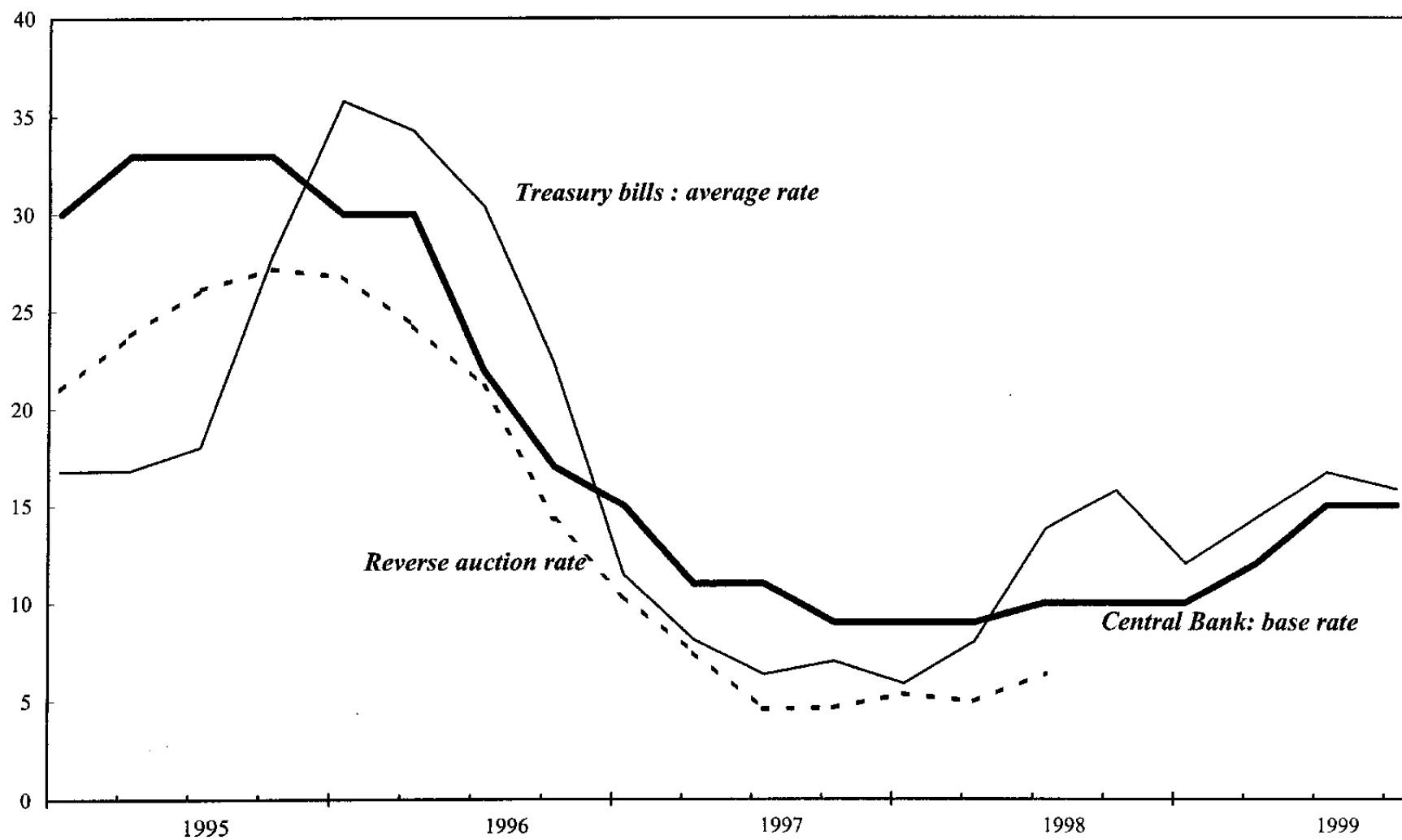
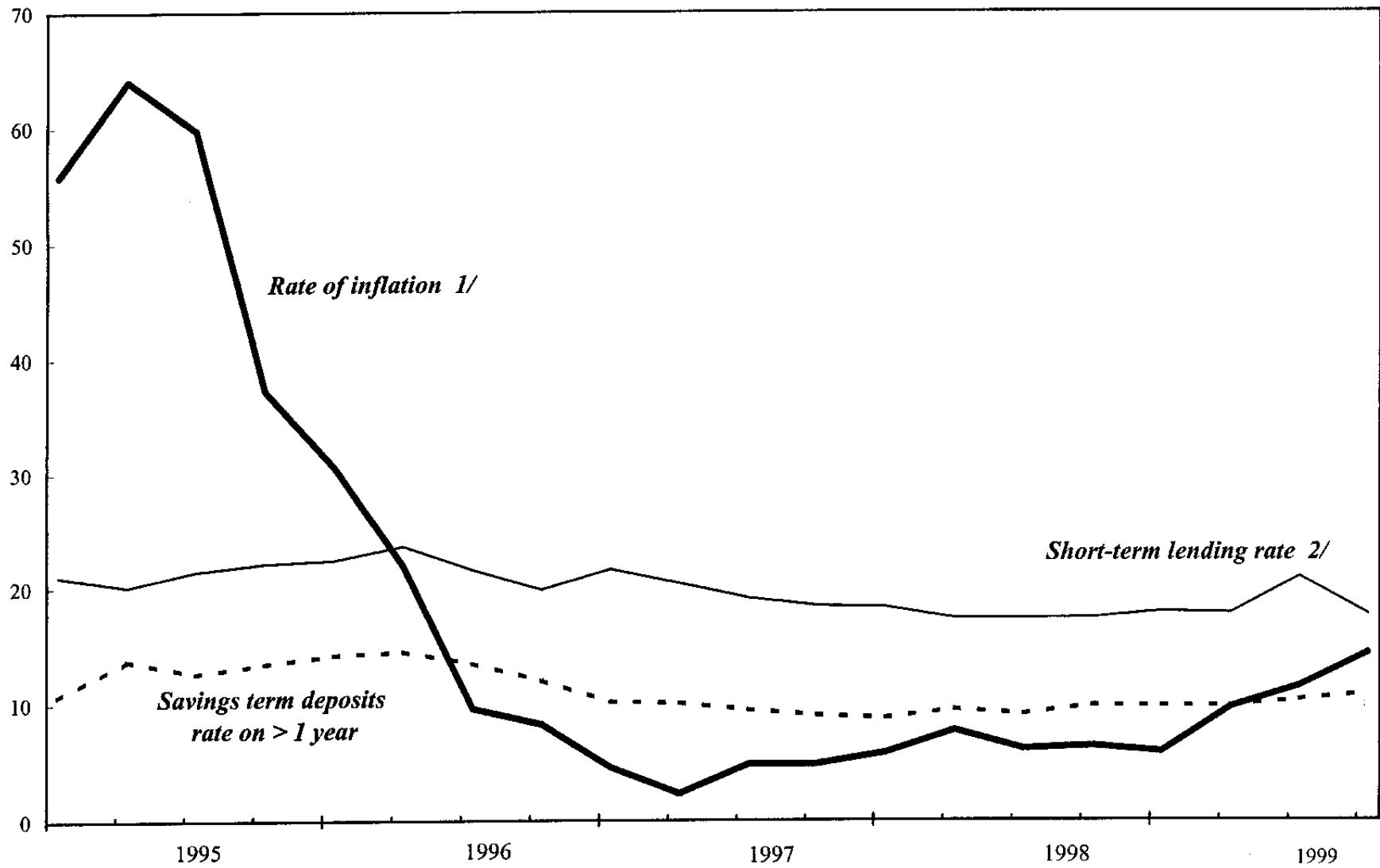


Figure 3. Madagascar : Commercial Banks' Interest Rates and Inflation, 1995-99
 (in percent per annum)



1/ End of period rate of change.

2/ Weighted average.

Figure 4. Madagascar : Bank Liquidity, 1995-99
(in percent of required reserves)

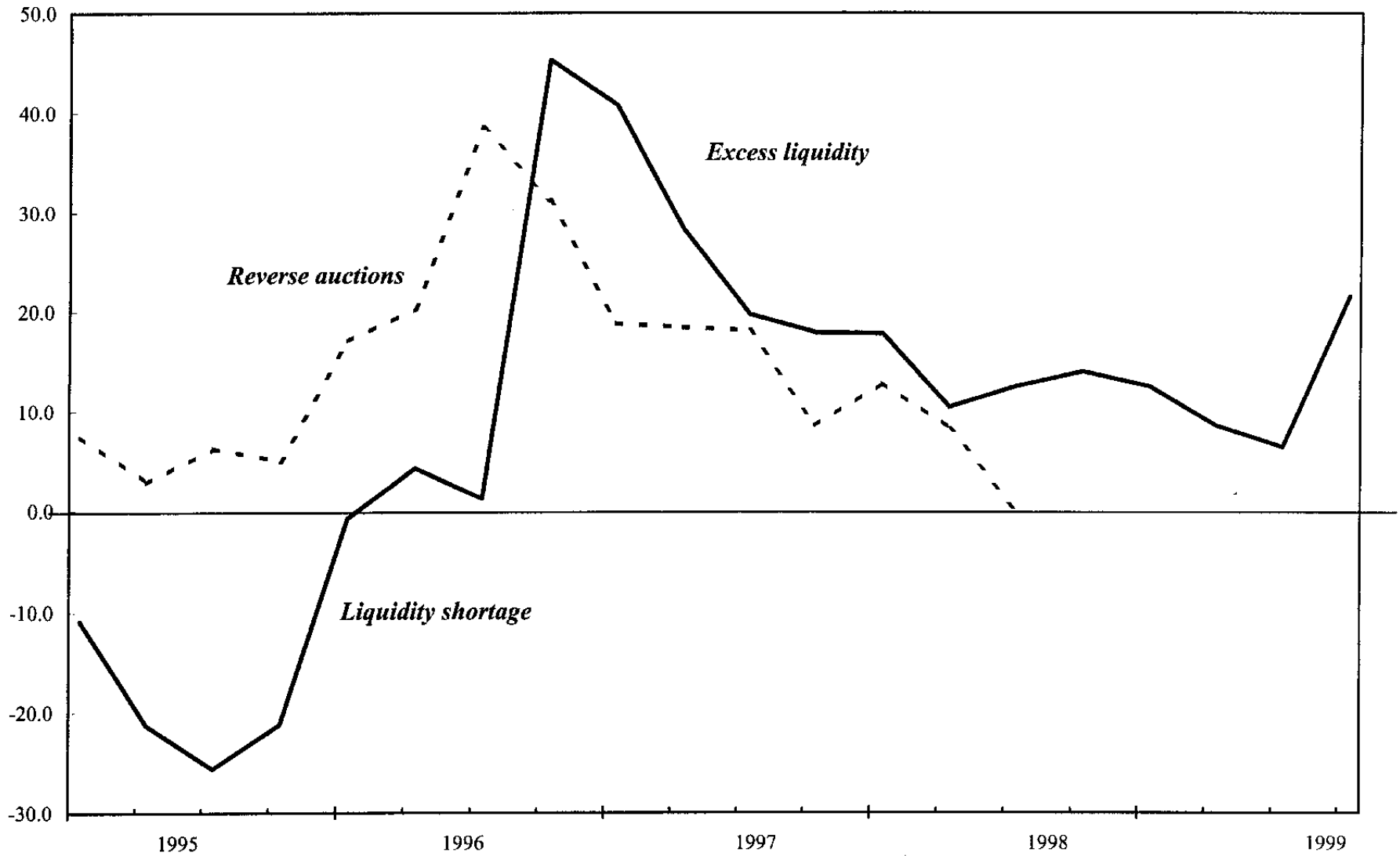
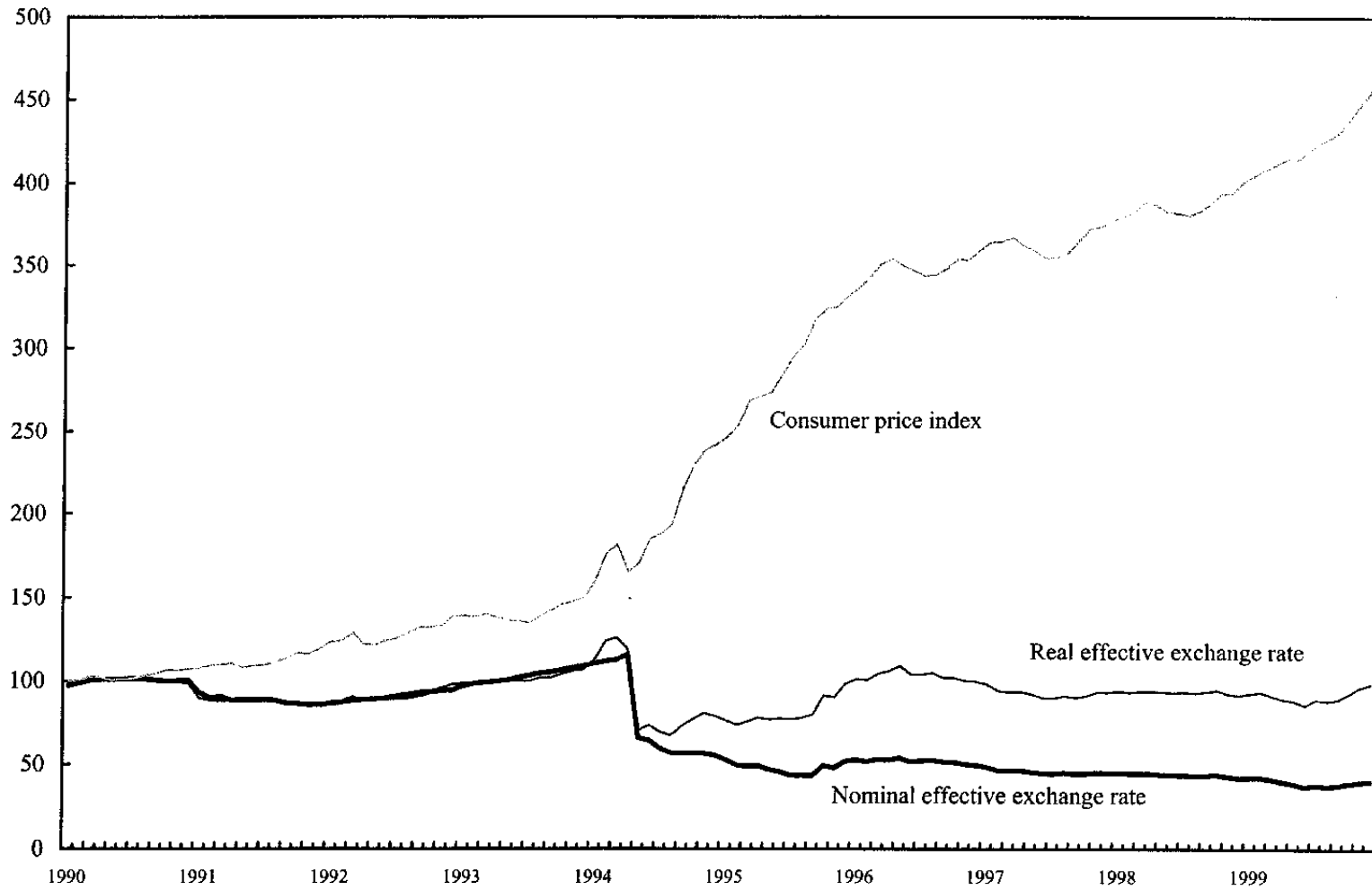


Figure 5: Madagascar: Exchange Rate Developments, 1990-99 1/
(Average 1990=100)



Source: IMF, Information Notice System; and Ministry of Finance and Economy.

Table 1. Madagascar: Selected Economic and Financial Indicators, 1995-99

	1995	1996	1997	1998	1999
	(Annual percentage change, unless otherwise indicated)				
National accounts and prices					
Real GDP at market prices	1.7	2.1	3.7	3.9	4.7
GDP deflator	45.2	17.8	7.3	8.4	9.8
Traditional consumer price index					
Average 2/	49.0	19.8	4.5	6.2	9.9
End of period 2/	37.3	8.3	4.8	6.4	14.4
Overall consumer price index (average) 3/	48.5	20.0	5.4	7.8	9.7
Money and credit 4/ 5/					
Net foreign assets, excl. long-term external liabilities	10.4	20.6	18.6	-15.6	12.2
Net domestic assets	5.5	-1.6	1.9	24.1	8.5
<i>Of which</i> : net domestic credit	7.8	0.3	3.4	12.3	11.2
government	-1.1	-1.0	-3.3	4.9	2.8
economy	8.9	1.3	6.7	7.4	8.4
Broad money (M3)	16.2	18.1	19.8	8.4	19.5
Velocity of money (GDP/end-of-period M3)	5.0	5.1	4.7	4.9	4.7
External sector (in terms of SDRs)					
Exports, f.o.b.	10.3	4.6	1.7	4.3	13.6
Imports, c.i.f.	8.7	7.2	11.6	0.0	11.0
Terms of trade (deterioration -) 6/	-0.8	-17.3	-2.7	5.9	-2.4
Nominal effective exchange rate 7/	-6.7	-4.2	-8.8	-6.9	-4.5
Real effective exchange rate 7/	24.3	1.2	-6.0	-1.9	5.9
	(In percent of GDP)				
National accounts					
Gross domestic investment	10.9	11.6	11.9	12.5	12.9
Private sector (including public enterprises)	4.9	4.9	5.6	4.8	6.5
Public sector	6.0	6.8	6.3	7.7	6.4
Gross national savings	3.8	5.4	6.3	5.0	7.4
Private sector	3.7	6.5	5.3	4.6	5.0
Public sector	0.1	-1.1	1.0	0.4	2.4
Central government financial operations					
Total revenue	8.5	8.7	9.7	10.6	11.4
<i>Of which</i> : tax revenue	8.3	8.5	9.4	9.8	11.0
Total expenditure	17.6	17.8	17.4	18.8	16.2
Interest obligations	5.1	4.7	3.0	2.7	2.1
Noninterest current expenditures	6.0	5.7	6.9	7.4	7.2
Capital expenditure 8/	6.3	7.3	6.5	8.2	6.9
Primary balance 9/	-1.1	-0.2	0.6	-1.9	0.9
Overall balance (commitment basis; excl. restructuring operations)					
Excluding grants	-9.1	-9.1	-7.7	-8.1	-4.8
Including grants	-6.2	-4.9	-2.4	-4.7	-1.2
Overall balance (cash basis)	-5.8	-4.9	-3.2	-5.2	-0.9
Net balance of structural reforms	0.0	0.0	0.0	-1.2	-1.6
Total balance (cash basis; incl. restructuring operations)	-5.8	-4.9	-3.2	-6.3	-2.5

Table 1. Madagascar: Selected Economic and Financial Indicators, 1995-99

	1995	1996	1997	1998	1999
	(In percent of GDP)				
External current account					
Excluding official transfers	-10.2	-7.1	-7.8	-7.9	-6.5
Including current official transfers		-6.2	-5.6	-7.5	-5.5
Including current and capital transfers	-7.0	-3.7	-2.4	-4.8	-2.7
External capital account	-1.8	1.0	3.2	0.2	2.5
Public domestic debt 10/	11.0	9.7	9.6	12.0	11.7
External debt (after debt relief) 11/ 13/	...	...	...	88.5	91.1
	(In percent of exports of goods and services)				
Scheduled external debt service 11/					
Before debt relief	53.6	41.3	29.7	29.2	17.8
After debt relief 11/ 14/	53.6	11.3	21.8	22.8	11.8
	(In millions of SDRs, unless otherwise indicated)				
Trade balance, f.o.b.	-69.4	-83.4	-128.8	-112.9	-115.4
Overall balance of payments	-183.3	-76.8	19.7	-126.6	-4.8
Net official reserves	-3.9	88.7	128.2	51.6	90.7
Gross official reserves	73.7	167.6	207.8	120.9	164.8
In weeks of imports of goods and nonfactor services	5.9	12.3	14.0	7.8	9.6
External debt (after debt relief) 11/ 13/	2,887.3	3,082.9	2,858.3	2,828.9	2,948.6
Exchange rates (period average)					
Malagasy francs per SDR	6,474.4	5,882.4	7,016.1	7,381.7	8,585.8
Malagasy francs per French franc	855.0	792.5	874.3	922.9	1,020.4
Nominal GDP at market prices (in billions of Malagasy francs)	13,479	16,224	18,051	20,343	23,379
GDP per capita (U.S. dollars)	238	291	251	258	255

Sources: Malagasy authorities; and Fund staff estimates and projections.

