

### Madagascar: Policy Matrix 1999-2001

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements
<b>I. Macroeconomic Policies</b>				
1. <u>Fiscal policy</u>	Improve public services while reducing the fiscal deficit by increasing tax revenue	<ul style="list-style-type: none"> <li>Reduce the fiscal deficit, on a commitment basis, including grants and excluding structural reform expenditures, to 2.5 percent in 1999, 1.7 percent in 2000, and 1.3 percent in 2001.</li> </ul>	1999-2001	
1.1 Revenue	<p>Tax policy:</p> <p>Establish an easy-to-administer tax system which increases tax revenue, while minimizing economic distortions</p> <p>Tax administration:</p> <p>Develop a transparent and efficient tax administration capable of reducing tax evasion and fraud</p>	<ul style="list-style-type: none"> <li>Strengthen the management of tax and customs exemptions: (i) apply strictly the new procedures for granting exemptions including, inter alia, prior approval by the Council of Ministers and publication in the official Gazette; (ii) ensure, by means of a monitoring system, that taxes are paid on transactions that are no longer subject to exemptions; (iii) maintain a continuous control of enterprises or individuals still benefiting from legal exemptions, in particular under the former Investment Code, and cancel any fiscal benefits in cases of fraud.</li> <li>Simplify the taxation of small taxpayers by introducing a single tax (impôt synthétique).</li> <li>Extend the value-added tax (VAT) to enterprises in the export processing zone and establish procedures for refunding VAT credits for these enterprises.</li> <li>Conduct an overall review of direct taxation and continue the reform of customs duties, taking account of regional integration initiatives and the objective of lowering the number and level of tax rates.</li> <li>Ensure a rational allocation of tax revenues as part of the decentralization process.</li> <li>Streamline and strengthen the organizational structure of the tax administration based on the experience with the Large Taxpayer Unit and the pilot centers for high potential tax areas.</li> <li>Develop and implement a personnel management policy meeting the needs for recruitment, training, pay, and career development.</li> <li>Establish a school for revenue departments to serve both the tax and customs administrations.</li> <li>Using the results of the 1998 taxpayer census, ensure a regular updating of the taxpayers' lists.</li> <li>Strengthen the application of the administrative and penal sanctions provided for by law against delinquent enterprises.</li> <li>Update and publish regularly the General Tax Code (and the Customs Code), as well as information on certain taxes or particular tax issues.</li> <li>Ensure that taxpayers are informed as to their responsibilities and rights in matters of taxation.</li> <li>Improve the computerization of tax services.</li> </ul>	<p>1999</p> <p>Jan. 2000</p> <p>June 1999</p> <p>1999</p> <p>1999-2001</p> <p>1999-2001</p> <p>1999-2001</p> <p>2000</p> <p>1999-2001</p> <p>1999-2001</p> <p>1999-2001</p> <p>1999-2001</p> <p>1999-2000</p>	<p>IMF/WB</p> <p>IMF</p> <p>IMF/France</p>

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements	
1.2 Expenditure	Customs administration:	<ul style="list-style-type: none"> <li>Develop and implement a personnel management policy meeting the needs for recruitment, training, pay, and career development.</li> </ul>	1999-2001		
	Significantly improve the customs revenue performance	<ul style="list-style-type: none"> <li>Continue to strengthen customs controls; increase the efficiency of the Pre-shipment Inspection System (PIS); require Customs to collect as a minimum the amounts of duties and taxes estimated by the PIS company; and ensure the reconciliation of customs receipts with the customs revenue estimates of the PSI company.</li> </ul>	1999-2001	IMF/donors	
	Develop an efficient customs administration capable of reducing evasion and fraud	<ul style="list-style-type: none"> <li>Enhance control of special tax regimes, including those applicable to free zone producers, in particular by the Special Regimes Domiciliation Office (BUDORS).</li> <li>Improve the computerization of the customs administration.</li> </ul>	1999-2001 1999-2000		
	Improve the quality of public expenditure to promote private sector development and poverty alleviation	<ul style="list-style-type: none"> <li>Strengthen expenditure management (programming, budgeting, execution, recording, and control) by the introduction of a new system of tracking and adjusting expenditure, improvements in cash management, and strict respect of budgetary rules.</li> <li>Gradually increase noninterest and nonwage current expenditure as a percentage of GDP and reorient spending priorities toward: <ul style="list-style-type: none"> <li>social services, in particular basic health care and primary education;</li> <li>the recurrent costs of capital expenditures in these budgetary sectors.</li> </ul> </li> </ul>	1999-2001 1999-2001	IMF/WB/donors	
	Improve expenditure management	<ul style="list-style-type: none"> <li>Adopt a cautious employment policy together with a pay structure providing the necessary incentives in the context of the ongoing civil service reform and decentralization.</li> <li>Increase capital expenditure for the renovation and expansion of basic infrastructure (primary education, basic health, roads, access routes, river facilities).</li> <li>Harmonize budgetary and accounting nomenclatures for implementation in the 2000 budget.</li> <li>Establish and publish quarterly a comprehensive status report on budget execution (revenue and expenditure), based on a centralized accounting system.</li> <li>Prepare for adoption by the National Assembly and publish regularly the final accounting bills (<i>lois de règlement</i>) for each year after 1995.</li> <li>Present each year financial accounts for all annexed budgets, for national public agencies (EPNs), and the position of the special accounts and trade accounts maintained by the Treasury.</li> </ul>	1999-2001 1999-2001 June 1999 1999-2001 1999-2001	WB/IMF WB/France	
	1.3 Domestic arrears	<ul style="list-style-type: none"> <li>Adhere to the timetable for repayment of the stock of domestic arrears as of December 31, 1997.</li> </ul>	1999-2001		
	2. <u>Monetary Policy</u>	Strengthen monetary policy to maintain low inflation and support financial sector restructuring	<ul style="list-style-type: none"> <li>Enhance the conduct of monetary policy through the use of a broader range of indirect instruments, in particular treasury bills.</li> <li>Strengthen the bank regulation and audit functions of the Banking and Financial Supervision Commission</li> </ul>	1999 1999-2000	IMF IMF

