

World Bank, EU to follow IMF and resume Madagascar support
Malaysian Insider
16 March, 2014

The World Bank and the European Union will resume financial support to Madagascar, officials said, pledging to help rebuild the Indian Ocean island economy still reeling from a coup in 2009. The International Monetary Fund said on Thursday it had restored ties with Madagascar for the first time since 2009, prompted by the peaceful election of President Hery Rajaonarimampianina in December.

Although Rajaonarimampianina is yet to appoint a government, his election is seen as a vital step to rebuild confidence in an economy which was crippled by a five-year political crisis that saw investors flee and donors suspend vital budget support to one of the world's poorest countries.

The World Bank's Madagascar country representative Haleh Bridi said Rajaonarimampianina will meet the World Bank President Jim Yong Kim in New York on Tuesday, paving the way for greater financial support.

"We are very encouraged, we are very positive, and we really want to support President Hery (Rajaonarimampianina) as much as we can," Bridi told Reuters by phone late on Friday.

"We want to make available to Madagascar all the different instruments at our disposal," said Bridi, who told Reuters in January that the bank could lend Madagascar in the region of \$120-150 million a year for the first three-year allocation.

The World Bank continued lending to Madagascar during the prolonged political crisis but it halted budgetary support and focused instead on emergency aid.

Leonidas Tezapsidis, EU Ambassador to Madagascar, said the European bloc also plans to re-start suspended aid and will give \$633.59 million (RM2,080 million) to Madagascar between 2014-2020.

"This is not a donation that needs to be paid back, it is not a loan. But for this, we will have to wait for a government to emerge from the vote," Tezapsidis told Reuters by phone on Friday, referring to the delayed formation of a government.

Rajaonarimampianina's delay in appointing a new prime minister and cabinet has created some unease about the pace at which foreign donors can disburse funds.

But Bridi said the establishment of a government was not a condition for World Bank support.

The IMF is expected to send an official delegation to the world's fourth-largest island, famed for its exotic wildlife and targeted by foreign miners for its nickel, cobalt, coal, iron ore and uranium deposits.

Many big donors are likely to take a cue from the IMF about when to proceed with their financial support, which is seen as vital for kick-starting the economy after years of stunted growth.

External financing made up 40% of Madagascar's budget until donors withdrew aid after rebel troops in March 2009 stormed the presidential palace and former disc jockey Andry Rajoelina seized power.

The World Bank forecasts the economy will expand 3.7% this year and 4% in 2015, below earlier projections and insufficient it said to significantly alleviate poverty levels that deepened during the crisis. – Reuters, March 13, 2014.

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