1/ Based on the traditional household consumption basket.

2/ Based on the overall consumption pattern, 75 percent of which is represented by the traditional basket and 25 percent by the modern consumption basket.

3/ In percent of beginning-of-period stock of broad money.

4/ The scenarios and estimates for 1998 and 1999 exclude the effect of asset restructuring at two state-owned banks. In 1999, the high rate of growth of credit to the economy in the program reflects the financing of the purchase of shares in public enterprises by resident investors. In the event, the amount of local share purchases estimated for 1999 is now very small because of delays and light participation of resident investors.

5/ Based on 1993 trade weights.

6/ Depreciation (-). Effective exchange rates have been revised to reflect base 1990=100.

7/ Including foreign loans on-lent to public enterprises.

8/ Overall balance, excluding interest obligations.

9/ Excluding domestic arrears.

10/ Reflects Paris Club flow rescheduling on Naples terms obtained for the period January 1997 - July 2000 and assumes that agreements with all Paris Club creditors became effective in March 1997.

12/ Total external debt here differs from estimates in Table 1 of the Staff Report, Selected Economic and Financial Indicators. The latter are based on the Debt Sustainability Analysis in EBS/99/116 of 7/8/99.

13/ Actual cash debt-service payments in 1996; Madagascar had no rescheduling agreements in place in 1996. Actual debt service in 1999 was less than programmed because of a) savings on interest payments as a result of delays in concluding rescheduling agreements and b) overestimated interest on new loans.

Table 2. Madagascar: Growth and Structure of GDP, 1995-99

	1995	1996	1997	1998	1999
	(Annual change in percent at 1984 prices)				
Primary sector	1.9	2.5	1.9	2.1	3.4
Agriculture	...	2.5	1.6	-1.6	5.3
Livestock and fishery	...	1.8	0.6	4.5	-2.7
Forestry	...	5.5	7.6	8.3	17.5
Secondary sector	1.8	2.0	4.7	5.3	4.2
Food, beverages, and tobacco	...	9.6	2.4	8.9	4.2
Energy	...	8.4	17.2	-1.6	4.1
Free trade zone	...	24.7	9.7	20.0	22.4
Other	...	-12.2	0.7	1.3	0.4
Tertiary sector	1.5	2.1	4.7	5.1	5.5
Transport	...	5.4	8.5	4.5	4.4
Construction	...	7.0	4.7	13.3	11.6
Retail and wholesale	...	3.3	2.8	2.9	3.3
Government	...	2.3	0.0	0.1	0.0
Other services	...	-2.9	3.6	8.6	10.0
GDP at market prices	1.7	2.1	3.7	3.9	4.7
Real GDP per capita	0.4	-0.8	0.7	0.9	1.6
GDP deflator	45.2	17.8	7.3	8.4	9.8
	(In percentage of current GDP at current market prices)				
Primary sector	30.5	29.6	29.2	28.1	27.2
Agriculture	19.1	16.6	16.2	15.4	14.9
Livestock and fishery	7.5	8.4	8.0	7.9	7.5
Forestry	3.9	4.7	5.0	4.8	4.8
Secondary sector	12.7	12.6	12.4	12.5	12.5
Food, beverages, and tobacco	6.0	6.0	5.6	5.9	5.7
Energy	1.2	1.3	1.4	1.3	1.4
Free trade zone	0.9	1.5	1.8	1.8	2.0
Other	4.7	3.9	3.7	3.6	3.4
Tertiary sector	51.1	52.1	52.0	52.5	52.3
Transport	18.2	17.3	17.9	18.0	17.3
Construction	1.3	1.4	1.3	1.5	1.5
Retail and wholesale	10.1	12.9	12.4	11.7	11.2
Government	4.3	4.2	4.9	5.2	5.4
Other services	17.3	16.4	15.5	16.2	16.9
Imputed charges	-1.4	-1.2	-1.2	-1.2	-1.3
GDP at factor cost	92.9	93.1	92.5	91.9	90.7
Indirect taxes	7.1	6.9	7.5	8.1	9.3
Net imports of goods and nonfactor services	7.3	5.3	8.2	7.9	7.9
Total available resources	107.3	105.3	108.2	107.9	107.9
Consumption	96.4	93.7	96.3	95.4	95.0
Gross investment	10.9	11.6	11.9	12.5	12.9
Gross domestic savings	3.6	6.3	3.7	4.6	5.0

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

1/ Excluding public enterprises.

Table 3. Madagascar: Central Government Accounts, 1995-99

(In billions of Malagasy francs)

	1995	1996	1997	1998	1999
Total revenue and grants	1,542	2,091	2,703	2,873	3,510
Total revenue	1,150	1,407	1,747	2,165	2,667
Budgetary revenue	1,149	1,405	1,747	2,077	2,667
<i>Of which: tax revenue</i>	1,121	1,374	1,688	1,984	2,580
Capital revenue 2/	1	3	0	0	0
Grants	392	683	956	708	842
Current grants	31	116	378	60	172
Project grants	362	567	579	648	671
Total expenditure	2,374	2,883	3,137	3,819	3,791
Current expenditure	1,523	1,704	1,960	2,146	2,175
Budgetary expenditure	1,498	1,679	1,802	2,052	2,172
Personnel	444	523	670	826	1,001
Other noninterest expenditure	366	397	583	672	679
Foreign interest obligations	624	629	504	467	325
Domestic interest obligations	64	131	45	87	168
Treasury operations 1/	25	25	120	94	3
Emergency expenditure 2/ 3/	0	0	39	0	0
Capital expenditure	850	1,180	1,177	1,673	1,616
Domestic financing	197	284	275	466	430
Foreign financing	654	895	902	1,208	1,186
<i>Of which: reconstruction</i>					
Overall balance (commitment basis)					
Including grants	-832	-793	-434	-947	-281
Excluding grants	-1,224	-1,476	-1,390	-1,654	-1,123
Changes in domestic arrears 2/	45	3	-139	-102	68
Overall balance (cash basis)	-787	-790	-573	-1,048	-213
Net cost of structural reforms 4/	0	0	0	-237	-370
Exceptional revenue	0	0	0	0	46
Cost of structural reforms	0	0	0	237	415
Total overall balance (cash basis)	-787	-790	-573	-1,285	-583
Financing	787	790	573	1,285	583
Foreign (net)	825	805	692	379	285
Drawings	299	329	1,029	672	516
Amortization due	-795	-604	-509	-662	-608
Change in external arrears	1,320	1,080	-5,460	89	28
External debt relief	0	0	5,632	281	349
Financing gap	0	0	0	0	0
Domestic (net)	-38	-15	-119	902	246
Banking system	-43	-45	-146	741	167
Nonbanking system	5	30	27	160	79
Divestment revenue	0	0	0	4	52

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

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

2/ 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 for repayment of arrears, as specified in page 12, paragraph 24, footnote 11 of EBS/97/159.

3/ For 2000 the government budgetized FMG 69 billion to address exceptional developments related to the resurgence of a cholera epidemic and the devastating effects of recent cyclones.

4/ 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. traini and wage decompression); to the upgrading of pay and equipment in the justice services; to privatization (severance pay, administrative costs, transfers to 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

Table 4. Madagascar: Fiscal Indicators, 1995-99

(In percent of GDP, unless otherwise indicated)

	1995	1996	1997	1998	1999
Total revenue and grants	11.4	12.9	15.0	14.1	15.0
Total revenue	8.5	8.7	9.7	10.6	11.4
<i>Of which:</i> tax revenue	8.3	8.5	9.4	9.8	11.0
Grants	2.9	4.2	5.3	3.5	3.6
Current grants	0.2	0.7	2.1	0.3	0.7
Project grants	2.7	3.5	3.2	3.2	2.9
Total expenditures	17.6	17.8	17.4	18.8	16.4
Current expenditure	11.3	10.5	10.9	10.5	9.5
Noninterest expenditure	6.0	5.7	6.9	7.4	7.2
Personnel	3.3	3.2	3.7	4.1	4.3
Other noninterest expenditure	2.7	2.4	3.2	3.3	2.9
Interest obligations	5.1	4.7	3.0	2.7	2.1
Treasury operations ^{1/}	0.2	0.2	0.7	0.5	0.2
Emergency expenditure ^{2/ 3/}	0.0	0.0	0.2	0.0	0.0
Capital expenditure	6.3	7.3	6.5	8.2	6.9
Primary balance	-1.1	-0.2	0.6	-1.9	0.9
Overall balance (commitment basis)					
Including grants	-6.2	-4.9	-2.4	-4.7	-1.2
Excluding grants	-9.1	-9.1	-7.7	-8.1	-4.8
Changes in domestic arrears ^{2/}	0.3	0.0	-0.8	-0.5	0.3
Overall balance (cash basis)	-5.8	-4.9	-3.2	-5.2	-0.9
Net cost of structural reforms ^{4/}	0.0	0.0	0.0	-1.2	-1.6
Exceptional revenue	0.0	0.0	0.0	0.0	0.2
Cost of structural reforms	0.0	0.0	0.0	1.2	1.8
Total overall balance (cash basis)	-5.8	-4.9	-3.2	-6.3	-2.5
Financing	5.8	4.9	3.2	6.3	2.5
Foreign (net)	6.1	5.0	3.8	1.9	1.2
Drawings minus amortization	-3.7	-1.7	2.9	0.1	-0.4
Change in external arrears	9.8	6.7	-30.2	0.4	0.1
External debt relief	0.0	0.0	31.2	1.4	1.5
Financing gap	0.0	0.0	0.0	0.0	0.0
Domestic (net)	-0.3	-0.1	-0.7	4.4	1.1
Divestment revenue	0.0	0.0	0.0	0.0	0.2
Memorandum items:					
Education expenditure	1.9	1.6	1.6	2.0	2.0
Health expenditure	1.0	0.8	1.0	1.4	1.4
Nominal GDP (in billions of Malagasy francs)	13,479	16,224	18,051	20,343	23,379

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

^{1/} Beginning in 1999, treasury revenue is classified as a negative outlay in treasury expenditures, which from then on are reported on a net basis.

^{2/} 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.

^{3/} For 2000 the government budgetized FMG 69 billion to address exceptional developments related to the resurgence of a cholera epidemic and the devastating effects of recent cyclones.

^{4/} 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, bc 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 5. Madagascar: Monetary Survey, 1995-99

(In billions of Malagasy francs; end of period)

	1995	1996	1997	1998					1999				
	December			Mar.	Jun.	Sep.	December		Mar.	Jun.	Sep.	December	
						Before BFV Restructuring						Before BTM Restructuring	
Net foreign assets	616.3	1,175.3	1,771.1	1,716.3	1,632.4	1,431.1	1,172.0	1,172.0	1,303.1	1,323.1	1,390.5	1,681.3	1,711.5
Central bank (net)	111.1	713.4	1,105.3	1,092.2	1,001.9	850.0	596.1	596.1	762.4	773.4	784.6	1,055.3	1,055.3
Commercial banks (net)	505.2	461.9	665.8	624.0	630.5	581.2	576.0	576.0	540.6	549.6	605.9	626.0	656.2
Long-term foreign liabilities	-162.7	-186.4	-206.8	-208.0	-201.1	-203.9	-211.2	-211.2	-217.5	-239.3	-239.7	-261.0	-261.0
Net domestic assets	2,263.7	2,220.8	2,281.9	2,243.7	2,386.2	2,743.5	3,208.2	3,208.2	3,031.5	3,160.2	3,328.2	3,563.2	3,522.0
Net credit to government	811.3	784.5	680.1	763.4	800.8	920.5	1,309.8	1,453.3	1,469.0	1,550.7	1,545.6	1,570.6	1,706.5
Central bank	725.8	687.4	387.7	406.3	479.1	654.6	1,031.1	1,031.1	886.9	1,049.4	1,097.3	1,220.6	1,220.6
Commercial banks	49.3	43.0	196.6	259.8	206.5	148.1	150.9	294.4	450.6	371.8	317.7	204.1	340.0
Other	36.1	54.2	95.8	97.4	115.2	117.8	127.8	127.8	131.5	129.5	130.6	145.8	145.8
Credit to the economy	1,563.7	1,599.4	1,814.1	1,751.5	1,834.4	2,070.0	2,100.3	1,828.2	1,792.6	1,904.1	2,038.0	2,177.5	1,955.4
Central bank	12.6	14.1	15.1	15.1	15.3	15.4	15.9	15.9	15.4	15.4	15.8	15.8	15.8
Commercial banks	1,540.8	1,572.0	1,797.6	1,727.2	1,813.9	2,045.4	2,083.9	1,811.8	1,769.5	1,886.3	2,022.1	2,159.6	1,937.5
Other	10.3	13.3	1.4	9.2	5.3	9.2	0.5	0.5	7.7	2.4	0.1	2.1	2.1
Other items (net)	-111.2	-163.1	-212.3	-271.2	-249.0	-247.0	-201.8	-73.2	-230.1	-294.5	-255.4	-184.9	-139.9
Valuation adjustments, losses (+)	356.0	362.5	240.3	213.7	213.0	248.5	225.7	225.7	137.7	28.1	92.4	65.9	65.9
Other	-467.3	-525.6	-452.7	-484.9	-462.0	-495.5	-427.6	-299.0	-367.8	-322.7	-347.9	-250.8	-205.8
Broad money (M3)	2,717.3	3,209.7	3,846.2	3,751.9	3,817.6	3,970.7	4,169.1	4,169.1	4,117.1	4,244.0	4,479.0	4,983.5	4,972.5
Currency	758.7	831.2	1,025.6	974.6	1,005.8	1,117.1	1,168.2	1,168.2	1,101.7	1,179.9	1,292.8	1,434.9	1,434.9
Demand deposits	1,083.6	1,349.5	1,658.6	1,619.7	1,727.2	1,725.8	1,801.2	1,801.2	1,850.6	1,870.2	1,929.9	2,156.0	2,145.0
Quasi money	875.0	1,029.0	1,161.9	1,157.6	1,084.6	1,127.8	1,199.7	1,199.7	1,164.8	1,193.9	1,256.4	1,392.6	1,392.6
Of which:													
Residents' deposits in foreign currency	284.6	285.1	441.9	434.7	465.0	446.7	474.7	474.7	445.0	534.2	538.3	614.5	614.5
Short-term bonds	59.4	95.5	70.4	98.3	104.4	135.2	129.8	129.8	137.9	145.6	158.7	151.8	151.8

Source: Central Bank of Madagascar.

Table 6. Madagascar: Summary Accounts of the Central Bank, 1995-99

(In billions of Malagasy francs; end of period)

	1995	1996	1997	1998				1999			
		December		Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Net foreign assets	111.1	713.4	1,105.3	1,092.2	1,001.9	850.0	596.1	762.4	773.4	784.6	1,055.3
Foreign assets	375.0	1,043.4	1,492.7	1,477.7	1,353.1	1,184.6	926.6	1,101.1	1,120.9	1,232.5	1,486.9
Foreign liabilities (short term)	-15.3	-14.2	-18.8	-14.0	-14.7	-9.7	-16.9	-11.4	-22.5	-18.6	-20.1
Poverty Reduction and Growth Facility	-248.6	-315.8	-368.6	-371.4	-336.5	-324.9	-313.6	-327.3	-324.9	-429.3	-411.5
Long-term foreign liabilities	-136.6	-161.5	-173.5	-175.6	-175.7	-179.2	-186.1	-191.1	-204.6	-199.2	-190.8
Net domestic assets	1,167.0	1,022.9	768.3	732.6	831.7	1,121.3	1,446.6	1,187.3	1,246.4	1,395.3	1,479.7
Claims on government (net)	725.8	687.4	387.7	406.3	479.1	654.6	1,031.1	886.9	1,049.4	1,097.3	1,220.6
Credit to government	1,278.6	1,294.9	1,253.8	1,154.3	1,179.0	1,510.4	1,689.3	1,681.1	1,702.9	1,746.3	1,857.4
Statutory advances	112.3	162.2	143.7	53.7	43.1	60.4	107.9	87.9	36.2	113.2	197.3
Consolidated loans	1,099.6	1,099.6	1,099.6	1,099.6	1,099.6	1,099.6	1,099.6	1,099.6	1,099.6	1,099.6	1,099.6
Foreign currency loan	0.0	0.0	0.0	0.0	0.0	266.0	441.0	493.6	550.9	520.6	544.9
Treasury bills	0.0	0.0	0.0	0.0	31.5	82.2	31.9	0.0	8.8	0.0	0.0
Other	66.7	33.0	10.5	1.0	4.7	2.2	9.0	0.0	7.4	12.9	15.5
Government deposits	552.8	607.5	866.1	748.1	699.9	855.7	658.2	794.2	653.5	649.0	636.7
Of which : counterpart funds	238.8	269.6	392.8	361.5	352.8	318.2	298.8	311.1	314.5	316.4	307.5
foreign currency deposits	154.2	77.3	155.5	126.0	39.5	297.1	56.7	110.0	29.9	111.9	100.7
Claims on the economy	12.6	14.1	15.1	15.1	15.3	15.4	15.9	15.4	15.4	15.8	15.8
Net claims on banks	150.1	-24.2	57.3	41.1	56.5	112.1	102.7	101.7	92.5	82.6	75.1
Claims on banks	175.1	127.5	107.3	116.1	104.5	112.1	102.7	101.7	92.5	82.6	75.1
Reverse auction	-25.0	-151.7	-50.0	-75.0	-48.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	278.5	345.6	308.2	270.0	280.9	339.1	296.9	183.3	89.1	199.6	168.1
Valuation adjustments, losses (+)	345.8	355.6	248.7	215.9	215.3	251.8	226.0	140.9	31.3	96.4	75.7
Operating losses (+)	-2.6	16.9	47.0	-2.7	3.7	-1.2	8.5	8.0	3.3	18.3	-4.1
Other	-64.7	-26.9	12.4	56.8	61.9	88.4	62.4	34.4	54.5	84.9	96.5
Reserve money	1,133.9	1,573.3	1,697.1	1,646.3	1,637.3	1,783.5	1,847.0	1,742.8	1,806.9	1,946.3	2,322.0
Currency outside banks	758.7	831.2	1,025.6	974.6	1,005.8	1,117.1	1,168.2	1,101.7	1,179.9	1,292.8	1,434.9
Currency in banks	26.5	29.5	26.3	25.9	38.4	30.5	36.8	37.9	58.1	48.9	77.4
Bank deposits	348.7	712.6	645.3	645.8	593.1	635.8	642.0	603.2	568.9	604.7	809.7
Other demand deposits	0.0	0.0	0.0	0.9	11.7	3.9	6.2	15.7	8.1	34.3	16.9
Other term deposits	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Residents' deposits in foreign currency	7.5	1.5	3.0	2.0	6.9	4.7	3.5	0.3	0.1	0.1	5.2

Source: Central Bank of Madagascar.