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements
<u>3. External sector</u>				
3.1 External debt	Reduce external debt to sustainable levels and improve relations with creditors	<ul style="list-style-type: none"> <li>Contract loans only on concessional terms</li> </ul>	1999-2001	
3.2 Exchange rate policy	Maintain a liberal exchange rate policy	<ul style="list-style-type: none"> <li>Facilitate the introduction of forward markets for foreign exchange transactions</li> </ul>	2000	IMF
3.3 Trade policy	Trade and external payments	<ul style="list-style-type: none"> <li>Establish the "Committee for the Regional Dimension of Adjustment" (CODRA)</li> <li>Adopt measures to implement the Cross-Border Initiative (CBI)</li> </ul>	August 1999 1999-2001	EU EU/USAID

## II. Institutional Reforms

<u>4. Government operations</u>				
4.1 Civil service	Reform strategy and the organization of the service:	<ul style="list-style-type: none"> <li>Restructure government services: (i) revise organizational charts on the basis of job audits in the six pilot ministries; (ii) define the number and characteristics of positions needed to meet requirements of the new organizational chart; and (iii) organize a workshop to integrate the recommendations of the pilot ministry audits.</li> <li>Take additional steps for the transitional period: (i) clean up payroll files, and integrate the payroll system with the administrative personnel database system; (ii) decompress wage scales; (iii) prepare, adopt, and implement a revised Code of Conduct, which provides for sanctions; (iv) monetize nonmonetary benefits; and (v) establish a database on wages, allowances, and incentives.</li> <li>Redefine the medium-term agenda of civil service reform in light of the pending decentralization of the public administration.</li> </ul>	1999 1999-2000 1999 1999-2001	WB/France/EU/ USAID
	Develop the civil service so as to attract, train, and retain skilled staff	<ul style="list-style-type: none"> <li>Design strategies for the employment and performance-based remuneration that are to be applied on a priority basis to key posts in pilot ministries in the 2000 budget.</li> </ul>	1999	
4.2 Government structure	Decentralize government functions	<ul style="list-style-type: none"> <li>Define spending responsibilities at each level of government (central and local).</li> <li>Determine the taxes to be allocated to each level of government (central and local).</li> <li>Define the conditions for transfers between the different levels of government.</li> <li>Establish a viable system of local finance.</li> <li>Study how to establish the Special Solidarity Fund</li> </ul>	1999 1999 1999 1999-2001 1999	WB/France IMF IMF WB/France

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements
<b>III. Development of the Private Sector</b>				
5.1 Judicial system	Improve the functioning of the judicial system	<ul style="list-style-type: none"> <li>• Eliminate judgment fees.</li> <li>• Compile and publish existing legislation.</li> <li>• Introduce additional reforms identified by the Business Law Reform Commission (CRDA).</li> <li>• Improve the working conditions and professional support of magistrates.</li> <li>• Study ways to speed up judicial procedures.</li> <li>• Put in place an arbitration system.</li> </ul>	<p>1999</p> <p>1999-2000</p> <p>1999-2000</p> <p>1999-2001</p> <p>End-1999</p> <p>End-1999</p>	
5.2 Property rights	Establish transparent property and land use rights	<ul style="list-style-type: none"> <li>• Publish a guide or manual to permit the assignment of leases within 60 days.</li> <li>• Establish a system that allows the payment of registration duties by installment.</li> <li>• Allocate land of high economic potential.</li> </ul>	<p>Sept. 1999</p> <p>Sept. 1999</p> <p>1999</p>	WB/France
5.3 Visa and work/residency permit procedures	Develop tourism and attract investment	<ul style="list-style-type: none"> <li>• Work and residency permits: simplify procedures</li> <li>• Lease land and develop infrastructure in the recently identified ten zones for tourism and industrial production.</li> </ul>	<p>1999</p> <p>1999-2001</p>	
5.4 Regulatory framework	Develop an environment conducive to private sector development and competition	<ul style="list-style-type: none"> <li>• Simplify company registration procedures and remove regulatory constraints on private investment</li> </ul>	1999	
5.5 Privatization	Government divestment:  Improve productivity and management efficiency, increase access to private financing of the key enterprises being restructured, and reduce their burden on the budget.	<ul style="list-style-type: none"> <li>• Sales contract for SOLIMA</li> <li>• Sales contract for Air Madagascar</li> <li>• Sales contract for TELMA</li> <li>• Privatization of remaining 46 public enterprises—first phase</li> <li>• Create a Fund for the Net Receipts from Privatization</li> <li>• Create a Privatization Warehousing Fund and a Social Fund in Support of Regional Development</li> <li>• Finalize preparation of the second list of public enterprises for privatization or liquidation</li> </ul>	<p>July 1999</p> <p>Sept. 1999</p> <p>2000</p> <p>June 2000</p> <p>June 1999</p> <p>June 1999</p> <p>June 2000</p>	<p>WB</p> <p>WB</p> <p>WB</p>
6. <u>Social Sectors</u>	Improve the provision of health services	<ul style="list-style-type: none"> <li>• Gradually increase per capita public expenditure on health in real terms, particularly current expenditure.</li> <li>• Allocate health district budgets on the basis of an adequate number of basic health structures, with unit costs identified by type of structure and taking account of the efficiency criterion (attendance and service quality).</li> <li>• Redeploy Ministry of Health personnel, assigning more doctors to health centers (with mechanisms to improve the quality of services), hiring additional paramedics locally, and reassigning adequate personnel, based on needs.</li> </ul>	<p>1999-2001</p> <p>1999-2001</p> <p>1999-2001</p>	

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements
		<ul style="list-style-type: none"> <li>Finalize the regulatory framework for cost recovery in the basic health centers (CSB) and develop the regulatory framework for cost recovery in hospitals, while guaranteeing full financial autonomy for the system.</li> </ul>	1999-2001	
		<ul style="list-style-type: none"> <li>Take the other necessary steps (administrative and legal) to continue indefinitely pharmaceutical cost-recovery in order to use these funds to improve the health system (cost-recovery measures were generalized in January 1998 nationwide and to all levels of the health pyramid: primary, secondary, and tertiary).</li> </ul>	1999-2001	
		<ul style="list-style-type: none"> <li>Take measures to strengthen the financial autonomy of SALAMA by ensuring the full and automatic pass through of the proceeds from pharmaceutical sales.</li> </ul>	Sept. 1999	
	Increase the gross primary education enrollment rate by two percentage points per year between 1998 and 2000	<ul style="list-style-type: none"> <li>Improve management of education by decentralizing the decision-making process, developing a participatory approach involving the beneficiaries, and strengthening pedagogical supervision.</li> </ul>	1999-2001	
		<ul style="list-style-type: none"> <li>Redeploy Ministry of Secondary and Basic Education personnel to under-served areas according to budgetary allocations.</li> </ul>	1999-2001	
		<ul style="list-style-type: none"> <li>Revise current regulations on the assignment of teachers to rural areas, in order to transfer the authority to make these decisions to school districts.</li> </ul>	1999	
		<ul style="list-style-type: none"> <li>Introduce budget item management in the school districts to enable them to assign teachers based on the distribution of schools.</li> </ul>	1999-2001	
		<ul style="list-style-type: none"> <li>Increase and transfer to the local level the financial resources allocated for the purchase of teaching materials at the primary and secondary levels, especially in community schools.</li> </ul>	1999	
		<ul style="list-style-type: none"> <li>Bring together the salary midpoints of teachers and administrative staff.</li> </ul>	1999-2001	
		<ul style="list-style-type: none"> <li>Significantly increase beneficiary cofinancing in technical and higher education.</li> </ul>	1999	
7. <u>Agriculture and fishing</u>	Improve agricultural productivity	<ul style="list-style-type: none"> <li>Privatize public enterprises in the cotton (HASYMA) and sugar (SIRAMA) sectors</li> </ul>	1999	
		<ul style="list-style-type: none"> <li>Liquidate IVAMA</li> </ul>	1999	
		<ul style="list-style-type: none"> <li>Develop an appropriate regulatory framework for farmer associations.</li> </ul>	1999	
		<ul style="list-style-type: none"> <li>[Adopt the decree implementing the Law on Mutual Financial Institutions]</li> </ul>	1999	

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements
		<ul style="list-style-type: none"> <li>Implement a plan of action against locusts, using environmentally acceptable methods and keeping health risks to a minimum</li> </ul>	1999-2001	
	Improve fishing output	<ul style="list-style-type: none"> <li>Budgetize the "Fisheries and Aquaculture Development Fund" (FDHA) and use 80 percent of its expenditures to finance investment projects cofinanced by donors.</li> <li>Increase fishing license fees by 100 percent</li> <li>Have the necessary studies carried out to define the allocation mechanism for granting and withdrawing fishing licenses on a competitive, transparent, and nondiscretionary basis with a view to introducing such procedures in 2000.</li> <li>Prepare a suitable program for the development of the fishing sector.</li> </ul>	1999  Begin. 1999  1999  1999	EU/WB    EU/WB   EU/WB
8. <u>Mining</u>	Develop the potential of the mining sector	<ul style="list-style-type: none"> <li>Prepare and publish the decrees implementing the new Mining Code, which includes the computerization of the mining property register, and establishes a nondiscretionary procedure for granting or refusing mining rights.</li> <li>Adopt a law on investments of over \$200 million.</li> <li>Process at least 80 percent of pending mining license requests.</li> <li>Make OMNIS operational as an institution to promote the mining sector and as a geological information office.</li> </ul>	1999  Oct. 1999  End-1999  End-1999	WB
9. <u>Energy</u>	Improve efficiency in the petroleum and electricity sectors	<ul style="list-style-type: none"> <li>Put in place the Malagasy Office of Hydrocarbons (OMH).</li> <li>Introduce a system of free access.</li> <li>Publish the implementing decrees for the new law on electricity.</li> <li>Launch bids for sale of JIRAMA.</li> </ul>	June 1999  Sept. 1999  1999  2001	WB  WB
10. <u>Environment</u>	Sustainable development	<ul style="list-style-type: none"> <li>Adopt the "Protected Area Management Code."</li> <li>Reformulate Madagascar's land policy.</li> <li>Adopt an ecologically sustainable energy policy, promoting alternative sources of energy to preserve forestry resources.</li> <li>Ensure that all the components of the Environmental II project (PE II, 1998-2000) have a program approach and regionalize its activities in the context of effective decentralization.</li> </ul>	1999-2000  1999-2000  1999-2001  1999	WB