Table 7. Madagascar: Summary Balance of Payments, 1995-99

(In millions of SDRs, unless otherwise indicated)

	1995	1996	1997	1998	1999 Prov.
Trade balance	-69.4	-83.4	-128.8	-112.9	-115.4
Exports, f.o.b.	344.6	360.6	366.7	382.6	434.8
Imports, f.o.b.	-414.0	-444.0	-495.6	-495.5	-550.2
Services (net)	-193.4	-171.6	-157.3	-168.0	-139.4
Service receipts	162.1	210.7	200.3	217.2	245.8
Service payments	-355.5	-382.2	-357.6	-385.2	-385.2
<i>Of which</i> : investment income	-114.5	-114.9	-80.8	-72.2	-46.2
scheduled public interest	-108.2	-111.1	-71.7	-63.2	-38.0
Private unrequited transfers (net)	49.5	60.7	84.2	61.3	78.1
Current account balance, excluding net official transfers	-213.3	-194.3	-201.9	-219.6	-176.7
Public unrequited transfers (net)	67.0	91.0	140.2	86.1	103.1
Current grants	11.2	22.6	57.8	12.6	25.8
Balance of payments grants	1.7	8.5	45.7	8.1	21.3
Other current grants (net) 1/	9.5	14.1	12.1	4.5	4.6
Project grants	55.8	68.4	82.4	73.5	77.3
Current account balance, including net official transfers	-146.3	-103.3	-61.7	-133.5	-73.6
Capital account	-37.0	26.6	81.4	6.8	68.8
Public sector (net)	-93.1	-50.8	74.9	-6.4	-2.9
Drawings	54.9	60.0	152.3	83.3	68.1
Amortization	-142.8	-104.8	-72.6	-89.7	-71.0
Long-term liabilities (net) 2/	-5.2	-6.0	-4.8	0.0	0.0
Private sector (net)	56.1	77.4	6.5	13.2	71.7
Commercial banks (net)	-14.9	25.3	-18.6	17.3	2.9
Direct investment	6.4	7.0	10.0	11.9	42.7
<i>Of which</i> : privatization proceeds	0.0	0.0	0.0	0.7	15.4
Other (including errors and omissions)	64.6	45.1	15.1	-16.0	26.1
Overall balance	-183.3	-76.8	19.7	-126.6	-4.8

Table 7. Madagascar: Summary Balance of Payments, 1995-99 (concluded)

(In millions of SDRs, unless otherwise indicated)

	1995	1996	1997	1998	1999 Prov.
Financing	183.3	76.8	-19.7	126.6	4.8
Net foreign assets (increase -)	-39.8	-92.6	-39.5	76.6	-39.1
Use of Fund credit (net)	-9.4	1.9	0.7	-10.3	4.8
Net repurchases	-0.6	0.0	0.0	0.0	0.0
Enhanced Structural Adjustment Facility (ESAF) disbursements	0.0	13.6	13.6	0.0	13.8
ESAF repayments	-8.8	-11.6	-12.9	-10.3	-9.0
Change in other liabilities	0.6	-0.6	0.0	0.0	0.0
Change in gross assets (increase -)	-31.0	-93.9	-40.2	86.9	-43.9
Change in central bank arrears (increase +)	0.0	0.0	0.0	0.0	0.0
Net change in arrears (excluding central bank)	223.1	169.3	-783.2	12.0	3.1
Cash payments and arrears accumulation	...	...	-24.7	12.0	0.0
Debt rescheduling	...	...	-758.5	0.0	0.0
Debt relief and cancellation	0.0	0.0	803.0	38.0	40.8
Residual financing gap	0.0	0.0	0.0	0.0	0.0
Memorandum items:					
External current account / GDP (in percent)					
Excluding net official transfers	-10.2	-7.1	-7.8	-7.9	-6.5
Including net official transfers	-7.0	-3.7	-2.4	-4.8	-2.7
Gross official reserves (in weeks of imports)	73.7 5.9	167.6 12.3	207.8 14.0	120.9 7.8	164.8 9.6
Scheduled external debt service 3/ 4/					
Before debt relief	53.6	41.3	29.7	29.2	17.8
After debt relief	53.6	41.3	21.8	22.8	11.8
Public sector scheduled debt service 5/					
Before debt relief	147.1	90.5	57.9	54.6	35.1
After debt relief	147.1	90.5	40.1	39.3	22.1
Annual percentage changes					
Export volume	9.3	18.6	3.3	5.9	13.0
Import volume	6.8	0.6	14.7	12.1	7.7
Real GDP	1.7	2.1	3.7	3.9	4.7

Sources: Central Bank of Madagascar; and Fund staff estimates.

1/ Other official grants less payments due to scholarships and contributions to international organizations.

2/ Involves liabilities arising from Madagascar debts bought by certain organizations.

3/ In percent of exports of goods and nonfactor services.

4/ Including obligations to the IMF; and takes into account flow reschedulings for 1997-98.

5/ In percent of government revenue.

Table 8. Madagascar: Stock of External Debt, 1995-1999
(In millions of SDRs)

	1995	1996	1997	1998	1999
Medium and long-term official debt 1/	1,657.1	1,617.0	2,448.9	2,473.2	2,562.4
Bilateral creditors	554.5	480.0	1,187.2	1,173.1	1,173.4
Paris Club 2/	532.7	460.0	1,169.7	1,153.9	1,144.7
Other countries	21.8	19.9	17.6	19.3	28.6
International Organizations	1,079.4	1,124.2	1,256.6	1,296.5	1,386.8
IMF	48.9	50.8	51.5	41.2	45.8
Others	1,030.5	1,073.4	1,205.2	1,255.3	1,341.0
<i>Of which:</i> World Bank Group	759.3	811.3	903.4	953.0	1,020.7
African Development Bank	41.0	33.9	28.6	23.5	23.5
African Development Fund	137.3	136.2	189.2	194.4	194.4
Private creditors	23.3	12.8	5.0	3.6	2.3
Commercial banks	13.6	5.9	0.7	0.5	0.4
Others	9.6	6.9	4.3	3.1	1.9
Total arrears 1/	1,230.2	1,465.9	409.4	355.7	386.2
Paris Club 2/	931.8	1,126.2	75.3	4.2	40.0
Other bilateral creditors	249.4	268.4	301.0	317.0	312.3
International organizations	23.6	41.8	1.0	0.0	0.0
Private creditors	25.4	29.5	32.1	34.5	33.9
Total external debt outstanding, after debt relief 3/	2,887.3	3,082.9	2,858.3	2,828.9	2,948.6
Memorandum items:					
Total external debt before debt relief	2,887.3	3,082.9	2,985.8	3,014.4	3,281.6
Total external debt/GDP (in percent)					
Before debt relief	138.7	111.8	111.1	102.6	108.3
After debt relief	138.7	111.8	116.1	109.4	120.5
Total external debt before debt relief					
in percent of exports of goods and nonfactor services	575.0	545.3	531.9	510.6	486.9
Total debt to official creditors after debt relief	2,838.6	3,040.7	2,821.2	2,790.8	2,912.5

Source: Central Bank of Madagascar; and Fund staff estimates.

1/ Provisional.

2 / Reflects Paris Club flow rescheduling on Naples terms obtained for the period January 1997- July 2000 and assumes that agreements with all Paris Club creditors became effective in March 1997.

3/ Total external debt here differs from estimates in Table 1 of the Staff Report, Selected Economic and Financial Indicators. The latter are based on the Debt Sustainability Analysis in EBS/99/116 of 7/8/99.

Madagascar: Summary of the Malagasy Tax System, December 1999
(All amounts in Malagasy francs)

Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
1. Taxes on Net Income and Profits				
1.1 Taxes on corporations				
1.1.1 Tax on company profit [<i>Impôt sur les bénéfices des Sociétés</i> —IBS] Corporate profit tax (IBS) (General Budget)	<p><u>Article 01.01.02</u> Annual tax on the full range of profits earned by companies headquartered in Madagascar as well as income generated by the possession of property (assets) or the practice of a gainful activity in Madagascar.</p>	<p><u>Article 01.01.03</u></p> <ul style="list-style-type: none"> Income earned by partnerships, religious missions and churches, or cultural associations is exempt from tax. However, the tax is payable in respect of their establishments engaged in sales or the provision of services. Interest paid by the <i>Caisse d'Epargne de Madagascar</i>. Capital gains on sales of real estate. Income and capital gains deriving from the sales of stocks and shares held by SCRs. <p>Income earned by nonprofit organizations or associations exclusively engaged in the promotion of small- and medium-scale enterprises.</p>	<p><u>Article 01.01.16</u> IBS at 35 percent</p> <p>Taxable minimum:</p> <p>200,000 + 5 per mill of turnover: agriculture, crafts, industry, mining, hotel trade, tourism, or transportation</p> <p>800,000 + 5 per mill of turnover for the rest.</p> <p><u>Article 01.01.06 6è</u> Deficit may be carried forward for a period of three years.</p>	<p><u>Article 01.01.17</u></p> <ul style="list-style-type: none"> Prior to May 1 N (calendar year) Prior to October 1, N (June 30) Within the two months following the end of the fiscal period (plus 50 percent). <p>On collection:</p> <p><u>Article 20.01.41</u> Estimated payments (A) Payable on a semiannual basis Article 20.01.42 Payable at customs (B) 3 percent c.i.f. value if registered 5 percent of c.i.f. value in other cases Value of raw materials Consumer goods, products.</p>
1.1.2 Global tax [<i>Impôt synthétique</i>] (General budget)	<p><u>Article 01.06.02</u> FMG 600,000/year < turnover exclusive of tax <= FMG 12,000,000/year:</p> <ul style="list-style-type: none"> Representative (and affording full discharge in respect of) the TP, the IRNS, and TCA; Tax earmarked for the financing of the regionalized investment program; <p>Individuals engaging in an independent activity, whether or not liable for the TP tax.</p>	<p><u>Article 01.06.03</u></p> <ul style="list-style-type: none"> Corporations; Wholesale and semi-wholesale merchants [<i>commerçants de gros et demi-gros</i>]. 	<p><u>Article 01.06.06</u> 6 percent, although may not be less than FMG 25,000.</p>	<p><u>Article 01.06.07</u> Tax return filed prior to March 31 => liable for the TP tax.</p> <p><u>Article 01.06.08</u> In the 3 months following the issuance of the certificate of payment of tax [<i>titre de liquidation</i>] => other.</p>

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Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
1.2 Taxes on individuals				
1.2.1 Tax on capital income [<i>Impôts sur les revenus de capitaux mobiliers</i> —IRCM] (General Budget)	<u>Article 01.04.01</u> Occasional tax collected upon the distribution of profits.	<u>Article 01.04.25 et seq.</u> - Amortization and repayment of principal realized upon liquidation of real estate assets. - Loans or obligations of cooperatives, central mutual credit fund organizations. <u>Article 01.04.32</u> Interest on national loans [<i>emprunts</i>]: - Contracted for purposes of investment with external financial institutions.	<u>Article 01.04.07</u> • 25 percent • 30 percent for individuals – the IRCM is in discharge of the IRNS.	<u>Article 04.01.10 and 04.01.15</u> Before April 30, N (fiscal period ending the second semiannual period). Payment of income, or October 2 for the rest.
1.2.2 Capitalization tax [<i>Taxe d'incorporation</i>] (General Budget)	<u>Article 04.01.33</u> Occasional tax collected upon the capitalization of profits or reserves.	<u>Article 01.04.34</u> Not collected to the extent that the capitalization of reserves or profits has as its counterpart the prior acquisition of capital goods or acquisition of equity holdings in the new capital of other firms, or expenditures on the occupational training of local personnel, or creation of additional jobs.	<u>Article 01.04.33</u> 8%	
1.2.3 Tax on transfers abroad [<i>Taxe forfaitaire sur les transferts</i>] (General Budget)	<u>Article 01.05.01 and 01.05.02</u> Tax payable on payments or transfers for the benefit of individuals located abroad and not taxed in Madagascar for purposes either of the income tax [<i>Impôts sur le revenu</i>] or the professional tax [<i>Taxe professionnelle</i>].	<u>Article 01.05.03</u> - Amounts received in connection with scholarships; - Sale price of immovable or movable assets; - Products already liable for the IRCM; - Repayment of principal on loans; - Standard price for purchases of imported merchandise; - Interest paid by the Public Treasury or the Central Bank; - Interest on national loans [<i>emprunts</i>] (01.04.32)	<u>Article 01.05.05</u> 15%	Withheld at source.
1.2.4 Real estate capital gains tax [<i>Impôt sur la plus-value immobilière</i> —IPVI] (General Budget)	<u>Article 02.12.02</u> Taxed assessed on transfers (for valuable consideration) of real estate assets or claims.	<u>Article 02.12.03</u> Capital gains on sales of real estate included in current inventories [<i>stock en cours</i>] by <i>Société immobilière</i> .	<u>Article 02.12.07</u> Graduated by branches - 5% < FMG 10,000,000 - 10% between FMG 10,000,001 and FMG 20,000,000 - 15% between FMG 20,000,001 and FMG 30,000,000 - 20% between FMG 30,000,001 and FMG 40,000,000 - 25% for amounts in excess of FMG 40,000,000.	

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Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
1.2.5 Personal income tax (IRSA) (General Budget)	<p><u>Article 03.01.07</u> - Wage earners Tax on wages, remunerations, and fringe benefits, withheld at source.</p> <p><u>Article 01.03.08</u> Taxation of cashless benefits - FMG 50,000/month/vehicle rated ≤ 10 HP - FMG 80,000/month/vehicle rated > 10 HP - 50 percent of the rent or rental value. Maximum: 25 percent of remuneration established in cash - 2 percent of remuneration established in cash /domestic - 3 percent for other benefits.</p>	<p><u>Article 01.03.03</u></p> <ul style="list-style-type: none"> • Permanent or temporary allowances for damage repair; • Allowances for dependents; • Remuneration associated with honorary awards; • Pay for citizens called to serve in the armed forces in a military or civilian capacity; • Civilian or military retirement pensions where the amount of the pension is determined by length of service record; • Remuneration earned by majority managers—partners in limited liability companies (SARLs). 	<p><u>Article 03.01.16</u> Scale A Up to FMG 150,000 per month – FMG 1,500 - FMG 151,000-250,000 – 2% - FMG 251,000-500,000 – 10% - FMG 501,000-750,000 – 15% - FMG 751,000—1,000,000 – 20% - FMG 1,001,000-1,500,000 – 25% - 1,501,000-2,500,000 – 30% - Over FMG 2,500,000 – 35%.</p> <p>Minimum - FMG 1,500 if ≤ FMG 150,000 - FMG 2,000 between FMG 150,000 and FMG 250,000 - FMG 2,500 if > FMG 250,000.</p> <p>Dependent credit [Réduction pour charge de famille]</p> <p><u>Article 01.03.19</u> • FMG 500/month without exceeding FMG 6,000/per year</p>	<p><u>Article 01.03.12</u></p> <p>Withheld and paid prior to the 15th of the following month in each case.</p>
1.2.6 IRNS (General Budget)	<p><u>Article 01.02.02</u></p> <ul style="list-style-type: none"> • Sole proprietorship; • Income earned from engaging in an independent profession; • Corporate income, not liable for IBS tax; • Remuneration of SARL majority managers/partners; • Profits of firms engaged in industrial or commercial, crafts-related, tourism-related, or service-providing activities, or farms; • Income from land; • Income earned in connection with the functions and responsibilities of persons not having the status of merchants [<i>non-commerçants</i>]. 	<p><u>Article 01.02.03</u></p> <ul style="list-style-type: none"> • Net income from developed real estate occupied by the owner as a principal residence; • Capital gains earned on selling the property; • Interest on bearer cash vouchers [<i>bons de caisse anonymes</i>]; • Interest on the recorded balances of savings accounts, when such accounts are blocked for 6 consecutive months; • Interest paid by the Treasury on a national loan [<i>emprunt national</i>]. 	<p><u>Article 01.02.12</u> Taxable base Nondeductibility of deficits incurred in connection with commercial, hotel related, tourism related, mining or transport deficits, or in respect of land income or investment income. Deficit may be carried forward for a period of 3 years. The amount of the deficit to be carried forward is deducted prior to the deduction for deferred amortization.</p> <p><u>Article 01.02.36:</u> Tax scale Accounts-based (itemized) system [<i>régime réel</i>] and small- and medium-scale enterprises Up to FMG 250,000 per year (fixed) FMG 10000 FMG 251,000-FMG 600,000 – 5% FMG 601,000-1,000,000 – 10% FMG 1,001,000-1,500,000 – 15% FMG 1,501,000-2,500,000 – 20% FMG 2,501,000-5,000,000 – 25% FMG 5,001,000-10,000,000 – 30% Amounts exceeding FMG 10,000,000 – 35%</p>	<p>B5 <u>Article 01.02.17</u> Accounts-based (itemized) system (prior to May 1) N 1. Prior to October 1, N, 2 months from end of fiscal period plus 25 percent.</p> <p><u>Article 20.01.41</u> An advance payment [<i>acompte provisionnel</i>] is due every bimonthly period.</p> <p><u>Article 20.01.42</u> An advance payment [<i>acompte</i>] is to be made at customs: - 3 percent of c.i.f. value for registered businesses; - 5 percent of c.i.f. value for nonregistered businesses. Value: raw materials, consumer goods, and products.</p>