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements
		<ul style="list-style-type: none"> <li>Generalize the use of impact studies for sustainable development.</li> <li>Reformulate the law promoting compatibility between investment and the environment (MECIE).</li> <li>Mobilize decision-makers and the population to devise a joint communications plan.</li> </ul>	<p>Sept. 1999</p> <p>Sept. 1999</p> <p>1999-2001</p>	
<b>11. <u>Transportation</u></b>				
11.1 Air transport	Implementation of new air transport regulations	<ul style="list-style-type: none"> <li>Liberalize air charters.</li> <li>Establish the regulatory authority (Aviation Civile de Madagascar).</li> <li>Privatize or concede airports.</li> <li>New law on air transport.</li> </ul>	<p>April 1999</p> <p>Sept. 1999</p> <p>1999-2000</p> <p>Mid-1999</p>	
11.2 Road transport	Improve the road network	<ul style="list-style-type: none"> <li>Create road levies for the Road Maintenance Fund (FER)</li> <li>Adopt the implementing decrees for the law amending the Road Act.</li> <li>Establish a viable road maintenance system.</li> <li>Put in place a new legal framework for the supervision of public works.</li> </ul>	<p>1999</p> <p>Sept. 1999</p> <p>1999-2001</p> <p>1999-2000</p>	
11.3 Ports and maritime transport	<p>Liberalize handling at the Toamasina port</p> <p>Decentralize and offer concessions for secondary ports</p>	<ul style="list-style-type: none"> <li>Action plan for institutional reform of the Toamasina Port Operating Company (SEPT).</li> <li>Decree granting autonomy to the ports of Antsiranana, Mahajanga, and Toliara; and offer concessions to private operators for the ports of St. Louis, Morondav, Manakara, and Antalaha.</li> <li>Liquidate the CMN and privatize the SMTM.</li> </ul>	<p>1999</p> <p>1999-2000</p> <p>1999-2000</p>	
11.4 Railways	Liberalize and modernize the sector	<ul style="list-style-type: none"> <li>Create a property management company to take over RNCFM assets.</li> <li>Offer concessions for the northern segment of the network.</li> <li>Prepare an action plan for other segments of the network.</li> </ul>	<p>1999-2000</p> <p>1999</p> <p>1999</p>	
<b>12. <u>Tourism</u></b>				
	Support tourism sector development	<ul style="list-style-type: none"> <li>Amend the regulations implementing the Tourism Code.</li> </ul>	July 1999	
<b>13. <u>Tele-communications</u></b>				
	Develop a modern telecommunications system	<ul style="list-style-type: none"> <li>Call for bids to select a second noncellular telephone service provided to cover the national territory.</li> </ul>	Dec. 2000	

Sector	Objectives and Policies	Strategies and Measures	Implementation	TA Requirements
14. <u>Banking sector</u>	Support financial sector restructuring	<ul style="list-style-type: none"> <li>Divest government holdings in the rural development bank (BTM) in accordance with the following principles: (i) at least 70 percent of the capital to be held by the private sector; (ii) at least 34 percent of the capital to be held by a competent banking institution; and (iii) in the event that this banking institution holds only a minority interest, it must obtain majority voting rights through a mechanism based on the consortium's voting power.</li> </ul>	1999	
		<ul style="list-style-type: none"> <li>Implement the law whereby legal procedures to collect defunct BFV/BTM claims can be expedited.</li> </ul>	1999	
		<ul style="list-style-type: none"> <li>Publish the names of debtors of BFV and BTM once their loan obligations are being litigated.</li> </ul>	1999-2001	
15. <u>Nonbank financial sector</u>	Improve efficiency in the sector	<ul style="list-style-type: none"> <li>Adopt a draft bill defining the new regulatory framework to promote competition in the insurance sector.</li> </ul>	Dec. 1999	
		<ul style="list-style-type: none"> <li>Carry out financial, technical, and restructuring audits of certain institutions in the nonfinancial sector (Ny Havana, Aro).</li> </ul>	1999-2000	USSAID
		<ul style="list-style-type: none"> <li>Carry out a financial, technical, and restructuring audit of CNAPS, an actuarial audit of CRCM and CPR (trading accounts).</li> </ul>	1999-2000	WB
		<ul style="list-style-type: none"> <li>Reform of the Social Security Fund (CNAPS).</li> </ul>	1999-2000	WB
		<ul style="list-style-type: none"> <li>Appoint a negotiator for privatizing one of the two insurance companies (Ny Havana or Aro).</li> </ul>	Early 2000	WB
		<ul style="list-style-type: none"> <li>Appoint a negotiator for privatizing the other insurance company.</li> </ul>	End 2000-early 2001	WB
		<ul style="list-style-type: none"> <li>Divest government holdings in one of the two insurance companies to private operators.</li> </ul>	End 2000	WB
		<ul style="list-style-type: none"> <li>Divest government holdings in the other insurance company.</li> </ul>	End 2001	WB
		<ul style="list-style-type: none"> <li>Carry out a study on the reform of the government employee pension scheme.</li> </ul>	mid-2000	
		<ul style="list-style-type: none"> <li>Reform the government employee pension scheme.</li> </ul>	2001	IMF