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Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
<p>1.2.7 IRNS registration tax [IRNS Greffe] (01.02.50) (General Budget)</p>	<p><u>Article 01.02.20</u> Small- and medium-scale enterprises (criteria):</p> <ul style="list-style-type: none"> • Number of employees <= 50 • Pretax turnover below FMG 250,000,000 • Principal responsibilities in production, sale where the management is undertaken by individuals venturing their own capital. <p><u>Article 01.02.24</u> Microenterprise (criteria):</p> <ul style="list-style-type: none"> • Turnover < FMG 100,000,000 per year for agricultural, crafts-related, or purchase/resale activity • Turnover < FMG 50,000,000 per year for the provision of services. 	<p><u>Article 01.02.37</u> Minimum amounts for all activities liable for tax TP>5th class = 4 TP</p> <p><u>Article 01.02.38</u>: Party subject to IRNS registration tax (minimum)</p> <p>For agricultural activities:</p> <ul style="list-style-type: none"> • 1/2 IFT [land tax] for arable land having a surface area of less than 5 hectares • IFT for land between 5-10 hectares • 2 IFT for land exceeding 10 hectares - 2 TP: activities classed under the 6th, 7th, and 8th classes of the TP - 3 TP: activities classed in the 5th class of the TP - 4 TP: liable for the 4th class of the TP; activities categorized under the 4th class of the TP - 4 TP: livestock dealers. <p>Yes, and only if the turnover < the thresholds indicated in the pertinent column.</p> <p><u>Article 10.01.11</u></p> <ul style="list-style-type: none"> • Limited partners in limited partnerships [<i>sociétés en commandite</i>]; • Wage earners • University cafeterias or canteens; • Farmers; <p>Fishery and hunting enterprises (with a maximum of five people working for them);</p> <ul style="list-style-type: none"> • Agricultural contractors; • Artists; • Directors of independent technical and general schools; • Newspaper and magazine salesmen; • Operations for the provisioning of the (Fokontany) local authorities; • Medical operations of enterprises; • Intermediaries in government contracts markets for supplies financed by foreign aid; • Military joint mess clubs, Army residential establishments, and military rest homes. 	<p><u>Article 01.02.21</u> System applicable to small- and medium-scale enterprises (Tax return to be filed prior to March 1, N in the year in which the option is exercised).</p> <p><u>Article 01.02.25</u> Registered system [<i>régime greffé</i>] (Tax return prior to March 1)</p> <p><u>Article 10.01.15</u> Table A and B Fixed tax, according to the type of business, population of the community where the enterprise is located, and the number of employees and equipment used in the enterprise (1,500-240,000). Proportional taxes based on rental value of premises, including equipment used.</p> <p>Proportional tax:</p> <ul style="list-style-type: none"> - Liberal professions 1/5 VL; - Commercial activities, 1st, 2nd, and 3rd classes, 1/10 VL; - Industries, trades, and services rendered (2nd and 3rd classes), commercial activities (4th and 5th classes), 1/20 VL; - Other activities, 1/30 VL. <p><u>Article 10.01.33</u> Before October 15, N.</p> <p><u>Article 10.01.38</u> Professional tax is representative and in full discharge of the IRNS (4TP, 3TP, 2TP) ->B.G cf. Article 01.02.38: Registered IRNS (minimum)</p>	<p><u>Article 10.01.33</u> Before October 15, N.</p>
<p>1.2.8 Professional taxes. Professional tax^U [<i>Taxe professionnelle</i>—TP] (Budget of the Autonomous Province)</p>	<p><u>Article 10.01.01</u> Professional tax payable in connection with engaging in gainful activity in Madagascar.</p>	<p><u>Article 10.01.11</u></p> <ul style="list-style-type: none"> • Limited partners in limited partnerships [<i>sociétés en commandite</i>]; • Wage earners • University cafeterias or canteens; • Farmers; <p>Fishery and hunting enterprises (with a maximum of five people working for them);</p> <ul style="list-style-type: none"> • Agricultural contractors; • Artists; • Directors of independent technical and general schools; • Newspaper and magazine salesmen; • Operations for the provisioning of the (Fokontany) local authorities; • Medical operations of enterprises; • Intermediaries in government contracts markets for supplies financed by foreign aid; • Military joint mess clubs, Army residential establishments, and military rest homes. 	<p><u>Article 10.01.15</u> Table A and B Fixed tax, according to the type of business, population of the community where the enterprise is located, and the number of employees and equipment used in the enterprise (1,500-240,000). Proportional taxes based on rental value of premises, including equipment used.</p> <p>Proportional tax:</p> <ul style="list-style-type: none"> - Liberal professions 1/5 VL; - Commercial activities, 1st, 2nd, and 3rd classes, 1/10 VL; - Industries, trades, and services rendered (2nd and 3rd classes), commercial activities (4th and 5th classes), 1/20 VL; - Other activities, 1/30 VL. <p><u>Article 10.01.38</u> Professional tax is representative and in full discharge of the IRNS (4TP, 3TP, 2TP) ->B.G cf. Article 01.02.38: Registered IRNS (minimum)</p>	<p><u>Article 10.01.33</u> Before October 15, N.</p>

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(All amounts in Malagasy francs)

Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
1.2.9 Business license tax 1 ^V [<i>Impôt de licence</i>] (Budget of the Autonomous Province)	<u>Article 10.06.01</u> Professional tax payable on sales of alcoholic beverages.	<u>Article 10.06.06</u> Sales by nonprofits, including: <ul style="list-style-type: none"> • University cafeterias; • Military mess halls; • Canteens, residential establishments, clubs attached to the Army; • Pharmacists and drug depositaries in connection with retail sales of raw spirit alcohol; • Restaurateurs and hotel restaurant operators, under certain conditions. 	<u>Article 10.06.08</u> Rate as follows: <ul style="list-style-type: none"> - Category of licenses (3 categories); - Population of the community where the firm is located. 	<u>Article 10.06.63</u> In the first 20 days of each quarter => pre-existing operation First 20 days of operation => new sales licence. <u>Article 10.06.64</u> Prior to operation => huckster's license tax [<i>impôt de licence foraine</i>].
2.0 Taxes on Property 2.1 Land tax [<i>Impôt foncier sur les terrains—IFT</i>] (Budget of the settlement communes [<i>communes d'implantation</i>]) ^V	<u>Article 10.02.01</u> Tax levied on the estimated productive value of land based on type of crop use.	<u>Article 10.02.03</u> <ul style="list-style-type: none"> • Land owned by government, decentralized local authorities, or public institutions assigned to perform a public service or a service deemed to be in the public interest, that generates no revenue. • Land earmarked (free of charge) for medical or social charities, free education, or worship. • Land envisaged in Article 10.4.02, liable for the IFPB. 	<u>Article 10.02.07</u> Rate expressed in FMG per hectare (1 st -5 th category) - 1 percent of market value (6 th category).	<u>Article 10.02.08</u> Prior to October 15, N.
2.2 Tax on buildings ^V [<i>Impôts sur les immeubles bâtis—IFPB</i>] (Commune Budget)	<u>Article 10.03.01</u> Tax levied on rental value of buildings.	<u>Article 10.03.03</u> <ul style="list-style-type: none"> • Buildings owned by government, decentralized local authorities, or public institutions assigned to perform a public service or a service deemed to be in the public interest, that generate no revenue. • New constructions for a period of five years from their completion date subject to presentation of habitation or occupancy permit (Article 10.03.05). Buildings reserved (on a free-of-charge basis) for charities, medical activities, [free] education, or worship.	<u>Article 10.03.10</u> Rates set by vote (by the municipal government) based on the rental value determined by the real estate assessment committee. Maximum rate: 5% Minimum rate: 2% May not be less than FMG 5000 per building.	<u>Article 10.03.11</u> Prior to October 15, N.

Madagascar: Summary of the Malagasy Tax System, December 1999
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Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
2.3 TAFB ^U (Commune Budget)	<u>Article 10.04.01</u> Taxes associated with the tax on buildings based on the rental value of real estate.	Same rules as those governing the IFPB, excluding the temporary exemption and the permanent exemption.	<u>Article 10.04.05</u> Rate set by vote (by the municipal government): Maximum rate: 5% Minimum rate: 2%.	Prior to October 15, N.
2.4 Additional tax on registration tax [<i>Taxe additionnelle aux droits d'enregistrement</i>]	<u>Article 10.05.01</u> Tax in addition to movable and immovable property, sales by auction transfer duties [<i>Droits d'enregistrement sur les actes et les mutations à titre onéreux des biens immeubles et meubles</i>].		<u>Article 10.05.02</u> Rates set by vote (by municipal government) Minimum rate: 2%	
2.5 Tax on company cars [<i>Taxe sur les véhicules de tourisme des sociétés</i>] (General Budget)	<u>Article 02.08.01</u> Annual tax levied on all private cars registered in the name of a company.		<u>Article 02.08.02</u> FMG 300,000/year for all vehicles rated as not exceeding 9 HP; FMG 30,000/year and per CF 9 HP.	<u>Article 02.08.03</u> Prior to end-January N => vehicles in circulation as at January 1 of the year; Month purchased => vehicles purchased in the course of the year (brand-new or second-hand).
2.6 Tax on motor vehicles [<i>Taxes sur les véhicules à moteur</i>] (Tax disc) [<i>Vignette</i>] (General Budget)	<u>Article 02.07.01</u> Annual tax on all vehicles in circulation.	<u>Article 02.07.06</u> - Vehicles registered in the name of the State; - Vehicles exempt from tax pursuant to the terms of international conventions; - Special vehicles (bulldozers, mechanical handling equipment, etc.); - Tractors used exclusively for agricultural activities; - Vehicles intended for sale or resale (automobile dealers) and brand-new or second-hand mechanical engines.	<u>Article 02.07.01</u> <u>Rate</u> Taxable horsepower Age To To To To >15 4 9 12 15 <5 10,500 12,000 13,500 19,500 28,500 5<<10 7,500 13,000 10,500 16,500 25,500 10<=20 4,500 10,500 7,500 10,500 13,500 >20 years 2,250 3,000 3,750 7,500 12,000	<u>Article 02.07.02</u> Prior to end-June N => automobiles and boats in active service - Month acquired or time of engineering inspection or time the insurance policy is renewed => vehicles previously tax-exempt.
			<u>Article 10.05.02: 2%</u> Commercial vehicles used exclusively for mass transit = FMG 4,000/CF; however, vehicles over 10 years old are taxed on only half their power. Airplanes: FMG 600,000/year/aircraft. Service vehicles of charities and social welfare organizations: FMG 4,000/CF	

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(All amounts in Malagasy francs)

Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
2.7 Registration Duties [Droits d'Enregistrement] (General Budget)	<u>Article 02.01.02</u> Tax levied on registration of all transactions pertaining to the transfer of property, proportional to the value of the assets in question.	<u>Article 02.11.01</u> Special regimes and exemptions: - Central government and decentralized local governments; - Societies, associations recognized as being in the public interest; - Religious missions and churches; - Social housing; - Procedural documents [<i>actes de procédure</i>] and judicial decisions with respect to electoral matters; - Instruments and acts of registration; judgments relating to civil status; - Transactions in cases of expropriation in the public interest; - Instruments and transactions, contracts pertaining to agricultural or socially oriented credit extended by banks.	<u>Article 02.02.39</u> Buildings and goodwill: 8% Special rates: <u>Sales of immovable assets</u> Association RUP = 6% (Art. 2.02.39) Developable land for housing <=500m2=8% (Art. 02.02.39) Traditional housing – 10% Agricultural land 1/2 12% (Art. 02.02.39) <u>Other assets</u> 8% (Art. 02.02.44) Negotiable securities: 4% (Art. 02.02.46) Estate tax (Art. 02.03.32-A) Rate – Portion of taxable value (in FMG) 2 % -- FMG 1-10 million 4% -- FMG 2-20 million 6% -- FMG 20-30 million 8% -- FMG 30-40 million 10% -- > FMG 40 million <u>Memoranda of incorporation:</u> (Art. 02.02.32) Rate graduated by tranche of capital: - 2% ... < FMG 50,000,000 - 1% ... between FMG 50,000,000 and FMG 500,000,000 - 0.5% for amounts in excess of FMG 500,000,000. <u>Claims:</u> 1.50% (Art. 02.02.48) <u>Prenuptial agreement</u> [<i>contrat de mariage</i>]: 1% (Art. 02.02.19) <u>Exchange of building:</u> 4% (Article 02.02.20) <u>Partition:</u> 1% (Art. 02.02.28) <u>Annuities</u> [<i>Rentes</i>]: 1.5% (Art. 02.02.30) <u>Fixed-term lease:</u> 2% and 4% (Art. 02.02.12) <u>Life tenancy:</u> 8% and 12% (Art. 02.02.13) <u>Art. 02.02.04 through 02.02.06</u> Fixed taxes: - FMG 10,000 => Supreme Court decision => administrative - FMG 20,000 => Decision of the Court of Appeal, Criminal Court - FMG 40,000 => Decision of the Supreme Court => judicial.	
	<u>Article 02.02.24</u> Taxes on judgments, arbitration awards, and decisions resulting in conviction.			

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Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
2.8 Tax on real estate advertising [<i>Taxe de publicité foncière</i>] (General Budget)	<p><u>Article 02.04.01</u> Tax levied on:</p> <ul style="list-style-type: none"> • Recording of real estate conveyancing transactions [<i>mutations</i>]; • Procedural steps involved in inclusion in land ownership registries. 	<p><u>Article 02.04.09</u></p> <ul style="list-style-type: none"> • Central government and decentralized local governments; • Societies, associations recognized as being in the public interest; • Religious missions and churches; • Social housing. 	<p><u>Article 02.04.05</u></p> <ul style="list-style-type: none"> - 1% of the value (for leases); - 2% => in all other cases; - 1% of value in the case of unconditional partitions [<i>partage pur et simple</i>]. 	
2.9 Tax on Insurance Policies [<i>Taxe sur les contrats d'assurances</i>] (General Budget)	<p><u>Article 02.09.01</u> Tax levied on all insurance contracts providing coverage against risks or in respect of annuities.</p>	<p><u>Article 02.09.03 and Article 02.09.04</u></p> <ul style="list-style-type: none"> • Risks covered outside of Madagascar; • Reinsurance; • Insurance in respect of work-related accidents; • Insurance against risks associated with shipping or civil aviation, whether inbound or outbound. 	<p><u>Article 02.09.02</u></p> <ul style="list-style-type: none"> - 4.5% in general; - 20% for fire insurance; - 3% for life insurance; - 4% for insurance against risks associated with shipping, inland water transportation, or civil aviation; - 5% for annuities [<i>rente viagère</i>]. 	<p><u>Article 02.09.05</u> Within the first 20 days of each quarter => estimated payment, June 15, N => general tax payment.</p>
2.10 Stamp Tax [<i>Droit de timbre</i>] (General Budget)	<p><u>Article 02.06.01</u> Tax levied on all paper documents intended for civil and judicial proceedings as well as for instruments that can be produced in court and entered into evidence.</p>		<p><u>Article 02.06.16</u> Size tax FMG 2000, paper 0.42 x 0.59 FMG 1500, paper 0.29 x 0.42 FMG 1000, paper 0.29 x 0.21 Tax per double-sided page reduced by half when one of the sides is cancelled.</p> <p><u>Article 02.06.28</u> Proportional tax 5 per mill <u>Article 02.06.40</u> receipt tax At the rate for the proportional tax 5 per mill.</p>	<p><u>Article 02.06.44</u> In the form of a statement, within the 20 days following the end of each month.</p>

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Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
3. Taxes in goods, products, and services				
3.1 Turnover tax ¹¹ [<i>Taxe sur le chiffre d'affaires</i> —TCA] (General Budget, Budget of the Decentralized Local governments—Article 06.01.01)	<p><u>Article 06.01.02 and Article 06.01.03</u> Tax levied on:</p> <ul style="list-style-type: none"> • Commercial, industrial, crafts-related, mining, hotel-related, or service-providing transactions; • The liberal professions; • Particular types of operations, such as importation and delivery for personal use. <p><u>Article 06.01.35</u> * <u>The public investment program (PIP) financed from external sources.</u></p>	<p><u>Article 06.01.06</u> <u>Exemptions or exonerations</u></p> <ul style="list-style-type: none"> - Wages; - Books, brochures, similar printed materials; - Pharmaceutical drugs and products, medical equipment; - Materials and inputs used in the manufacturing of drugs; - Packaging used in the retail sale of drugs; - Newsprint; importation, publication, and sale of newspapers and magazines; - Subject to the requirement of reciprocal treatment, the purchases of diplomatic missions holding diplomat status; - Postage stamps and legal tender coins. 	<p><u>Article 06.01.12</u> VAT - 0% 20% (recoverable)</p> <p><u>Article 06.02.15</u> TST: 5% (nonrecoverable)</p>	<p><u>Article 06.01.16</u> Monthly for turnover > FMG 1 billion Quarterly for turnover < FMG 1 billion.</p> <p><u>Article 06.02.11</u> TST: Bimonthly Prior to the 20th of the month following each bimonthly period.</p>
3.2 Transaction Tax [<i>Taxe sur les transactions</i> —TST]	<p><u>Article 06.02.01</u> (Budget of the decentralized local governments)</p>	<p><u>Article 06.02.04 and Article 06.02.05</u></p> <ul style="list-style-type: none"> • Assets brought into companies; • Services rendered in the context of the health-care professions; • School fees; • Supply of water and electric power to public local authorities for domestic use, to medical training centers. 	<p><u>Article 06.02.15</u> 5%</p>	<p><u>Article 06.02.11</u> In the first 20 days of the month following each bimonthly period.</p>
3.3 Excise Tax [<i>Droits d'accises</i> —DA] (General Budget)	<p><u>Article 03.01.01</u></p> <ul style="list-style-type: none"> • Tax levied on particular manufactured or imported products, such as: <ul style="list-style-type: none"> - Alcoholic beverages or liquids; - Tobacco; - Cosmetic preparations; - Mining products; - Audiovisual equipment, etc. 	<p><u>Article 03.01.02</u></p> <ul style="list-style-type: none"> • Products included as raw materials in other products already subject to Excise Tax (DA); • Products and materials included in the manufacture of pharmaceuticals; • Materials for refrigerated production used by professionals. 	<p>In accordance with excise tax table:</p> <ul style="list-style-type: none"> - Rate from 20%-180%; - 50% tax deduction for cigarettes whose reference price does not exceed the price set pursuant to a decree [<i>arrêté</i>] issued by the Minister (03.01.01). 	<p>Within the first 20 days of the month following each bimonthly period.</p>

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(All amounts in Malagasy francs)

Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
3.4 Special tax [<i>Taxe spéciale</i>] (FNPDJSL)	<u>Article 03.02.01</u> Tax payable by manufacturers and importers of: - Alcoholic beverages; - Manufactured tobacco. Tax payable by operators of gambling establishments		<u>Article 03.02.02</u> Rates set pursuant to regulations.	<u>Article 03.02.04</u> Within the first 20 days of the month following the three-month period within which the product was manufactured or the revenue collected.
3.5 "Redevance" fees [<i>Redevances</i>] General Budget)	<u>Article 04.01.01</u> Levied on the following products: manufactured tobacco, chemical matches, wheat or maslin flour, alcoholic beverages (excluding group 2) using locally produced or imported sugar.	<u>Article 04.01.04</u> • Same product used as in respect of raw materials; • Export sales.	<u>Article 04.01.10</u> Rates set in accordance with regulations.	<u>Article 04.01.16</u> Products imported => prior to removal; Products manufactured locally and in accordance with conditional relief arrangements [<i>régime suspensif</i>] => within the first 20 days of the month after the goods are released for home use.
3.6 Tax on gambling establishments [<i>Prélèvements sur les maisons de jeux</i>] Annual tax on slotmachines, etc. [<i>Taxe annuelle sur les appareils automatiques</i>] (Commune Budget) ¹¹	<u>Article 10.07.01</u> Tax payable in connection with the operation of automatic devices known as "slot machines" and other such equipment.		<u>Article 10.07.02</u> - Slot machines: FMG 2,000,000 per apparatus - Other equipment: FMG 500,000 per apparatus.	<u>Article 10.07.02</u> On an annual basis—must be made at the time that a statement is issued to the effect that the equipment in question has come on line.
3.7 Stamp tax [<i>Droit de timbre</i>] (General Budget)	<u>Article 03.02.12</u> Tax payable upon admittance to gambling halls.		<u>Article 03.02.12</u> By share: - FMG 50,000, pass valid for one day - FMG 200,000 – pass valid for one week - FMG 700,000 – pass valid for one month - FMG 3,000,000 – pass valid for one year.	<u>Article 03.02.12</u> Prior to the 10 th of the following month
3.8 Tax on gambling products [<i>Prélèvement sur les produits des jeux</i>] (Decentralized local government budget to be allocated by decree) ¹¹	<u>Article 10.07.03</u> Tax (in full discharge of the VAT) applied to the gross proceeds from money gambling activities engaged in within clubs, gambling houses, and hotel facilities.		<u>Article 10.07.03</u> Gambling engaged in at clubs and gambling houses: Graduated by threshold of annual earnings: - Up to FMG 10,000,000 – 10 %; - FMG 10,000,001-30,000,000 – 20%; - FMG 30,000,001-60,000,000 – 40%; - FMG 60,000,001-100,000,000 – 50%; - For amounts exceeding FMG 100,000,000 – 60%.	<u>Article 10.07.06</u> Within the 3 days after the end of the 10-day period.