Table 2. Madagascar: Selected Economic and Financial Indicators, 1995-2001

	1995	1996		1997		1998		1999	2000	2001
		Prog.	Act.	Rev. Prog.1/	Act.	Target Scenario	Act.			
(Annual percentage change, unless otherwise indicated)										
National accounts and prices										
Real GDP at market prices	1.7	2.0	2.1	3.5	3.7	3.6	3.9	4.5	5.3	5.7
GDP deflator	45.2	21.1	17.8	9.6	7.5	6.9	8.6	5.5	3.9	3.0
Traditional consumer price index										
Average 2/	49.0	19.7	19.8	6.7	4.5	6.3	6.2	6.6	4.8	3.0
End of period 2/	37.3	10.0	8.3	7.0	4.8	5.6	6.4	6.4	3.0	3.0
Overall consumer price index (average) 3/	48.5	...	20.0	...	5.4	...	7.8	7.1	5.1	3.0
Money and credit										
Net foreign assets 4/	10.4	11.6	20.6	11.9	18.6	2.0	-15.6	20.1	3.0	-0.5
Net domestic assets 4/	5.5	-0.7	-1.6	3.9	1.9	8.3	24.1	-11.0	7.0	9.9
Of which: net domestic credit 5/	7.8	3.4	0.3	4.9	3.4	14.2	23.8	-8.1	8.5	11.0
government 5/	-1.1	0.0	-1.0	-2.9	-3.3	6.1	16.4	-19.5	-1.3	-0.2
economy 5/	8.9	3.4	1.3	7.8	6.7	8.1	7.4	11.3	9.7	11.3
Broad money (M3)	16.2	7.9	18.1	12.0	19.8	11.4	8.4	8.8	10.0	9.5
Velocity of money (GDP/end-of-period M3)	5.0	5.7	5.1	5.5	4.7	4.7	4.9	5.0	4.9	4.9
External sector (in terms of SDRs)										
Exports, f.o.b.	10.3	2.8	4.6	4.7	1.7	6.5	4.3	9.0	8.5	9.7
Imports, c.i.f.	8.7	2.1	7.2	6.5	11.6	-2.0	0.0	8.0	5.9	8.9
Terms of trade (deterioration -) 6/	-0.8	-13.7	-17.3	0.7	-2.7	8.2	5.9	-2.9	0.4	-0.9
Nominal effective exchange rate 7/	-36.3	5.9	7.2	-11.3	-12.3	-5.3	-5.6	...	...	...
Real effective exchange rate 7/	-9.3	24.7	27.3	-6.2	-8.7	-1.0	-0.4	...	...	...
(In percent of GDP)										
National accounts										
Gross domestic investment	10.9	10.0	11.6	12.3	11.8	13.3	13.8	14.3	16.0	16.4
Private sector (including public enterprises)	4.9	4.0	4.9	5.4	5.6	6.1	5.7	6.7	8.2	8.5
Public sector	6.0	6.0	6.8	6.9	6.3	7.2	8.1	7.6	7.8	7.9
Gross national savings	3.9	6.0	7.9	10.6	9.4	9.6	9.0	10.7	12.5	13.1
Private sector	3.8	5.2	5.6	4.4	5.3	5.9	4.9	6.4	6.5	6.5
Public sector	0.1	0.8	2.4	6.3	4.1	3.7	4.1	4.3	6.0	6.5
Central government financial operations										
Total revenue	8.5	8.1	8.7	9.8	9.7	11.2	10.6	11.9	13.2	13.8
Of which: tax revenue	8.3	7.8	8.5	9.3	9.4	10.8	9.7	11.4	12.7	13.3
Total expenditure	17.6	16.6	17.8	16.9	17.4	18.1	18.7	17.9	18.1	18.1
Interest obligations	5.1	4.3	4.7	2.6	3.0	3.0	2.7	2.6	2.6	2.4
Noninterest current expenditures	6.2	6.1	5.8	6.7	7.8	7.4	7.8	7.3	7.2	7.4
Capital expenditure 8/	6.3	6.2	7.3	7.5	6.5	7.6	8.2	8.1	8.2	8.3
Primary balance 9/	-1.1	-1.1	-0.2	1.0	0.6	-0.7	-1.9	0.1	1.0	1.2
Overall balance (commitment basis)										
Excluding grants	-9.1	-8.5	-9.1	-7.0	-7.7	-6.9	-8.1	-6.0	-4.9	-4.3
Including grants	-6.2	-5.4	-4.9	-1.6	-2.4	-3.7	-4.6	-2.5	-1.7	-1.2
Overall balance (cash basis)	-5.8	-5.4	-4.9	-2.3	-3.2	-4.2	-5.1	-2.7	-2.2	-1.5
Net balance of structural reforms	0.0	0.0	0.0	0.0	0.0	-2.0	-1.2	-2.2	-1.0	-0.9
Total overall balance (cash basis)	-5.8	-5.4	-4.9	-2.3	-3.2	-6.2	-6.3	-4.9	-3.2	-2.4

Table 2. Madagascar: Selected Economic and Financial Indicators, 1995-2001 (concluded)

	1995	1996		1997		1998		1999	2000	2001
		Prog.	Act.	Rev. Prog.1/	Act.	Target Scenario	Act.			
(In percent of GDP)										
External current account										
Excluding official transfers	-10.2	-7.7	-7.1	-7.2	-7.8	-7.2	-7.9	-7.3	-7.0	-6.6
Including official transfers	-7.0	-4.0	-3.7	-1.6	-2.4	-3.7	-4.8	-3.6	-3.5	-3.3
External capital account	-1.8	-0.8	1.0	3.5	3.2	0.0	0.2	3.6	1.7	1.9
External public debt (after debt relief) 10/	140.9	110.3	111.9	99.2	86.8	105.1	78.7	75.3	73.2	67.7
External debt (before debt relief) 9/	140.9	110.3	111.9	116.1	95.4	121.1	85.4	88.0	84.0	77.3
Public domestic debt 11/	11.0	...	10.0	9.1	8.8	9.6	11.9	9.2	8.7	7.6
(In percent of exports of goods and services)										
Scheduled external debt service 10/										
Before debt relief	53.6	45.2	41.3	28.7	29.7	30.4	29.2	22.7	24.1	20.1
After debt relief	53.6	45.2	41.3	18.0	21.8	23.4	22.8	16.5	24.1	20.1
External public debt (after debt relief)	584.2	607.4	545.7	497.1	398.0	471.4	368.3	332.5	323.2	301.8
(In millions of SDRs, unless otherwise indicated)										
Trade balance (f.o.b.)	-69.4	-82.1	-83.4	-94.4	-128.8	-95.3	-112.9	-118.2	-114.3	-120.7
Overall balance of payments	-183.3	-136.8	-76.8	52.1	19.7	-98.8	-126.6	0.4	-57.5	-48.1
Net official reserves	-3.9	...	88.7	118.8	128.2	121.9	51.6	151.1	168.0	168.9
Gross official reserves	73.7	121.7	167.6	211.9	207.8	204.8	120.9	225.0	251.6	251.2
In weeks of imports of goods and nonfactor services	5.4	9.3	12.3	14.9	14.0	13.6	7.8	13.6	14.5	13.4
External debt 10/	2,933.2	3,109.2	3,085.1	2,726.9	2,234.4	2,825.1	2,174.0	2,136.3	2,245.9	2,297.7
Exchange rates (period average)										
Malagasy francs per SDR	6,474.4	5,976.6	5,882.4	6,706.2	7,016.1	7,442.5	7,381.7	...	...	...
Malagasy francs per French franc	855.0	800.7	792.5	886.7	874.3	915.5	922.9	...	...	...
Nominal GDP at market prices (in billions of Malagasy francs)	13,479	16,852	16,224	18,435	18,078	20,008	20,406	22,501	24,624	26,790