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(All amounts in Malagasy francs)

Tax	Type of Tax	Deductions and Exemptions	Tax Rate	Tax Reporting
			<p>Gambling activities engaged in at hotel: Graduated by threshold of annual winnings:</p> <ul style="list-style-type: none"> - Up to FMG 10,000,000 – 5%; - FMG 10,000,001-30,000,000 – 10%; - FMG 30,000,001-60,000,000 - 15% - 60,000,001-90,000,000 – 20%; - FMG 90,000,001-120,000,00 – 25%; - FMG 120,000,001-150,000,000 – 30%; <p>For amounts exceeding FMG 150,000,000 – 40%. FMG 20,000 per TV per year.</p>	
3.9 Annual Tax on Televisions [<i>Taxe annuelle sur les téléviseurs</i>] (Budget of the Communes)	<u>Article 18</u> Amending Paragraph I of Article 6 of Order [<i>Ordonnance</i>] No. 78009 of May 3, 1978.			
4. Taxes on foreign trade				
4.1 Imports				
4.1.1 Customs duty (<i>Droit de douane à l'entrée</i>)	Levied mostly on c.i.f. value of imports.	Exemptions apply to several products listed in the Code and in the Customs Tariff.	Existing rates are 5, 15, and 25 percent; for most products, rates do not exceed 30 percent.	
4.1.2 Import duty (<i>Taxe d'importation</i>)	Levied mostly on c.i.f. value of imports.	Exemptions apply to few products listed in the Code and in the Customs Tariff.	Rates vary from 0 percent to 20 percent; most between 0 percent and 10 percent. For any imported product the sum of the custom duty plus import duty should be equal to 5, 15, 25, or 30 percent (maximum rate) (excluding exemptions). 20 percent single-stage tax.	
4.1.3 VAT	Levied mostly on c.i.f. value plus customs duty and import duty.	Exemptions apply to several products listed in the Code and in the Customs Tariff.		
4.1.4 Excise tax	Levied on a few products, mostly luxury items.	Exemptions apply to most products.	Rates varying from 10 to 120 percent. FMG 5,000/Knet for secondhand clothing.	
4.1.5 Import tax on petroleum products (<i>Taxe unique sur produits pétroliers</i>)	Levied mostly on volume, except lubricants on c.i.f. value, and gases per K/net.	Exemption for lamp oils.	Specific taxes vary per product.	
5. Other taxes				
5.1 Stamp duty (<i>Droits de timbre</i>)	Levied on: (1) legal documents, (2) administrative documents, (3) receipts, and (4) commercial instruments issued.		Fixed or proportional rates applied according to the type of document. Fixed rates vary from FMG 400 to FMG 1,000. Proportional rates: 0.5 percent on face value of commercial instruments and 0.05 percent on postal checks.	

Source: Ministry of Budget and Development of Autonomous Provinces.
 1/ Levied on behalf of local authorities.

Table 9. Madagascar: Gross Domestic Product at Constant 1984 Prices, 1995-99

(In billions of Malagasy francs at 1984 prices)

	1995	1996	1997	1998	1999
Primary sector	667.3	684.0	696.9	711.8	736.0
Agriculture	307.6	315.2	320.4	315.2	331.9
Livestock and fishery	286.0	291.0	292.9	306.0	297.9
Forestry	73.7	77.7	83.6	90.5	106.3
Secondary sector	225.4	229.8	240.5	253.3	264.0
Food, beverages and tobacco	97.4	106.7	109.3	119.0	124.0
Energy	34.1	36.9	43.3	42.6	44.3
Free trade zone	10.1	12.6	13.8	16.5	20.2
Other	83.9	73.6	74.2	75.1	75.4
Tertiary sector	906.3	925.6	968.7	1,017.8	1,073.7
Transport	294.0	309.8	336.2	351.4	366.7
Construction	26.3	28.1	29.4	33.3	37.2
Retail and wholesale	212.8	219.8	225.9	232.5	240.1
Government	105.6	108.1	108.1	108.2	108.2
Other services	267.6	259.8	269.2	292.3	321.6
<i>Of which: public sector</i> 1/	105.7	108.1	108.1	108.2	108.2
Imputed charges	-32.0	-32.5	-33.1	-37.1	-39.4
GDP at factor cost	1,767.1	1,806.9	1,872.9	1,945.7	2,034.3
Indirect taxes	164.1	165.8	172.6	180.4	190.8
GDP at market prices	1,931.2	1,972.7	2,045.5	2,126.1	2,225.1

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

1/ Excluding public enterprises.

2/ In thousands of Malagasy francs at 1984 prices.

Table 10. Madagascar: Availability and Use of Resources at Current Prices, 1995-99

(In billions of Malagasy francs)

	1995	1996	1997	1998	1999
Primary sector	4,109.3	4,807.5	5,266.2	5,719.4	6,366.1
Agriculture	2,571.6	2,686.0	2,922.0	3,124.2	3,483.8
Livestock and fishery	1,008.8	1,360.3	1,449.6	1,615.4	1,761.3
Forestry	528.9	761.2	894.6	979.8	1,121.1
Secondary sector	1,716.9	2,046.6	2,244.5	2,549.3	2,916.7
Food, beverages and tobacco	802.2	968.0	1,006.8	1,190.3	1,339.6
Energy	159.3	206.0	245.6	262.0	316.4
Free trade zone	127.0	246.5	330.1	368.6	465.7
Other	628.3	626.2	662.0	728.5	795.1
Tertiary sector	6,885.4	8,449.5	9,389.2	10,674.4	12,228.0
Transport	2,447.8	2,800.3	3,238.0	3,654.5	4,034.7
Construction	170.3	220.8	232.5	296.4	355.0
Retail and wholesale	1,359.0	2,086.4	2,229.3	2,386.3	2,624.2
Government	573.7	678.6	884.0	1,051.4	1,266.0
Other services	2,334.5	2,663.4	2,805.4	3,285.7	3,948.1
Imputed charges	-186.0	-195.4	-207.8	-237.6	-308.6
GDP at factor cost	12,525.5	15,108.2	16,692.2	18,705.5	21,202.6
Indirect taxes	953.2	1,116.2	1,358.6	1,637.9	2,176.5
GDP at market prices	13,478.7	16,224.4	18,050.8	20,343.4	23,379.1
Net imports of goods and nonfactor services	989.9	858.7	1,480.7	1,610.8	1,848.0
Imports of goods and nonfactor services	4,240.6	4,184.1	5,419.2	5,968.4	7,634.8
Exports of goods and nonfactor services	3,250.8	3,325.5	3,938.5	4,357.6	5,786.9
Total available resources	14,468.6	17,083.1	19,531.5	21,954.2	25,227.1
Consumption	12,993.7	15,195.1	17,391.9	19,415.7	22,211.2
Of which: public sector 1/	904.2	985.7	1,378.1	1,524.9	1,835.7
Gross investment	1,474.9	1,888.0	2,139.6	2,538.5	3,015.9
Fixed	1,474.9	1,888.0	2,139.6	2,538.5	3,015.9
Private	666.2	806.2	1,136.3	1,394.8	1,519.6
Public sector 1/	808.7	1,081.8	1,003.3	1,143.8	1,496.3
Change in stocks	...	...	...	...	...
Gross domestic savings	485.0	1,029.3	658.9	927.7	1,167.9
Public sector 1/	249.8	-296.5	-213.5	129.7	424.7
Private	235.3	1,325.8	872.4	798.1	743.2

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

1/ Excluding public enterprises.

Table 11. Madagascar: Production of Rice and Other Food Crops, 1995-99

(In thousands of tons)

	1995	1996	1997	1998	1999
Paddy	2,450	2,500	2,558	2,447	2,570
Maize	177	180	178	152	177
Manioc	2,400	2,353	2,430	2,404	2,641
Sweet potatoes	450	500	510	510	520
Potatoes	275	280	280	280	291

Source: Ministry of Agriculture.

Table 12. Madagascar: Rice Production, Imports, and Availability, 1961-99

	Population 1/ (Thousands)	Paddy Production	Stocks (End of year)	Net imports (Exports) 2/	Total Rice Available 3/	Availability (Kg/person)
		(Millions of tons)				
1961	5,616	1,263	...	-13	672	120
1962	5,729	1,330	...	-25	697	122
1963	5,842	1,377	...	-20	727	124
1964	5,959	1,520	...	-21	805	135
1965	6,078	1,445	...	60	844	139
1966	6,200	1,603	...	-5	864	139
1967	6,342	1,706	...	-36	891	140
1968	6,487	1,873	...	-64	952	147
1969	6,636	1,858	...	-9	999	151
1970	6,788	1,865	...	-48	965	142
1971	6,943	1,873	...	25	1,042	150
1972	7,102	1,687	...	23	938	132
1973	7,265	1,730	...	90	1,028	142
1974	7,431	1,844	5	122	1,118	150
1975	7,604	1,972	0	59	1,135	149
1976	7,803	2,043	5	68	1,171	150
1977	8,007	2,067	9	93	1,211	151
1978	8,216	1,922	7	152	1,196	145
1979	8,431	2,045	0	155	1,272	150
1980	8,651	2,109	2	176	1,318	152
1981	8,877	2,012	8	193	1,278	144
1982	9,109	1,970	138	351	1,290	142
1983	9,348	2,147	122	185	1,365	146
1984	9,592	2,131	47	111	1,343	140
1985	9,843	2,060	0	107	1,409	143
1986	10,100	2,116	28	162	1,424	141
1987	10,364	2,178	37	94	1,433	138
1988	10,635	2,149	13	37	1,385	130
1989	10,933	2,380	28	89	1,547	141
1990	11,239	2,420	28	76	1,574	140
1991	11,554	2,342	30	39	1,525	132
1992	11,877	2,450	38	59	1,568	132
1993	12,210	2,550	40	5	1,581	129
1994	12,576	2,357	53	156	1,605	128
1995	12,954	2,450	62	152	1,593	123
1996	13,342	2,500	56	32	1,519	114
1997	13,742	2,558	...	56	1,663	121
1998	14,155	2,447	...	111	1,619	114
1999 4/	14,579	2,637	...	163	1,695	116

Source: Ministry of Agriculture; and INSTAT.

1/ Population figures changed by Ministry of Agriculture, Feb. 24, 2000.

2/ Madagascar was a net exporter of rice until 1970 (except for 1965).

3/ Domestic paddy production (less nonhuman consumption) converted to rice equivalent plus net change in stocks and net imports.

4/ Provisional data.

Table 13. Madagascar: Retail Prices of Ordinary Rice, 1991-99

(In Malagasy francs per kilogram)

		Free Market	Security Stocks 1/	Official Distribution
1991	March	624	612	...
	June	549	534	525
	September	665	653	...
	December	893	794	700
1992	March	980	969	...
	June	830	689	932
	September	805	797	950
	December	860	875	975
1993	March	823	787	875
	June	630	650	800
	September	770	759	900
	December	847	861	1,000
1994	March	1,575	1,428	1,000
	June	958	914	1,000
	September	1,308	1,385	850
	December	1,646	1,564	1,200
1995	March	1,735	1,729	1,200
	June	1,555	1,506	1,800
	September	1,875	1,822	1,950
	December	2,076	1,975	1,950
1996	March	2,168	2,066	2,150
	June	1,609	1,656	2,200
	September	1,785	1,744	2,200
	December	2,055	1,919	2,250
1997	March	2,128	2,056	2,150
	June	1,608	1,619	1,950
	September	1,876	1,906	2,036
	December	2,089	2,006	2,200
1998	March	2,125	2,071	2,167
	June	1,875	2,000	2,172
	September	1,979	1,992	2,225
	December	2,450	2,514	2,417
1999	March	2,473	2,543	2,526
	June	2,178	2,200	2,434
	September	2,267	2,291	2,354
	December	2,379	2,383	2,465

Source: Ministry of Commerce and Consumption.

1/ The data refer to the price of rice sold from the food security stock, or *stock tampon*.

Table 14. Madagascar: Production of Major Cash Crops, 1995-99 1/

(In thousands of tons)

		1995	1996	1997	1998	1999
Export crops						
Coffee 2/	Production	68.0	68.0	55.0	60.0	65.0
	Marketed	60.0	60.0	52.0	53.0	57.2
Vanilla	Production 3/	4.3	4.4	4.8	5.0	5.5
	Marketed 4/	0.6	1.2	1.1	1.1	1.2
Cloves	Production	13.0	13.0	15.5	16.5	12.3
	Marketed	13.0	12.5	15.0	15.0	11.2
Pepper	Production	2.4	2.1	1.5	1.7	2.0
	Marketed	1.8	1.9	1.5	1.7	1.8
Cocoa	Production	4.0	4.8	4.3	4.3	4.5
	Marketed	3.3	4.5	4.3	4.3	4.5
Butter beans	Production	7.8	7.8	8.0	7.8	7.8
	Marketed	4.4	4.5	7.8	7.0	7.0
Sisal	Production 5/	16.3	17.0	18.0	18.0	18.0
Industrial crops						
Cotton 6/	Production 5/	24.3	26.0	36.2	38.5	34.3
Sugarcane	Production	2,100	2,150	2,160	2,180	2,180
	Marketed	1,822	2,016	1,500	1,500	1,504
Groundnuts	Production	30.0	36.2	35.8	34.2	34.5
	Marketed	21.4	22.4	29.0	29.0	29.3

Source: Ministry of Finance and Economy.

1/ Data on total production are approximate; those on marketed production are more accurate.

2/ Unroasted coffee.

3/ Green vanilla.

4/ Prepared vanilla (4.6 kg green = 1 kg prepared).

5/ Most of the production is marketed.

6/ Seed cotton.

Table 15. Madagascar: Indicative Producer Prices for Major Crops, 1995-99 1/

(In Malagasy francs per kilogram)

	Type of Price	1995	1996	1997	1998	1999 Est.
Paddy	Indicative	725	726	726	979	1,087
Coffee	Indicative	6,000	4,570	3,000-5,000	6,500	5,500
Cloves	Indicative	1,850	1,900	3,000	3,989	7,500
Vanilla	Fixed	10,000	5,150	5,000-10,000	10,500	15,000
Sugarcane	Indicative	75	95	95	112	112
Pepper	Indicative	2,700	2,850	3,000	3,033	2,967
Wheat	Indicative	...	...	...	...	...
Soybeans	Indicative	...	...	...	...	...
Cotton	Indicative	1,615	1,934	...	...	...

Source: Ministry of Agriculture; and INSTAT.

1/ The fixed producer price was lifted in 1986; an official indicative price was announced in 1987. All prices are now market-determined.

Table 16. Madagascar: Index of Industrial Production, 1995-99

	Weights	1995	1996	1997	1998	1999
(1984=100)						
Agro-industry and food industries	29.18	114.5	116.1	111.6	123.0	118.1
Beverages and tobacco	7.59	105.9	129.7	142.2	152.8	177.4
Textiles and clothing	14.63	78.4	67.3	71.5	67.0	71.8
Wood industries	1.09	104.0	109.6	109.9	123.0	133.7
Paper and printing	4.68	113.3	65.9	58.6	56.0	45.2
Leather goods	2.65	61.2	59.4	25.6	22.6	25.5
Electrical goods	2.19	95.6	95.6	102.8	101.1	99.8
Metal works	2.43	143.0	141.8	151.4	161.8	166.8
Chemical industries	9.05	112.2	115.9	120.2	121.7	128.9
Energy	18.27	363.5	394.0	462.2	454.7	475.0
Construction materials	2.19	163.7	165.2	190.0	193.5	199.5
Transport materials	1.23	88.1	90.8	94.4	99.6	105.1
Extractive industries	3.86	118.4	110.6	120.0	117.1	80.2
Other	0.96	...	...	...	...	...
Total	100.0	152.5	156.5	169.6	172.1	176.1
(Annual change in percent)						
Agro-industry and food industries		2.8	1.4	-3.9	10.2	-4.0
Beverages and tobacco		9.3	22.5	9.6	7.5	16.0
Textiles and clothing		1.8	-14.2	6.2	-6.3	7.1
Wood industries		3.4	5.4	0.3	11.9	8.7
Paper and printing		-5.0	-41.8	-11.1	-4.4	-19.4
Leather goods		-19.7	-2.9	-56.9	-11.8	12.8
Electrical goods		13.3	0.0	7.5	-1.6	-1.4
Metal works		31.1	-0.8	6.8	6.8	3.1
Chemical industries		-16.8	3.3	3.7	1.3	5.9
Energy		12.9	8.4	17.3	-1.6	4.5
Construction materials		10.9	0.9	15.0	1.8	3.1
Transport materials		-6.1	3.1	4.0	5.5	5.5
Extractive industries		15.3	-6.6	8.5	-2.4	-31.5
Total		6.5	2.6	8.4	1.5	2.3

Sources: Ministry of Industrialization and Handicrafts; and Ministry of Energy and Mining.

Table 17. Madagascar: Industrial Production, 1995-99

	Unit	1995	1996	1997	1998	1999 Est.
Extractive industries						
Graphite	Ton	16,119	11,295	15,397	18,690	...
Mica	Ton	432	317	1,138	1,119	...
Chromite	Ton	105,747	139,272	133,960	134,659	...
Food industries						
Tapioca	Ton	551	156	309	287	321
Potato flour	Ton	210	400	354	...	...
Cattle (slaughtered industrially)	Head	526	4,730	8,436	4,219	...
Hogs (slaughtered industrially)	Head	202	350	373	428	...
Canned meat	Ton	59	42	23	21	...
Cooked pork meats	Ton	113	137	...	...	...
Sugar	Ton	90,052	87,608	74,280	79,775	70,936
Edible oils	Ton	751	2,000	1,439	1,280	...
Beer	Hectoliters	318,842	347,795	233,520	297,407	610,074
Condensed milk	Ton	3,200	2,229	2,244	2,285	1,355
Salt	Ton	70,560	41,750	36,762	29,744	44,409
Tobacco						
Chewing tobacco	Ton	424	813	177	299	320
Smoking tobacco	Ton	7	6	6	...	...
Cigarettes	Ton	1,969	3,371	2,826	3,303	3,633
Textiles						
Cotton cloth	1,000 meters	24,257	11,052	11,572	...	16,118
Bags for packaging	Ton	950	825	907	...	736
Blankets	Ton	1,429	1,505	1,269	...	...
String	Ton	1,286	1,144	915	...	1,316
Paper						
Rag paper	Ton	6,940	3,963	4,646	6,732	3,500
Finished paper	Ton	3,690	2,208	969	1,169	607
Chemical industries						
Soap	Ton	16,654	16,500	15,125	14,513	13,865
Accumulators	units	4,920	3,736	4,597	3,751	3,130
Candles	Ton	2,491	584	632	744	...
Paint	Ton	1,855	2,350	2,258	2,131	1,956
Batteries	1,000 units	23,958	22,715	25,166	25,166	28,572
Oxygen	Cubic meters	418,514	509,859	524,855	540,585	526,275
Acetylene	Cubic meters	107,281	110,813	116,514	112,451	108,000
Petroleum refining						
Butane	Cubic meters	3,901	5,591	9,424	7,831	9,639
Gasoline	Cubic meters	64,941	70,621	96,573	92,694	98,010
Kerosene	Cubic meters	48,779	54,393	72,148	75,413	65,038
Gas oil	Cubic meters	111,070	93,689	125,317	110,784	119,039
Fuel oil	Cubic meters	204,533	159,500	211,522	217,764	198,848
Construction materials						
Cement	Ton	38,187	44,332	36,217	44,327	45,719
Metal works						
Sheet metal	Ton	5,492	4,711	6,102	6,478	6,670
Trunks and boxes	Ton	1,259	1,441	408	509	530
Shoes						
Leather	1,000 pairs	132	158	126	115	130
Plastic	1,000 pairs	547	409	420	396	444
Other	1,000 pairs	120	324	330	...	107
Electricity						
Hydraulic	1,000 kilowatt-hours	415,000	442,430	488,718	503,000	475,000
Thermal	1,000 kilowatt-hours	137,000	120,790	127,593	139,000	184,000

Sources: Ministry of Industrialization and Handicrafts; and Ministry of Energy and Mining.

Table 18. Madagascar: Economic Activities of Manufacturing Enterprises
in the Export Processing Zones (EPZs), 1995-99

	1995	1996	1997	1998	1999 Est.
Number of manufacturing enterprises operating in EPZs	98	125	136	...	...
(in percent) 1/	1.8	1.8	1.5	...	...
<i>Of which:</i>					
Textiles and hides	64	69	72	...	...
Wood processing	8	10	15	...	...
Food, beverages, and tobacco	5	3	2	...	...
Other (mainly jewelry and handicrafts)	14	43	47	...	...
Total number of employees	29,615	36,700	38,980	...	...
(in percent) 1/	20.0	23.0	20.2	...	...
Wages paid (in billions of Malagasy francs)	66	104	117	...	...
(in percent) 1/	15.3	20.0	17.9	...	...
Value added (in billions of Malagasy francs)	127	156	250	...	...
(in percent) 1/	9.3	9.5	12.8	...	...
Exports (in billions of Malagasy francs)	392	590	747	...	...
(in percent) 1/	38.5	22.7	49.9	...	...
Imports (in billions of Malagasy francs)	191	293	370	...	...
(in percent) 1/	13.1	23.7	21.9	...	...

Source: Project Madio: "Le Secteur Industriel Formel à Madagascar: Caractéristiques, Performances, Perspectives." Various issues, 1995-97.

1/ In percent of the total for manufacturing sector.

Table 19. Madagascar: Enterprises with Operating Permits Under the Export Processing Zone, 1995-99 1/

	1995	1996	1997	1998	1999	1994-99 2/		
						Firms (Number)	Employees (Number)	Investments (In billions of FMG)
Sectors								
Agro-food processing	1	3	3	2	0	31	2,346	58
Textiles	19	11	15	7	5	126	38,831	328
Hides and skins	0	0	1	-1	0	5	477	5
Wood processing	4	2	1	4	0	21	1,567	39
Data processing	3	7	5	1	0	26	2,163	20
Chemicals	1	2	3	-1	0	8	549	17
Electrical and Mechanical	0	1	0	0	0	4	129	5
Mineral Processing	4	0	0	-1	0	5	380	29
Handicrafts	6	2	1	-1	0	15	1,951	9
Jewelry	1	1	2	-1	-1	7	447	9
Other	0	0	0	3	0	3	142	13
Enterprises promoting and managing EPZs	0	0	0	0	0	1	66	112
Total	39	29	31	12	4	252	49,048	644

Source: Ministry of Finance and Economy.

1/ Data for 1995-99 represents annual net changes in firms with operating permits, i.e., number of firms obtaining permits less number of firms losing permits.

2/ Number of firms and employees or value of investment resulting from the net cancellation and award of operating permits in the period 1990-99.

Table 20. Madagascar: Production and Export of Major Minerals, 1991-99

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Production (thousand tons)									
Chromite	149.5	160.8	144.3	75.0	128.5	110.1	117.8	119.9	...
Graphite	11.4	13.0	11.7	14.7	16.5	14.3	14.0	14.3	...
Sapphire	...	...	...	...	...	...	...	...	...
Exports (thousand tons)									
Chromite	129.3	108.4	143.8	90.0	128.5	110.1	117.8	115.2	96.2
Graphite	13.6	10.7	11.2	15.6	16.5	14.3	14.0	13.1	14.8
Sapphire (in million grams)	...	...	...	...	...	...	...	2.5	3.8
Export value (millions of SDRs)									
Chromite	6.7	5.5	5.6	3.8	7.7	6.8	6.5	5.8	3.3
Graphite	7.0	5.3	4.8	5.5	6.3	5.4	5.0	5.0	5.8
Sapphire	...	...	...	...	...	...	...	2.0	9.1
Unit value (SDRs per ton)									
Chromite	51.9	50.5	38.9	42.2	59.9	61.8	55.2	50.3	34.3
Graphite	515.0	493.0	431.0	353.1	381.8	377.6	357.1	381.7	391.9
Sapphire (in grams)	...	...	...	...	...	...	...	780.7	2377.6

Source: Ministry of Energy and Mining.

Table 21. Madagascar: Tourism Indicators, 1991-99

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Number of tourists	34,891	53,655	55,355	65,839	74,619	82,681	100,762	121,207	138,253
Annual growth (in percent)	-34.1	53.8	3.2	18.9	13.3	10.8	21.9	20.3	14.1
Hotel capacity (number of rooms)	3,040	...	3,750	4,000	5,000	6,066	6,246	6,637	7,207
Average capacity utilization (in percent) 1/	38.9	52.0	55.0	52.5	55.0	57.0	57.0	58.0	63.0
Number of tourist nights	334,334	436,105	608,725	722,718	770,570	1,157,734	1,410,668	2,302,933	2,626,807
Annual growth (in percent)	-48.9	30.4	39.6	18.7	6.6	50.2	21.8	63.3	14.1
Average length of stay (days)	9.6	8.1	11.0	11.0	10.3	15.0	15.0	20.0	20.0
Foreign exchange receipts from tourism (in millions of SDRs)	20.0	27.7	28.4	32.2	41.5	44.6	52.9	65.5	72.9
Annual growth (in percent)	-32.9	38.5	2.5	13.4	28.9	7.5	18.6	23.8	11.3

Source: Ministry of Tourism.

1/ Coverage is not complete.

Table 22. Madagascar: Production and Consumption of Electricity, 1991-99

(In millions of kilowatt-hours)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Production 1/	473	506	532	546	552	563	616	642	659
Hydroelectric	336	335	382	389	415	442	489	503	475
Thermal	137	171	150	157	137	121	128	139	184
Consumption	394	410	438	450	439	441	485	528	579
Public lighting	5	7	7	7	7	7	8	8	9
Households	126	145	157	162	169	183	200	226	249
Other	263	258	274	281	264	252	278	293	321

Source: Ministry of Energy and Mining.

1/ Electric power generated by the electricity and water company, that is, excluding electricity generated by industries for their own consumption.

Table 23. Madagascar: Prices of Petroleum Products, 1995-99 1/

(In Malagasy francs per liter)

	1995	1996				1997				1998				1999			
	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Gasoline (premium)	1,930	1,860	2,120	2,150	2,180	2,236	2,380	2,380	2,380	2,530	2,530	2,530	2,530	2,530	2,910	3,350	3,980
Gasoline (regular)	1,610	1,550	1,800	1,830	1,860	1,913	2,000	2,000	2,000	2,106	2,090	2,090	2,090	2,090	2,290	2,480	2,950
Gas oil	1,320	1,340	1,510	1,460	1,500	1,553	1,650	1,650	1,650	1,727	1,700	1,700	1,700	1,700	1,770	1,840	2,110
Kerosene	1,190	1,220	1,380	1,300	1,340	1,420	1,500	1,450	1,450	1,450	1,450	1,450	1,450	1,460	1,520	1,630	1,850
Natural gas 2/	25,000	25,000	29,500	29,500	34,000	34,000	34,000	34,000	34,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000

Source: Ministry of Energy and Mining.

1/ Wholesale prices from storage facilities; retail prices are higher by a small, fixed-profit margin. Prices recorded in the capital city only.

2/ Prices are for a 12.5 kilograms container.

Table 24. Madagascar: Population and Labor Force, 1991-99

(In thousands, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Population	11,554	11,877	12,210	12,576	12,954	13,342	13,742	14,155	14,579
Percentage change	2.8	2.8	2.8	3.0	3.0	3.0	3.0	3.0	3.0
Labor force	5,653	5,811	5,874	6,165	6,350	6,540	6,737	...	...
Agriculture	4,926	5,057	5,100	...	...	...	...	...	...
Manufacturing and mining	82	84	86	...	...	...	...	...	...
Construction	44	45	46	...	...	...	...	...	...
Commerce, banking, and insurance	141	145	149	...	...	...	...	...	...
Transportation and telecommunications	40	41	42	...	...	...	...	...	...
Administration	180	193	208	...	...	...	...	...	...
Miscellaneous 1/	240	246	243	...	...	...	...	...	...

Sources: National Institute of Statistics; and National Social Security Fund.

1/ No data have been published by the National Social Security Fund after 1993.

2/ Includes craftspeople and domestics.

Table 25. Madagascar: Distribution of Population and Civil Servants, 1990-99
(In percent of total)

Region	Population 1997 Est.	Civil Servants			
		1990	1997	1998	1999
Antananarivo	29.0	42.2	43.0	42.8	42.4
Antsiranana	7.8	6.8	6.3	6.3	6.4
Fianarantsoa	21.7	16.8	17.1	16.8	17.2
Mahajanga	11.1	9.9	9.6	9.7	9.9
Toamasina	15.8	12.8	12.8	12.8	12.7
Toliara	14.6	11.4	11.2	11.6	11.4
Total	100.0	100	100	100	100

Sources: Ministry of Finance and Economy; and Ministry of Budget and Development of Autonomous Provinces.

Table 26. Madagascar: Minimum and Maximum Monthly Wages, 1984-99 1/

(In Malagasy francs)

	Agricultural 2/		Nonagricultural 3/	
	Minimum	Maximum	Minimum	Maximum
January 1984-July 1984	18,000	72,000	17,675	70,718
August 1984-June 1985	18,900	74,100	18,563	72,701
July 1985-September 1986	20,460	77,700	20,331	76,317
October 1986-February 1987	22,200	80,400	21,804	78,969
March 1987-June 1987	24,300	86,100	23,867	84,568
July 1987-January 1988	26,080	92,400	25,618	90,772
February 1988-February 1989	29,300	100,780	28,772	99,006
March 1989-February 1990	32,840	111,740	32,274	109,770
March 1990-January 1991	35,600	121,100	35,013	119,095
February 1991-December 1993	41,200	140,180	40,490	137,728
January 1994-February 1995	63,420	158,760	62,312	155,979
March 1995-October 1996	112,435	244,080	110,550	239,993
November 1996-March 1998	123,780	268,704	121,591	263,947
April 1998-May 1999	142,285	308,880	139,860	303,638
Since June 1999	156,514	339,768	153,846	334,002

Source: Ministry of Civil Service, Labor, and Social Laws.

1/ The "minimum" indicates the minimum wage in the lowest wage category, and the "maximum" indicates the minimum wage in the highest wage category.

2/ On the basis of 200 working hours per month.

3/ On the basis of 173.33 working hours per month.

Table 27. Madagascar: Consumer Price Index, 1995-99

(Period averages; August 1971-July 1972=100)

	Weights	1995	1996	1997	1998	1998				1999			
						I	II	III	IV	I	II	III	IV
(Traditional households) 1/													
Food	60.35	3,326	3,959	4,121	4,368	4,382	4,312	4,285	4,491	4,674	4,768	4,915	5,272
Lighting and fuel	9.14	2,656	3,344	3,662	4,011	4,042	4,051	3,950	4,002	4,001	4,019	4,059	4,089
Domestic services	1.82	949	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,331	1,331	1,331	1,331
Maintenance, clothing, and medicine	14.85	2,912	3,334	3,490	3,726	3,674	3,717	3,737	3,777	3,818	3,837	3,908	3,924
Miscellaneous	13.84	3,466	4,327	4,476	4,700	4,408	4,707	4,838	4,847	4,899	5,091	5,266	5,407
General index	100.00	3,179	3,808	3,979	4,225	4,189	4,195	4,191	4,327	4,456	4,543	4,671	4,910
Annual change (in percent)	...	49.0	19.8	4.5	6.2	5.0	7.1	6.8	5.9	6.4	8.3	11.5	13.5
(Modern households)													
Food	45.16	3,106	3,875	4,271	4,991	4,737	4,968	5,103	5,159	5,264	5,315	5,527	5,592
Lighting and fuel	6.08	2,136	2,328	2,589	3,211	3,133	3,157	3,246	3,308	3,232	3,250	3,494	3,514
Domestic services	11.26	1,248	1,371	1,371	1,371	1,371	1,371	1,371	1,371	1,732	1,732	1,732	1,732
Maintenance, clothing, and medicine	17.99	2,890	3,369	3,639	3,967	3,909	3,955	3,981	4,022	4,127	4,199	4,310	4,386
Miscellaneous	19.51	2,822	3,385	3,586	3,819	3,863	3,767	3,776	3,872	4,038	4,030	4,159	4,467
General index	100.00	2,744	3,312	3,595	4,063	3,941	4,036	4,109	4,164	4,299	4,334	4,490	4,595
Annual change (in percent)	...	46.6	20.7	8.5	13.0	12.5	15.3	13.7	10.7	9.1	7.4	9.3	10.3
(Household combined) 2/													
Combined consumer price index	100.00	3,070	3,684	3,883	4,184	4,127	4,155	4,170	4,286	4,416	4,491	4,626	4,831

Source: National Institute of Statistics.

1/ Low-income households.

2/ Weights of 0.75 and 0.25 are applied to the index of traditional households and to the index of modern households, respectively.

Table 28. Madagascar: Budgetary Revenue, 1995-99

(In billions of Malagasy francs)

	1995	1996	1997	1998	1999
Tax revenue	1,121	1,374	1,688	1,984	2,580
Taxes on net income	168	258	329	340	398
Companies	83	164	202	217	207
Individuals	59	59	87	98	129
IRNS	13	13	20	26	106
Tax on wages and salaries (IRSA)	46	46	67	72	23
Other	26	36	41	24	62
Taxes on property	14	17	27	23	25
Taxes on goods and services	299	342	370	411	662
TUT - TST - VAT	242	167	178	206	389
Excises	1	74	66	78	128
Fiscal monopoly profits	46	91	112	117	112
Other	9	9	14	11	33
Taxes on foreign trade	634	750	948	1,197	1,481
Import duties	590	732	941	1,197	1,481
Customs duty	81	103	132	146	149
Fiscal duty	149	181	235	279	265
Value-added tax on imports	281	258	341	592	624
Petroleum products (TUPP)	79	156	187	142	340
Other	0	34	46	38	105
Export duties	44	19	7	0	0
Export duty	44	19	7	0	0
Export surcharge	0	0	0	0	0
Other taxes	7	7	15	14	14
Nontax revenue	28	30	59	92	87
Budgetary revenue	1,149	1,405	1,747	2,077	2,667

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

Table 29. Madagascar: Current Budgetary Expenditure, 1995-99

	1995	1996	1997	1998	1999
Economic classification	(In billions of Malagasy francs)				
Current expenditure	1,523.4	1,703.8	1,960.2	2,146.1	2,175.0
Personnel	444.5	523.0	669.6	826.4	1,000.6
<i>Of which</i> : wages and salaries					
Other noninterest expenditure	365.8	396.9	583.0	671.9	679.0
Goods and services	212.0	184.2	336.7	318.0	402.2
Transfers and subsidies	153.8	212.7	246.3	353.9	276.8
Interest on public debt	687.9	759.2	548.9	553.8	492.8
Foreign interest obligations	624.3	628.6	503.5	466.5	325.0
Domestic interest obligations	63.6	130.6	45.4	87.3	167.8
Treasury operations 2/	25.2	24.7	120.1	94.0	2.6
Emergency expenditure 3/ 4/	0.0	0.0	38.5	0.0	0.0
Budgetary expenditure	1,498.0	1,679.1	1,801.6	2,052.0	2,172.0
General expenditure	261.9	416.9	688.7	635.9	695.0
<i>Of which</i> : defense	115.9	200.8	267.4	274.5	282.8
Education	188.2	187.7	258.5	289.0	392.0
<i>Of which</i> : universities	40.1	43.1	67.2	75.2	80.1
Health	73.5	65.9	98.7	141.2	150.3
Social and community services	10.9	14.6	19.3	27.7	34.1
Economic services	152.5	78.7	122.1	120.7	143.2
<i>Of which</i>					
Agriculture 4/	12.5	49.2	68.7	51.9	55.9
Public works	10.9	8.2	16.6	29.4	41.7
Others 5/	811.0	915.3	614.3	837.5	757.4
<i>Of which</i> : interest on government debt	687.9	759.2	548.9	553.8	492.8
Memorandum items:	(In percent of GDP)				
Noninterest budgetary expenditure	6.0	5.7	6.9	3.3	2.9
Social sector current expenditure 6/	2.0	1.7	2.1	2.3	2.5
<i>Of which</i> : health	0.5	0.4	0.5	0.7	0.6
Defense	0.9	1.2	1.5	1.3	1.2

Source: Ministry of Finance and Economy; Ministry of Budget and Development of Autonomous Provinces; and Fund staff estimates.

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

2/ 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.

3/ For 2000 the government budgetized FMG 69 billion to address exceptional developments related to the resurgence of a cholera epidemic and the devastating effects of recent cyclones.