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

1/ EBS/97/159 (8/21/97).

2/ Based on the traditional household consumption basket.

3/ Based on the overall consumption pattern, 75 percent of which representing the traditional basket and 25 percent accounting for the modern consumption basket.

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

5/ The scenarios and estimate 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 reflects the financing of the purchase of shares in public enterprises by resident investors.

6/ Based on 1993 trade weights.

7/ Depreciation (-).

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

9/ Overall balance, excluding interest obligations.

10/ Including the Fund.

11/ Excluding domestic arrears.

Table 3. Madagascar: Social and Demographic Indicators 1996 1/

Land area (square kilometers)	581,540
Population	
Total (in millions) (1998)	14.0
Urban population (percent of total)	27.0
Population density (people per sq. km.)	23.6
Population density, rural (people per sq. km.) (1995) 2/	379.4
Population growth (annual percentage)	3.0
Life expectancy at birth (years)	
Overall	58.1
Women	59.6
Men	56.6
Crude birth rate (per 1,000)	40.9
Crude death rate (per 1,000)	10.8
Infant mortality rate (per 1,000)	87.7
Education	
Illiteracy rate, adult total (percentage of people over 15) (1990)	19.8
Primary education, pupils (in thousands) (1994)	1,504.7
Secondary education, general pupils (in thousands) (1992)	304.8
Secondary education, vocational pupils (in thousands) (1992)	8.1
Primary school enrollment (percentage of relevant age group) (1993)	72.0
Secondary school enrollment (percentage of relevant age group) (1993)	14.0
Tertiary school enrollment (percentage of relevant age group) (1993)	3.0
Health	
Hospital beds (per 1,000) (1990)	0.9
Physicians (per 1,000) (1990)	0.1
Safe water (percentage of population with access) (1994)	29.0
Sanitation (percentage of population with access) (1994)	15.0
Child immunization (under 12 months, percent)	
DPT	67.0
Measles	59.0

Sources: Malagasy authorities; and World Bank, *World Development Indicators*.

1/ Most recent estimates available.

2/ Rural population density is the rural population divided by the arable land area.

Table 4. Madagascar: External Financing Requirements, 1996-2001

(In millions of SDRs)

	1996	1997	1998	1999	2000	2001
					Program	
Total financing requirements	239.8	1,116.1	225.9	1,111.3	337.6	302.9
Current account deficit (excluding net official transfers)	194.3	201.9	219.6	207.6	215.1	224.8
Amortization	108.6	78.0	95.0	76.0	92.1	77.2
IMF repayments	11.6	12.9	10.3	9.0	3.8	1.3
Change in total external arrears (increase -)	-169.3	783.2	-12.0	714.7	0.0	0.0
Change in net foreign assets (increase +) 1/	94.5	40.2	-86.9	104.1	26.6	-0.4
Disbursements	226.2	299.6	187.9	283.9	249.6	253.8
Official transfers	91.0	140.2	86.1	105.4	106.3	112.3
Loan disbursements	62.0	155.5	90.2	86.2	93.1	96.3
Other capital inflows (net) 2/	66.2	-6.1	-0.3	-15.7	-15.3	-13.0
Direct investment	7.0	10.0	11.9	108.0	65.5	58.3
Financing gap	13.6	816.6	38.0	827.4	88.0	49.0
Debt relief	0.0	803.0	38.0	716.2	0.0	0.0
IMF (ESAF)	13.6	13.6	0.0	13.6	13.6	0.0
Residual financing gap 3/	0.0	0.0	0.0	97.6	74.4	49.0

Sources: Central Bank of Madagascar (CBM); and staff estimates and projections.

1/ Excluding changes in net position vis-a-vis the IMF.

2/ Including errors and omissions.

3/ The projected gaps are expected to be covered by the commitment of new loans throughout the period, a possible extension up to July 2000 of the 1997 Paris Club agreement (flow rescheduling on Naples terms) with expected similar treatment by other creditors and, subsequently, by possible debt relief from a stock-of-debt operation which would also be on Naples terms.

Table 5. Madagascar: Key Indicators of External Indebtedness, 1998-2018 1/

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	1999-2008	2009-18	
	Projected																							
	(In millions of US dollars, unless otherwise indicated)																							
1. Total debt service (2+3)	234.5	203.5	284.1	212.4	189.1	181.2	168.0	171.3	181.5	182.3	193.9	208.7	222.0	235.2	248.9	261.3	274.6	290.6	308.7	332.8	352.8	220.2	273.5	
2. Principal (5+32+35)	143.2	118.3	220.8	144.8	121.0	112.4	97.6	99.0	106.6	104.6	113.1	123.1	130.9	137.6	143.8	147.9	152.0	158.3	166.3	180.0	189.8	138.1	153.0	
3. Interest (18+33+36)	91.3	85.2	63.3	67.6	68.0	68.9	70.4	72.3	74.9	77.7	80.8	85.5	91.1	97.6	105.1	113.4	122.6	132.3	142.4	152.8	163.0	82.0	120.6	
4. Scheduled debt service on existing contracted debt (5+18)	181.2	160.4	155.4	149.7	147.7	135.6	116.5	114.6	119.4	114.5	120.1	127.1	127.7	127.8	127.0	123.2	118.5	115.7	113.6	115.2	114.0	151.5	121.0	
5. Principal (6+17)	107.0	114.8	120.7	118.4	120.4	111.7	94.8	94.8	100.9	97.4	104.3	112.6	114.6	115.9	116.3	113.6	109.9	107.9	106.4	108.5	107.7	118.5	111.3	
6. Medium- and long-term (7+8+16)	107.0	114.8	120.7	118.4	120.4	111.7	94.8	94.8	100.9	97.4	104.3	112.6	114.6	115.9	116.3	113.6	109.9	107.9	106.4	108.5	107.7	118.5	111.3	
7. Multilateral 1/	48.7	47.2	56.0	54.4	61.8	65.6	65.2	74.7	81.0	77.5	84.4	93.5	97.1	99.8	100.5	100.7	101.5	102.5	103.7	105.9	105.7	71.6	101.1	
8. Official bilateral (9+15)	56.4	65.9	62.4	61.6	57.7	46.1	29.6	20.1	20.0	19.9	19.9	19.1	17.4	16.0	15.8	13.0	8.4	5.4	2.6	2.6	2.0	46.0	10.2	
9. Paris Club (10+11)	52.1	61.9	59.8	59.0	55.1	43.1	27.2	19.4	19.3	19.2	19.2	18.3	16.7	15.3	15.1	12.8	8.3	5.4	2.6	2.6	2.0	43.5	9.9	
10. Post-cutoff date	13.2	12.4	13.2	12.5	9.8	8.4	6.8	6.2	6.1	6.0	6.0	5.2	3.6	3.0	2.8	2.6	2.6	2.6	2.6	2.6	2.0	10.1	3.0	
11. Pre-cutoff date	38.9	49.5	46.6	46.6	45.3	34.7	20.4	13.1	13.1	13.1	13.1	13.1	13.1	12.3	12.3	10.2	5.7	2.8	0.0	0.0	0.0	33.4	6.9	
12. Of which: PRD on Toronto terms	27.0	39.2	36.9	36.9	36.9	26.3	15.7	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	5.7	2.8	0.0	0.0	0.0	25.3	5.1	
13. Of which: PRD on London terms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
14. Of which: PRD on Naples terms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
15. Other official bilateral	4.4	4.1	2.6	2.6	2.6	3.0	2.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.1	0.1	0.0	0.0	0.0	0.0	2.4	0.3	
16. Commercial	1.9	1.7	2.4	2.4	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	
17. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
18. Interest (19+30)	74.1	45.6	34.7	31.3	27.3	23.9	21.7	19.8	18.5	17.1	15.8	14.5	13.1	11.9	10.7	9.6	8.5	7.8	7.2	6.8	6.3	33.0	9.6	
19. Medium- and long-term (20+21+29)	74.1	45.6	34.7	31.3	27.3	23.9	21.7	19.8	18.5	17.1	15.8	14.5	13.1	11.9	10.7	9.6	8.5	7.8	7.2	6.8	6.3	33.0	9.6	
20. Multilateral 1/	20.5	20.4	15.0	14.5	13.2	12.3	11.6	11.0	10.7	10.3	10.0	9.7	9.2	8.8	8.4	8.0	7.6	7.2	6.9	6.5	6.1	15.0	7.8	
21. Official bilateral (22+28)	53.0	24.8	19.3	16.6	14.1	11.7	10.1	8.7	7.8	6.8	5.8	4.9	3.9	3.1	2.3	1.6	0.9	0.6	0.3	0.3	0.2	17.9	1.8	
22. Paris Club (23+24)	38.6	24.6	19.2	16.6	14.0	11.7	10.1	8.7	7.8	6.8	5.8	4.9	3.9	3.1	2.3	1.6	0.9	0.6	0.3	0.3	0.2	16.4	1.8	
23. Post-cutoff date	5.0	4.6	3.9	3.4	2.9	2.5	2.2	1.9	1.7	1.5	1.2	1.0	0.8	0.7	0.6	0.5	0.5	0.4	0.3	0.3	0.2	3.1	0.5	
24. Pre-cutoff date	33.6	20.1	15.3	13.2	11.1	9.2	7.9	6.8	6.1	5.3	4.6	3.9	3.1	2.4	1.7	1.0	0.4	0.2	0.0	0.0	0.0	13.3	1.3	
25. Of which: PRD on Toronto terms	15.9	15.1	13.0	11.3	9.5	7.6	6.7	5.8	5.2	4.6	4.0	3.4	2.8	2.2	1.6	1.0	0.4	0.2	0.0	0.0	0.0	9.9	1.2	
26. Of which: PRD on London terms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
27. Of which: PRD on Naples terms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