4/ Including national defense and security expenditures.

5/ Including livestock, fishing, water, and forestry.

6/ Including revenue sharing with local government and payments to international organizations.

7/ Including expenditure on education, health, and social and community services.

Table 30. Madagascar: Central Government Personnel Expenditure and Number of Civil Servants, 1995-99

(In thousands of Malagasy francs)

	1995	1996	1997	1998	1999
Personnel expenditure (commitment basis) 1/ 2/	444.5	523.0	669.6	826.4	1000.6
Annual change in percent	34.9	17.7	28.0	23.4	21.1
In percent of current budgetary expenditure	29.2	30.7	34.2	38.5	46.0
In percent of total budgetary expenditure 3/	29.7	31.1	37.2	40.3	46.1
In percent of total government expenditure	18.7	18.1	21.3	21.6	26.4
In percent of GDP	3.3	3.2	3.7	4.0	4.3
Civil servants (number at end-December) 4/					
Civilian	92714.0	93476.0	93971.0		
Military	21475.0	21475.0	21760.0		
Total	114189.0	114951.0	115731.0	0.0	0.0
Annual change in percent					
Memorandum items:					
Annual average civil servants' salary					
In thousand of Malagasy francs					
Index, 1990=100 5/					
Annual change in percent					
Total government expenditure	2374.0	2883.0	3137.0	3819.0	3791.0
Nominal GDP	13479.0	16224.0	18078.0	20406.0	23379.0

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

1/ Including only regular staff. Expenditure on some categories of temporary personnel is included in goods and services outlays.

2/ Excluding medical expenses.

3/ Consisting of current budgetary expenditure and capital budgetary expenditure.

4/ Data on actual positions filled, which may differ from other sources.

5/ Annual average of civil servants' salary deflated by the consumer price index (traditional).

Table 31. Madagascar: Structure and Adjustment of Public Sector Salaries, 1995-99

(In thousands of Malagasy francs)

	Jan. 1995 - Mar. 1995	Apr. 1995 - Dec. 1995	Jan. 1996 - Dec. 1996	Jan. 1997 - Dec. 1997	Jan. 1998 - Apr. 1998	Since May-98	Jan. 1999 - Apr-99	April- Dec-99
Category I								
Minimum	110.6	129.0	135.3	208.9	239.3	...	264.7	267.5
Maximum	162.1	192.9	203.4	287.0	317.5	...	398.6	355.0
(Midpoint)	136.4	161.0	169.4	248.0	278.4	...	331.6	311.3
Category II								
Minimum	131.8	157.3	165.3	242.8	273.5	...	298.1	305.7
Maximum	195.0	228.1	241.1	331.1	365.7	...	501.9	408.9
(Midpoint)	163.4	192.7	203.2	287.0	319.6	...	400.0	357.3
Category III								
Minimum	145.9	174.5	183.7	264.2	295.2	328.6	356.7	367.3
Maximum	261.9	295.5	314.0	417.7	460.5	484.6	690.0	541.8
(Midpoint)	203.9	235.0	248.9	341.0	377.9	406.6	523.4	454.6
Category IV and V								
Minimum	177.9	210.3	321.9	308.4	341.4	357.6	548.5	399.8
Maximum	371.4	405.1	432.8	559.5	613.0	660.6	1,076.0	702.0
(Midpoint)	274.7	307.7	327.4	434.0	477.2	509.1	812.3	550.9
Category VI and VII								
Minimum	209.6	242.9	257.1	350.0	385.6	414.9	639.5	452.0
Maximum	417.0	450.7	482.3	619.0	672.6	750.6	1,358.4	818.2
(Midpoint)	313.3	346.8	369.7	484.5	529.1	582.8	999.0	635.1
Category VIII and IX								
Minimum	247.6	281.1	298.5	399.4	438.4	491.3	771.8	535.6
Maximum	506.2	540.2	579.4	734.9	800.6	926.1	1,626.8	1,044.1
(Midpoint)	376.9	410.7	439.0	567.2	619.5	708.7	1,200.8	789.9
Category X								
Minimum	258.3	291.9	310.1	413.0	455.7	511.0	1,500.2	667.1
Maximum	632.4	666.7	716.6	898.9	975.3	1,198.9	1,738.8	1,306.8
(Midpoint)	445.4	479.3	513.4	656.0	715.5	855.0	1,619.5	987.0

Sources: Ministry of Finance and Economy; and Ministry of Budget and Development of Autonomous Provinces.

Table 32 . Madagascar: Revenue and Expenditure of the National Social Security Fund, 1995-99

(In billions of Malagasy francs)

	1995	1996	1997	1998	1999 Est.
Revenue	47.2	53.6	57.1	66.2	93.6
Social security contributions	38.9	43.7	49.6	62.2	84.7
Employees	3.5	3.2	4.0	4.4	6.8
Employers	35.3	40.5	45.7	57.8	77.9
Interest revenue	8.1	9.4	6.3	3.5	8.1
Other revenue	0.3	0.5	1.2	0.4	0.7
Expenditure	61.2	58.0	75.6	106.8	102.2
Social benefits	28.9	36.2	46.6	46.0	50.4
Current expenditure	10.3	11.7	15.0	17.1	14.4
Salaries and wages	4.8	5.6	6.9	6.8	7.5
Goods and services	5.5	5.9	8.0	10.2	6.6
Subsidies and other transfers	0.1	0.1	0.1	0.1	0.2
Capital expenditure	13.2	4.4	18.5	40.6	8.6
Overall surplus/deficit (-)	8.7	5.7	-4.5	3.0	28.9

Source: National Social Security Fund.

Table 33. Madagascar: Foreign Reserve Assets and Liabilities of the Central Bank, 1995-99

(In millions of SDRs; end of period)

	1995	1996	1997	1998				1999			
		December		Mar.	Jun.	Sep.	Dcc.	Mar.	Jun.	Sep.	Dec.
Foreign assets	73.7	167.9	208.4	199.7	186.3	164.3	121.8	134.4	124.5	140.5	165.5
<i>Of which</i> : time deposits	43.4	112.4	6.6	6.6	11.3	78.5	67.4	30.6	110.5	120.1	121.7
Foreign liabilities	52.3	53.1	54.1	52.1	48.4	46.4	43.4	41.3	38.6	51.0	48.0
Nonresident deposits	2.6	2.3	2.4	1.8	1.8	1.3	1.9	1.3	2.5	1.9	2.1
International organizations	0.0	0.0	0.3	0.1	0.2	0.1	0.3	0.1	0.0	0.2	0.2
IMF	49.3	50.8	51.5	50.2	46.3	45.1	41.2	39.9	36.1	48.9	45.8
External payments arrears	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net foreign assets	21.4	114.8	154.3	147.6	138.0	117.9	78.3	93.0	85.9	89.4	117.5
Excluding IMF and arrears	71.1	165.6	205.8	197.8	184.3	162.9	119.6	133.0	122.0	138.3	163.3
Memorandum item:											
Exchange rate: Malagasy francs per SDR (end of period)	5,085.5	6,214.1	7,161.5	7,400.3	7,261.6	7,210.6	7,608.2	8,194.4	9,003.1	8,774.5	8,984.5

Source: Central Bank of Madagascar.

Table 34. Madagascar: Summary Accounts of the Commercial Banks, 1995-99

(In billions of Malagasy francs; end of period)

	1995	1996	1997	1998					1999				
	December			Mar.	Jun.	Sep.	December		Mar.	Jun.	Sep.	December	
							Before	After				Before	After
							BFV Restructuring					BTM Restructuring	
Reserves	375.2	742.1	671.5	671.7	631.5	666.4	678.8	678.8	641.1	627.0	653.6	887.1	887.1
Cash	26.5	29.5	26.3	25.9	38.4	30.5	36.8	36.8	37.9	58.1	48.9	77.4	77.4
Deposits at central bank	348.7	712.6	645.3	645.8	593.1	635.8	642.0	642.0	603.2	568.9	604.7	809.7	809.7
Net foreign assets	505.2	461.9	665.8	624.0	630.5	581.2	576.0	576.0	540.6	549.6	605.9	626.0	656.2
Claims on government (net)	49.3	43.0	196.6	259.8	206.5	148.1	150.9	294.4	450.6	371.8	317.7	204.1	340.0
Credit to government	174.0	206.3	356.5	436.4	375.1	267.6	292.9	436.4	599.2	521.1	440.0	345.1	481.0
Government deposits	124.8	163.3	159.9	176.6	168.5	119.5	142.0	142.0	148.5	149.3	122.3	140.9	140.9
Claims on private sector and state enterprises	1,540.8	1,572.0	1,797.6	1,727.2	1,813.9	2,045.4	2,083.9	1,811.8	1,769.5	1,886.3	2,022.1	2,159.6	1,937.5
Deposits	1,845.3	2,214.0	2,650.1	2,569.6	2,566.2	2,582.9	2,733.1	2,733.1	2,722.5	2,778.4	2,862.4	3,226.8	3,215.8
Demand deposits	1,074.7	1,338.3	1,643.7	1,603.0	1,695.0	1,702.6	1,783.1	1,783.1	1,818.6	1,848.8	1,883.5	2,126.8	2,115.8
Time deposits	493.4	592.1	567.4	533.9	413.1	438.3	478.8	478.8	459.2	395.5	440.8	490.7	490.7
Foreign exchange deposits	277.1	283.6	439.0	432.7	458.1	442.0	471.3	471.3	444.7	534.1	538.2	609.3	609.3
Short-term bonds	59.4	95.5	70.4	98.3	104.4	135.2	129.8	129.8	137.9	145.6	158.7	151.8	151.8
Net recourse to the central bank	150.1	-24.2	57.3	41.1	56.5	112.1	102.7	102.7	101.7	92.5	82.6	75.1	75.1
Long-term foreign liabilities	26.0	24.9	33.3	32.4	25.4	24.7	25.1	25.1	26.4	34.7	40.5	70.2	70.2
Net capital	389.6	535.9	645.9	698.0	724.4	650.0	537.8	399.5	445.2	415.2	437.9	490.8	445.8
Other items (net)	0.1	-27.2	-125.3	-156.8	-194.5	-63.9	-39.0	-29.3	-31.9	-31.6	17.2	-137.9	-137.9
Currency gains/losses	-10.2	-6.9	8.4	2.3	2.3	3.3	0.3	0.3	3.1	3.2	3.9	9.7	9.7
Other	10.3	-20.3	-133.7	-159.1	-196.8	-67.3	-39.3	-29.6	-35.0	-34.8	13.3	-147.6	-147.6
Memorandum items:													
Custom duty bills	10.3	13.3	1.4	9.2	5.3	9.2	0.5	0.5	7.7	2.4	0.1	2.1	2.1
Post office checking deposits	8.9	11.2	15.0	15.8	20.4	19.3	11.9	11.9	16.4	13.2	12.1	12.3	12.3
Private sector savings deposits with the National Savings Fund	37.5	56.3	82.2	90.7	100.1	107.6	116.4	116.4	122.7	118.6	118.6	135.7	135.7

Source: Central Bank of Madagascar.

Table 35. Madagascar: Structure of Market Interest Rates, 1995-99
(In percent per annum)

	Central Bank				Money Market				Treasury Bills				Secondary market (weighted average)	
	Base rate	Discount rate 1/	Lending 2-10 days	Overnight lending	Lending on bid	Deposits on bid	Inter-bank	Open market	Primary market			Weighted average		
									4 weeks	12 weeks	24 weeks			
	(End of period)				(Weighted period average)									
1995	33.00	...	38.00	40.00	30.75	25.26	24.14	...	28.99	17.11	18.07	18.56	...	
1996	17.00	...	22.00	24.00	29.83	20.02	22.74	...	32.00	25.05	22.94	30.67	...	
1997	9.00	...	14.00	16.00	...	6.48	10.27	...	8.13	7.73	9.05	8.34	6.40	
1998	10.00	...	12.50	14.50	...	5.44	10.46	13.20	9.48	11.29	11.59	11.13	8.99	
1999	15.00	17.19	17.50	19.50	...	...	16.11	15.23	12.30	15.15	15.44	14.64	14.99	
1997	I	15.00	...	20.00	22.00	...	10.33	...	...	11.35	11.29	11.73	11.48	...
	II	11.00	...	16.00	18.00	...	7.44	...	...	7.92	7.92	8.45	8.14	...
	III	11.00	...	16.00	18.00	...	4.57	10.27	...	4.55	6.08	7.37	6.34	...
	IV	9.00	...	14.00	16.00	...	4.64	...	...	4.21	6.59	8.36	7.02	6.40
1998	I	9.00	...	14.00	16.00	...	5.34	...	...	5.14	5.89	6.12	5.88	5.14
	II	9.00	...	14.00	16.00	...	4.96	8.75	5.18	5.70	8.68	8.13	8.03	5.04
	III	10.00	...	12.50	14.50	...	6.39	9.94	14.77	8.65	13.34	15.70	13.81	9.91
	IV	10.00	...	12.50	14.50	...	...	11.10	15.81	14.27	16.21	16.18	15.77	11.78
1999	I	10.00	...	12.50	14.50	...	...	...	10.83	9.50	12.62	13.10	12.02	10.35
	II	12.00	...	14.50	16.50	...	...	12.55	13.23	11.42	14.69	15.20	14.35	12.09
	III	15.00	17.37	17.50	19.50	...	...	16.00	17.46	14.46	17.36	17.20	16.68	16.89
	IV	15.00	17.19	17.50	19.50	...	...	16.22	16.47	14.04	16.51	16.35	15.85	15.87
1999	Jan	10.00	...	12.50	14.50	...	...	...	14.50	12.72	15.79	16.51	15.32	11.81
	Feb	10.00	...	12.50	14.50	...	...	...	...	9.50	12.71	12.54	12.12	9.20
	Mar	10.00	...	12.50	14.50	...	...	...	10.27	7.82	10.64	10.29	9.72	9.58
	Apr	12.00	...	14.50	16.50	...	...	...	12.55	9.32	13.24	13.85	13.00	11.83
	May	12.00	...	14.50	16.50	...	...	12.50	15.29	11.28	15.10	15.49	14.46	12.63
	Jun	12.00	...	14.50	16.50	...	...	12.62	18.23	14.40	17.22	17.70	16.88	12.89
	Jul	12.00	...	14.50	16.50	...	...	...	17.75	14.69	17.17	16.47	16.47	17.81
	Aug	15.00	18.37	17.50	19.50	...	...	...	...	14.74	17.64	17.90	17.03	12.07
	Sep	15.00	17.37	17.50	19.50	...	...	16.00	17.39	13.56	17.27	17.05	16.41	16.98
	Oct	15.00	16.90	17.50	19.50	...	...	15.91	16.53	14.15	16.59	16.28	15.89	16.08
	Nov	15.00	16.68	17.50	19.50	...	...	16.00	16.47	13.59	16.23	16.38	15.72	15.94
	Dec	15.00	17.19	17.50	19.50	...	...	16.35	16.13	14.23	16.74	16.42	15.93	15.34

Source: Central Bank of Madagascar.

1/ From August 1999, the central bank discount rate is the average rate on 12- and 24-week Treasury bills at the previous auction plus a margin, currently 50 basis points, subject to the base rate as a minimum. This rate is also charged on the Treasury's statutory advances from the central bank.

Table 36. Madagascar: Structure of Commercial Bank Interest Rates, 1995-99
(In percent per annum)

	Base Rate	Lending Rates		Deposit Rates		Lending Rates		Deposit Rates		
		Short term	Medium term	Time & > one year	Foreign currency	Short term	Medium term	Time & > one year	Foreign currency	
		(Midpoint of the range; end of period) 1/				(Midpoint of weighted averages) 2/				
1995	24.11	26.00	22.50	11.75	3.85	21.20	20.24	12.61	2.88	
1996	19.73	23.25	20.75	12.00	2.89	21.90	22.95	13.56	2.39	
1997	14.01	19.00	17.90	7.25	2.68	19.90	20.85	19.36	17.87	
1998	13.50	18.25	17.38	5.00	2.50	17.63	17.75	15.47	16.47	
1999	16.50	21.13	17.75	7.50	1.75	18.59	18.42	16.58	16.93	
1995										
	I	20.68	22.40	19.50	10.13	1.38	21.01	20.15	10.64	1.25
	II	21.98	21.00	22.75	12.38	3.00	20.14	17.81	13.75	4.40
	III	22.77	24.75	22.75	12.13	3.13	21.51	20.41	12.61	2.37
	IV	24.11	26.00	22.50	11.75	3.85	22.16	22.58	13.44	3.51
1996										
	I	24.49	25.75	24.50	14.50	3.25	22.45	22.77	14.22	2.17
	II	24.00	25.38	23.63	14.50	2.14	23.67	24.03	14.53	1.58
	III	24.53	25.25	23.63	12.13	2.25	21.61	23.87	13.50	2.17
	IV	19.73	23.25	20.75	12.00	2.89	19.88	21.14	12.00	3.66
1997										
	I	17.50	19.50	21.40	9.26	1.75	21.64	20.68	10.17	1.08
	II	15.50	19.50	21.40	9.13	2.50	20.39	21.88	10.07	1.04
	III	16.00	20.00	19.15	7.50	2.50	19.13	17.28	9.48	1.06
	IV	14.01	19.00	17.90	7.25	2.68	18.47	17.62	9.03	1.10
1998										
	I	12.50	18.50	16.38	5.50	2.50	18.35	15.54	8.78	1.07
	II	12.50	18.13	16.13	4.25	2.50	17.37	14.92	9.54	1.23
	III	12.50	18.25	16.13	4.25	2.50	17.38	15.36	9.12	1.33
	IV	13.50	18.25	17.38	5.00	2.50	17.41	16.07	9.86	2.15
1999										
	I	13.50	18.25	16.63	5.00	2.50	17.95	16.21	9.80	1.87
	II	14.50	18.75	17.13	5.75	2.50	17.80	16.67	9.80	1.27
	III	16.04	20.63	17.75	7.00	1.75	20.91	17.06	10.31	1.70
	IV	16.50	21.13	17.75	7.50	1.75	17.71	16.37	10.88	1.70

Source: Central Bank of Madagascar.

1/ On new business only; reported as a range by the banks.

2/ Calculated by the banks on their total outstandings; the midpoint is a simple average of the highest and lowest rates reported by the banks.

Table 37. Madagascar: Issues and Outstandings of Treasury Bills, 1995-99
(Nominal values; in billions of Malagasy francs, unless otherwise indicated)

	Total Issue						Of Which: nonbanking sector 1/				Total Outstanding		Of Which: nonbanking sector					
	Treasury preannouncement 2/			Total bid	Per-centage	Bids accepted	Per-centage	Total bid	Per-centage	Bids accepted	Per-centage	Net purchases	Stock at end of period	Net purchases	Stock at end of period	Percentage of total		
	Total	Of which: competitive market 3/	Per-centage (1a)/(1)														(1)	(1a)	(1a)/(1)	(2)	(2)/(1)	(3)	(3)/(2)	(4)	(4)/(1a)	(5)	(5)/(4)	(6)	(7)	(8)	(9)	(9)/(7)
1995	...	...	...	896.1	...	824.5	92.0	...	...	...	...	-78.8	180.9	31.5	31.5	17.4	
1996	...	...	...	1,694.5	...	1,387.6	81.9	...	...	...	...	95.7	276.6	47.7	79.2	28.6	
1997	1,099.5	1,059.5	96.4	2,909.5	264.6	1,650.0	56.7	286.1	27.0	177.2	61.9	198.4	475.0	49.1	128.3	27.0		
1998	2,338.0	1,925.0	82.3	2,899.0	124.0	1,953.2	67.4	845.5	43.9	632.9	74.9	156.1	631.1	163.0	291.3	46.2		
1999	2,120.0	1,875.0	88.4	3,289.9	155.2	2,545.1	77.4	1,357.6	71.8	1,069.6	78.8	18.1	649.2	111.9	403.2	62.1		
1997	I	...	...	675.0	...	502.8	74.5	...	...	...	...	178.7	455.3	18.4	97.6	21.4	
	II	252.0	252.0	100.0	908.1	...	408.7	45.0	...	...	...	-1.6	453.7	15.3	112.9	24.9	
	III	352.5	352.5	100.0	496.3	140.8	273.5	55.1	94.8	26.9	67.9	-70.0	383.7	-18.5	94.4	24.6		
	IV	495.0	455.0	91.9	830.0	167.7	465.0	56.0	135.1	29.7	71.4	91.3	475.0	33.9	128.3	27.0		
1998	I	475.0	350.0	73.7	853.1	179.6	420.0	49.2	148.7	42.5	71.2	47.9	73.0	548.0	-7.4	120.9	22.1	
	II	590.0	490.0	83.1	777.5	131.8	514.8	66.2	204.0	41.6	164.9	80.8	38.7	586.7	63.8	184.7	31.5	
	III	600.0	480.0	80.0	574.9	95.8	472.4	82.2	180.5	37.6	167.6	92.9	44.4	631.1	87.8	272.5	43.2	
	IV	673.0	605.0	89.9	693.5	103.0	546.0	78.7	312.3	51.6	229.2	73.4	0.0	631.1	18.8	291.3	46.2	
1999	I	540.0	475.0	88.0	1,118.8	207.2	636.5	56.9	388.5	81.8	220.2	56.7	110.0	741.1	-9.0	282.4	38.1	
	II	675.0	625.0	92.6	751.7	111.4	724.9	96.4	277.8	44.4	266.0	95.8	11.3	752.4	29.4	311.7	41.4	
	III	485.0	425.0	87.6	606.6	125.1	524.4	86.4	285.6	64.9	231.6	81.1	-72.3	680.1	44.9	356.6	52.4	
	IV	420.0	350.0	83.3	812.9	193.5	659.3	81.1	405.8	115.9	351.8	86.7	-30.9	649.2	46.6	403.2	62.1	
1999	Jan	180.0	160.0	88.9	324.4	180.2	182.2	56.2	134.7	84.2	77.0	57.1	-1.3	629.7	20.6	311.9	49.5	
	Feb	180.0	160.0	88.9	503.1	279.5	184.5	36.7	154.9	96.8	52.9	34.1	16.7	646.4	-50.3	261.6	40.5	
	Mar	180.0	155.0	86.1	291.3	161.8	269.8	92.6	98.9	63.8	90.4	91.4	94.6	741.0	20.8	282.4	38.1	
	Apr	320.0	295.0	92.2	356.9	111.5	337.4	94.5	110.9	37.6	105.8	95.4	11.7	752.8	13.0	295.3	39.2	
	May	195.0	180.0	92.3	218.5	112.0	216.7	99.2	110.7	61.5	108.9	98.5	-10.3	742.4	24.7	320.0	43.1	
	Jun	160.0	150.0	93.8	176.3	110.2	170.8	96.9	56.2	37.5	51.2	91.1	9.9	752.4	-8.3	311.7	41.4	
	Jul	170.0	160.0	94.1	251.7	148.1	192.9	76.6	78.8	45.0	71.0	90.1	-18.8	733.6	21.4	333.1	45.4	
	Aug	190.0	175.0	92.1	235.9	124.2	212.3	90.0	124.9	71.4	107.3	85.9	-2.5	731.1	17.7	350.8	48.0	
	Sep	110.0	90.0	81.8	155.8	141.6	119.2	76.5	81.9	91.0	53.3	65.1	-51.0	680.1	5.8	356.6	52.4	
	Oct	185.0	165.0	89.2	413.5	223.5	300.6	72.7	178.3	108.0	148.0	83.0	11.0	691.1	24.6	381.2	55.2	
	Nov	110.0	80.0	72.7	194.4	176.7	183.6	94.4	129.5	161.9	118.7	91.7	-1.6	689.5	25.9	407.1	59.0	
	Dec	125.0	105.0	84.0	205.0	164.0	175.1	85.4	98.0	93.3	85.1	86.8	-40.3	649.2	-3.9	403.2	62.1	

Source: Central Bank of Madagascar.

1/ Competitive market only, since May 16, 1997.

2/ Since May 16, 1997 only.

3/ The noncompetitive segment of the market is open only to intermediaries in the secondary market; bills are sold at a price equal to the average of bids in the competitive auction market.

Table 38. Madagascar: Profitability of Banks, 1995-99

(In millions of Malagasy francs)

	1992	1993	1994	1995	1996	1997	1998 June	1998 Sept.	1998	1999 Sept.
1. Margin on treasury and financial operations	4,762	14,460	21,605	-24,327	62,968	62,162	25,943	40,136	54,267	59,232
Revenue (including short-term placements)	15,881	20,563	44,280	66,976	88,887	62,281	25,981	40,257	55,700	59,599
Cost (including refinancing and penalties)	11,119	6,103	22,675	91,303	25,919	119	38	121	1,433	367
2. Margin on operations with customers	70,603	50,244	82,768	147,245	120,642	110,248	60,451	97,058	142,182	136,965
Revenue (interest received on loans)	138,646	137,237	177,537	249,042	259,291	195,230	85,334	133,959	192,290	179,597
Cost (interest paid on deposits)	68,043	86,993	94,769	101,797	138,649	84,982	24,883	36,901	50,108	42,632
3. Margin on other operations	34,331	31,744	164,164	145,539	114,743	121,036	59,939	94,040	131,508	114,758
Revenue	38,174	35,529	180,530	173,116	138,447	164,967	129,161	221,440	314,959	303,013
Of which: revenue from foreign exchange operations	9,027	3,251	124,562	66,401	65,189	85,108	87,443	157,879	226,879	234,637
Cost	3,843	3,785	16,366	27,577	23,704	43,931	69,222	127,400	183,451	188,255
Of which: cost of foreign exchange operations	1,412	432	10,404	23,962	12,889	27,705	62,023	116,561	168,967	177,136
4. Net banking earnings (1)+(2)+(3)	109,696	96,448	268,537	268,457	298,353	293,446	146,333	231,234	327,957	310,955
5. Other revenues	1,845	2,122	3,465	6,170	7,811	8,321	4,640	7,322	9,685	6,083
6. Total net banking earnings (4)+(5)	111,541	98,570	272,002	274,627	306,164	301,767	150,973	238,556	337,642	317,038
7. Operating cost	52,612	57,233	79,816	114,240	132,426	144,343	74,938	115,201	169,215	137,039
Staff	24,010	27,698	38,545	57,020	67,119	72,975	38,116	57,564	80,278	57,745
Overhead	28,602	29,535	41,271	57,220	65,308	71,368	36,822	57,637	88,937	79,294
8. Amortization	10,498	12,748	11,645	14,606	14,212	17,687	8,999	14,417	18,576	18,715
9. Total costs (7)+(8)	63,110	69,981	91,461	128,846	146,638	162,030	83,936	129,618	187,791	155,754
10. Net earnings balance (6)-(9)	48,431	28,589	180,541	145,781	159,527	139,737	67,036	108,938	149,851	161,284
11. Net provisions for nonperforming portfolios	45,245	58,036	78,317	176,515	6,255	58,344	-1,018	-3,267	-2,410	-266
12. Other provisions	4,070	-1,237	51,702	47,904	39,853	-12,371	-3,369	-2,373	4,820	200
13. Other profits and losses	-13,979	6,823	-6,771	39,377	64	-6,730	-2,064	-1,650	-3,167	-5,338
14. Corporate tax	8,388	3,955	41,415	44,493	53,298	43,700	19,820	32,476	40,956	52,087
15. Net balance (10)-(11)-(12)+(13)-(14)	-23,251	-25,342	2,335	-83,753	60,184	43,334	49,539	80,452	103,318	103,925
Memorandum item:										
Ratio of operating costs to total earnings (9)/(6) (in percent)	56.6	71.0	33.6	46.9	47.9	53.7	55.6	54.3	55.6	49.1

Source: Financial and Banking Supervision Commission (CSBF), *Annual Reports*.

Table 39. Madagascar: Composition of Exports, f.o.b., 1995-99

(Values in millions of SDRs; volumes in thousand tons; and unit values in SDR per kilogram)

	1995	1996	1997	1998	1999 Prov.
Coffee					
Value	61.2	42.6	23.9	29.4	21.9
Volume	39.2	44.2	25.9	30.0	27.9
Unit price	1.6	1.0	0.9	1.0	0.8
Vanilla					
Value	27.2	13.5	6.9	11.8	19.8
Volume	0.8	1.2	0.7	0.7	1.3
Unit price	36.3	11.6	10.7	17.3	14.9
Cloves					
Value	7.2	3.6	8.9	6.9	24.7
Volume	17.1	7.1	15.8	9.9	11.9
Unit price	0.4	0.5	0.6	0.7	2.1
Pepper					
Value	2.0	2.8	2.1	0.9	1.0
Volume	1.4	1.9	0.9	0.4	0.4
Unit price	1.4	1.5	2.3	2.5	2.5
Shellfish					
Value	38.8	43.6	46.8	50.9	44.2
Volume	8.2	8.0	8.0	8.5	7.2
Unit price	4.7	5.4	5.8	6.0	6.1
Sugar					
Value	9.4	11.5	8.2	5.0	11.6
Volume	22.3	25.7	20.6	11.6	31.2
Unit price	0.4	0.5	0.4	0.4	0.4
Meat					
Value	5.8	2.7	0.9	0.1	0.8
Volume	3.8	1.8	0.6	0.0	0.7
Unit price	1.5	1.6	1.4	1.0	1.1
Cocoa					
Value	2.5	2.3	0.6	1.0	0.8
Volume	3.3	2.9	0.7	0.9	1.1
Unit price	0.8	0.8	0.9	1.1	0.8
Cotton cloth					
Value	7.4	7.1	12.3	28.1	23.0
Volume	2.0	1.5	2.5	6.5	6.6
Unit price	3.7	4.8	5.0	4.3	3.5

Table 39. Madagascar: Composition of Exports, f.o.b., 1995-99 (concluded)

(Values in millions of SDRs; volumes in thousand tons; and unit values in SDR per kilogram)

	1995	1996	1997	1998	1999 Prov.
Sisal					
Value	2.8	3.5	1.4	1.2	1.2
Volume	11.2	11.0	3.8	2.7	2.7
Unit price	0.3	0.3	0.4	0.4	0.4
Petroleum products					
Value	10.0	9.0	10.6	8.0	9.8
Volume	185.1	121.8	162.9	159.9	152.3
Unit price	0.1	0.1	0.1	0.1	0.1
Chromite					
Value	7.7	6.8	6.5	5.8	3.3
Volume	128.5	110.1	117.8	115.2	96.2
Unit price	0.1	0.1	0.1	0.1	0.0
Graphite					
Value	6.3	5.4	5.0	5.0	5.8
Volume	16.5	14.3	14.0	13.1	14.8
Unit price	0.4	0.4	0.4	0.4	0.4
Essence of cloves					
Value	3.7	2.9	3.8	2.8	4.3
Volume	1.6	1.0	1.4	1.0	1.6
Unit price	2.4	2.9	2.7	2.7	2.7
Rice					
Value	0.2	0.0	0.0	0.0	0.0
Volume	0.0	0.0	0.0	0.0	0.0
Unit price	0.0	0.0	0.0	0.0	0.0
Other items 1/					
Value	82.8	82.3	93.1	82.5	110.5
Volume	0.6	0.7	0.9	0.9	1.1
Unit price	140.5	110.9	106.2	95.8	96.6
Exports of the export processing zone (EPZ) 1/					
Value	69.7	120.9	135.8	143.4	152.1
Volume	0.5	1.1	1.3	1.5	1.6
Unit price	140.5	110.9	106.2	95.9	94.7
Total value	344.6	360.6	366.7	382.6	434.8
(percentage change)	10.3	4.6	1.7	4.3	13.6
Memorandum items:					
Value of traditional exports 2/	97.5	62.5	41.8	48.9	67.3
In percent of total	28.3	17.3	11.4	12.8	15.5
Value of non-traditional exports	247.1	298.1	324.9	333.7	367.4
In percent of total	71.7	82.7	88.6	87.2	84.5
Value of manufactured exports 3/	169.9	219.3	251.8	262.0	295.5
In percent of total	49.3	60.8	68.7	68.5	68.0

Sources: Central Bank of Madagascar; and Fund staff estimates.

1/ In 1994 and 1995, EPZ exports include reexports. From 1996 onwards, reexports are included with other items.

2/ Includes coffee, vanilla, cloves, and pepper.

3/ Includes cotton cloth, petroleum, other items, and EPZ exports.

Table 40. Madagascar: Composition of Imports, c.i.f., 1995-99

	1995	1996	1997	1998	1999 Prov.
	(In millions of SDR)				
Food	44.1	41.5	35.3	39.9	32.8
Rice	12.2	5.9	12.3	12.8	8.6
Other	32.0	35.6	23.0	27.1	24.1
Nonfood consumer goods	69.1	73.8	88.3	108.1	111.2
Energy (petroleum)	53.2	73.2	84.9	74.8	90.7
Equipment goods	92.7	112.7	106.3	109.6	112.8
Raw materials and spare parts	100.1	82.2	100.0	91.2	97.5
Other imports 1/	127.9	139.0	168.3	159.3	202.4
ARD					
Food	3.3	...	...	...	...
Consumption goods	18.7	...	...	...	...
Capital goods	29.2	...	...	...	...
ZFI					
Textiles	54.8	...	...	...	...
Capital goods	7.4	...	...	...	...
Other	16.5	...	...	...	...
Total imports, c.i.f.	487.1	522.4	583.0	582.9	647.3
Total imports, f.o.b.	414.0	444.0	495.6	495.5	550.2
	(In percent of total imports, c.i.f.)				
Food	9.1	7.9	6.1	6.8	5.1
Rice	2.5	1.1	2.1	2.2	1.3
Other	6.6	6.8	3.9	4.6	3.7
Nonfood consumer goods	14.2	14.1	15.1	18.5	17.2
Energy (petroleum)	10.9	14.0	14.6	12.8	14.0
Equipment goods	19.0	21.6	18.2	18.8	17.4
Raw materials and spare parts	20.5	15.7	17.1	15.6	15.1
Other imports 1/	26.3	26.6	28.9	27.3	31.3
ARD					
Food	0.7	...	...	...	...
Consumption goods	3.8	...	...	...	...
Capital goods	6.0	...	...	...	...
ZFI					
Textiles	11.3	...	...	...	...
Capital goods	1.5	...	...	...	...
Other	3.4	...	...	...	...
Total imports, c.i.f.	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Madagascar; and Fund staff estimates.

1/ Includes the imports of the enterprises set up in the export processing zone (ZFI) and enterprises under special tax regimes (ARD).

Table 41. Madagascar: Direction of Trade, 1995-99

(In percent of total)

	1995	1996	1997	1998	1999 Est.
Exports, f.o.b.	100.0	100.0	100.0	100.0	...
European Union	50.6	55.2	54.2	56.6	...
<i>Of which</i> : France	27.2	31.7	34.1	39.6	...
Other Europe	4.0	2.5	3.6	2.0	...
United States	6.3	4.2	4.7	5.9	...
Asia and the Middle East	7.4	20.0	11.9	8.7	...
<i>Of which</i> : Japan	5.9	15.8	3.2	1.9	...
Africa	12.5	12.1	13.0	12.4	...
<i>Of which</i> : Mauritius	3.7	3.9	4.9	6.9	...
Réunion (France)	5.7	5.7	5.5	3.8	...
Other countries	19.2	6.1	12.5	14.4	...
Imports, c.i.f.	100.0	100.0	100.0	100.0	...
European Union	47.4	45.5	41.7	40.2	...
<i>Of which</i> : France	29.2	31.0	26.0	24.1	...
Other Europe	2.2	1.1	1.1	1.6	...
United States	3.7	5.0	5.1	4.0	...
Asia and the Middle East	25.3	28.4	22.7	27.8	...
<i>Of which</i> : Iran, Islamic Republic of	9.9	9.1	2.2	7.1	...
China	3.2	4.6	4.9	4.7	...
Japan	5.9	5.8	7.0	6.2	...
Africa	0.8	9.7	8.2	8.3	...
<i>Of which</i> : Mauritius	0.5	0.9	1.0	1.1	...
Réunion (France)	0.1	0.2	0.2	0.1	...
South Africa	...	8.2	6.3	6.0	...
Other countries	20.6	10.3	21.2	18.1	...

Source: Direction Générale de l'Institut de la Statistique, cited in: Central Bank of Madagascar, *Bulletin d'Information et de Statistiques, Supplément Annuel, 1998*.

Table 42. Madagascar: Balance of Services, 1995-99
(In millions of SDRs)

	1995	1996	1997	1998	1999 Prov.
Credit	162.1	210.7	200.3	217.2	245.8
Freight and insurance on goods	3.3	3.3	3.3	3.5	4.1
Other transport	44.2	52.2	40.4	42.8	39.9
Travel	38.0	44.6	52.9	65.5	72.8
Investment income	4.6	5.9	5.7	9.5	6.6
Other services, public	16.0	28.3	20.9	19.6	26.9
Other services, private	56.0	76.4	77.1	76.3	95.6
Debit	355.5	382.2	357.6	385.2	385.2
Freight and insurance on goods	67.5	72.4	79.2	78.6	89.3
Percent of imports, c.i.f.	13.9	13.9	13.6	13.5	13.8
Other transport	37.6	37.2	34.3	33.6	37.3
Travel	39.7	49.7	56.9	84.8	81.4
Investment income	114.5	114.9	80.8	72.2	46.2
Interest	112.3	112.9	75.8	67.2	39.8
Dividends	2.2	2.0	5.0	5.0	6.4
Other services: public	53.6	64.5	69.4	78.2	87.6
Government expenditures	10.2	10.3	10.7	14.8	17.4
Services linked to project loans	25.9	32.8	33.5	40.3	51.0
Services linked to project grants	17.5	21.4	25.2	23.1	19.2
Other services: private	42.6	43.5	37.0	37.9	43.4
Net services	-193.4	-171.6	-157.3	-168.0	-139.4
Nonfactor services	-83.5	-62.5	-82.2	-105.3	-99.8
Factor services	-109.9	-109.0	-75.1	-62.7	-39.6

Sources: Central Bank of Madagascar; and Fund staff estimates.