28. Other official bilateral	14.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	
29. Commercial	0.5	0.4	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	
30. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
31. Debt service on new borrowing (35+36)	0.0	11.8	8.2	12.3	16.8	21.0	26.2	31.2	36.3	41.6	47.1	54.3	66.4	79.0	92.7	108.3	125.6	143.2	161.5	180.8	200.7	25.3	121.2	
32. Principal	0.0	0.0	0.0	0.0	0.0	0.0	1.4	2.5	3.6	4.6	5.6	6.6	11.6	16.2	21.0	26.7	33.5	40.1	47.1	55.0	63.4	1.8	32.1	
33. Interest	0.0	11.8	8.2	12.3	16.8	21.0	24.9	28.7	32.7	36.9	41.5	47.6	54.8	62.8	71.7	81.5	92.1	103.1	114.4	125.9	137.3	23.5	89.1	
34. Debt service on reschedulings (35+36)	53.3	31.4	120.5	50.4	24.5	24.6	25.3	25.5	25.8	26.2	26.7	27.3	27.9	28.5	29.1	29.8	30.6	31.7	33.7	36.7	38.0	43.4	31.3	
35. Principal	36.2	3.5	100.1	26.4	0.6	0.7	1.5	1.7	2.0	2.6	3.2	3.9	4.7	5.5	6.4	7.5	8.7	10.2	12.8	16.6	18.7	17.8	9.5	
36. Interest	17.1	27.9	20.4	24.0	23.9	23.9	23.9	23.8	23.7	23.7	23.5	23.4	23.2	23.0	22.7	22.3	21.9	21.4	20.9	20.2	19.3	25.6	21.8	
<b>Memorandum items</b>																								
Total debt service (=1)	234.5	203.5	284.1	212.4	189.1	181.2	168.0	171.3	181.5	182.3	193.9	208.7	222.0	235.2	248.9	261.3	274.6	290.6	308.7	332.8	352.8	220.2	273.5	
in percent of exports of goods and services	29.3	22.5	29.1	19.9	16.4	14.5	12.4	11.7	11.4	10.6	10.4	10.3	10.1	9.8	9.5	9.2	8.9	8.6	8.4	8.3	8.1	18.8	9.1	
After debt restructuring 2/	182.8	148.6	229.6	150.7	131.8	136.8	139.7	151.3	162.3	163.8	176.2	191.7	205.7	220.6	234.9	250.0	268.5	287.6	308.7	332.8	352.8	177.4	265.3	
in percent of exports of goods and services	22.8	16.4	23.5	14.1	11.4	11.0	10.3	10.2	9.5	9.4	9.4	9.3	9.2	9.0	8.8	8.7	8.5	8.4	8.3	8.1	14.9	8.8		
Total debt stock (in US\$)	3,324.4	3,419.9	3,529.1	3,617.2	3,702.6	3,802.2	3,917.0	4,049.7	4,195.3	4,363.3	4,551.6	4,760.9	4,996.1	5,258.0	5,547.2	5,866.8	6,213.2	6,576.1	6,951.6	7,328.3	7,703.0	4,247.2	6,120.1	
in percent of exports of goods and services	415.0	378.1	361.8	338.6	320.5	304.9	290.1	276.9	264.2	252.6	243.2	234.5	226.4	219.1	212.4	206.2	200.4	194.4	189.1	183.0	176.6	344.6	204.2	
After debt restructuring 2/	3,061.1	2,926.7	2,965.5	3,057.0	3,187.9	3,322.1	3,455.8	3,599.9	3,756.6	3,935.1	4,133.3	4,351.8	4,595.5	4,864.1	5,159.2	5,481.4	5,824.9	6,180.4	6,543.1	6,903.2	7,259.1	3,740.1	5,716.3	
in percent of exports of goods and services	382.1	323.6	304.1	286.1	276.0	266.4	255.9	246.1	236.6	227.9	220.8	214.4	208.3	202.7	197.5	192.7	187.8	182.7	178.0	172.4	166.4	302.6	190.3	
Total debt stock (NPV)	3,028.2	2,968.0	2,912.0	2,859.2	2,805.9	2,762.2	2,735.7	2,710.0	2,678.3	2,650.0	2,614.9	2,571.1	2,524.5	2,475.7	2,425.1	2,376.0	2,329.1	2,282.4	2,235.6	2,184.6	2,132.1	3,072.4	2,353.6	
in percent of exports of goods and services	378.0	328.2	298.6	267.6	242.9	221.5	202.6	185.3	168.7	153.4	139.7	126.7	114.4	103.2	92.9	83.5	75.1	67.5	60.8	54.6	48.9	258.6	82.7	
After debt restructuring 2/	2,742.3	2,507.9	2,439.1	2,503.8	2,611.7	2,717.4	2,820.2	2,921.4	3,023.7	3,138.4	3,258.5	3,397.0	3,552.3	3,723.5	3,912.4	4,119.3	4,340.3	4,567.8	4,799.1	5,027.4	5,253.6	3,068.5	4,269.3	
in percent of exports of goods and services	342.3	277.3	250.1	234.4	226.1	217.9	208.9	199.7	190.4	181.7	174.1	167.3	161.0	155.2	149.8	144.8	140.0	135.0	130.5	125.6	120.4	250.3	143.0	
Central government scheduled debt service	207.9	178.1	274.3	205.9	177.3	170.2	157.2	160.7	171.0	179.5	191.3	206.1	219.5	233.2	247.3	259.8	273.1	289.2	307.4	331.4	351.5	207.3	271.8	
in percent of government revenue	54.5	39.1	50.1	32.0	23.7	20.1	16.6	15.0	14.1	13.3	12.8	12.3	11.8	11.3	10.7	10.2	9.6	9.3	8.9	8.7	8.5	29.1	10.1	
in percent of government expenditure	29.6	25.7	36.1	24.0	18.2	15.4	12.7	11.5	11.0	10.4	10.0	9.8	9.4	9.0	8.6	8.2	7.8	7.5	7.2	7.0	6.8	20.5	8.1	
GDP	3,749.8																							