

USAID



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/MADAGASCAR
Antananarivo, Madagascar

**USAID/MADAGASCAR
ASSISTANCE PROGRAM**

SYNOPSIS

October 25, 1994

SYNOPSIS OF USAID/MADAGASCAR'S ASSISTANCE PROGRAM

A. BACKGROUND

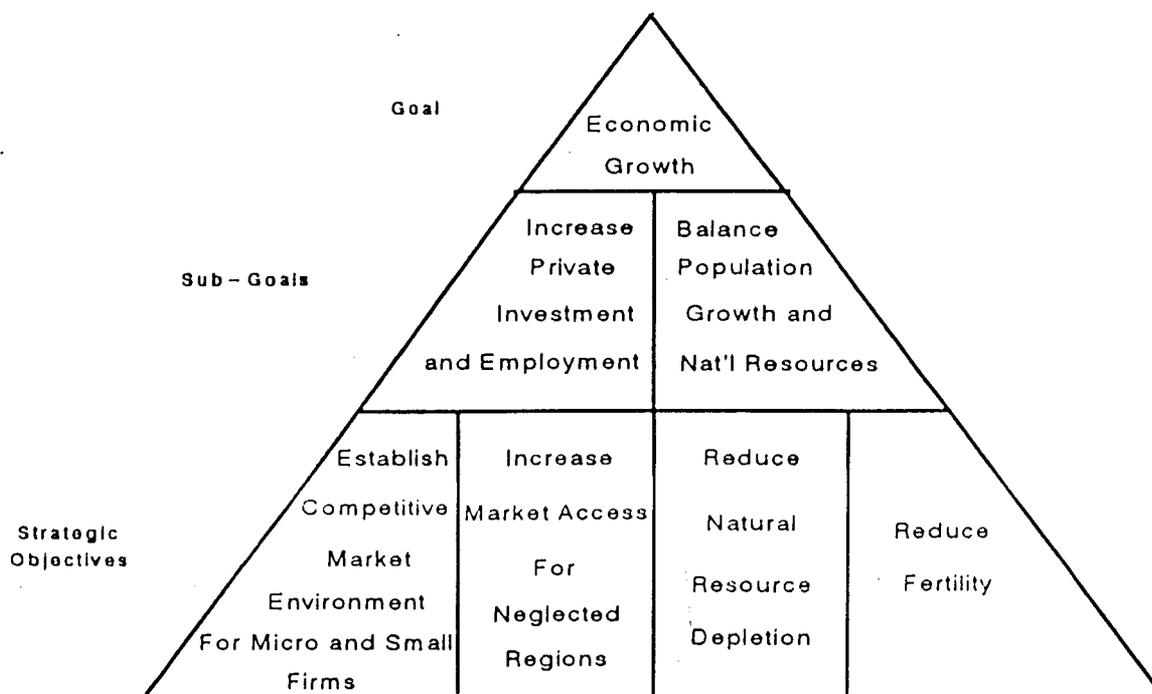
After two decades of one party, centralized presidential rule, failed socialist policies, and overall impoverishment, Madagascar made a dramatic about turn in 1987-88. It adopted a serious structural adjustment program, it liberalized its markets, it formulated a population policy, launched an environmental action plan, and began a gradual political liberalization. Within three years the reforms had sparked an economic recovery with growth approaching 5% by 1990, attracting expanded tourism and investment interest. The Malagasy people, having tasted the new freedom, clamored for a more rapid transition to democracy and prosperity. During 1991 generally peaceful demonstrations brought the Second Republic to an end and set in motion a process of constitutional reform and free presidential and parliamentary elections leading to a third republic. The new constitution, approved in a national referendum on August 19, 1992, calls for a multi-party system with greater authority vested in the Prime Minister and independent parliament, with increased decentralization to regional and local government institutions. The 1993 free and fair election of Albert Zafy as President and Francisque Ravony as Prime Minister provides hope for a new era of open, transparent government and for realizing Madagascar's economic potential.

Analyses of development progress, prospects, and challenges show that Madagascar faces a negative set of development dynamics that will require at least a decade of determined effort to reverse. These include accelerated environmental degradation, explosive population growth, decaying infra-structure, monopolized commerce, and fragmented markets. Madagascar is moving in the right direction by restructuring the economy toward private export led growth. It now needs to complete the political transition and resume its negotiations with the World Bank and IMF on the next phase of its structural adjustment program. Then it can get on with implementing the new republic's democratic mandate and the remaining economic reforms. The most daunting challenge will be to transform the subsistence rural economy of fragmented markets and interrupted communications into a competitive, efficient market economy tapping regional comparative advantages and multiply interregional and intersector trade.

B. USAID STRATEGY

The Mission followed a wide-ranging fully participatory process in 1992 designed to produce a sound strategy appropriate to the Madagascar context. The resulting strategy focuses on stimulating private investment and employment, and balancing population growth and natural resource use, with the aim of accelerating broad-based, market-led, sustainable economic growth. Our program centers on establishing a competitive market environment for micro and small firms, increasing market access for neglected regions, reducing natural resource depletion in target areas, and reducing total fertility, with a target of supporting civil society. The strategy can be schematized as follows:

CPSP Schematic



We will concentrate our programs and resources in pursuit of these four strategic objectives in the following ways:

1. Establish competitive, market environment for micro and small firms through fair and swift treatment of entrepreneurs by the legal and judicial systems, through support for broader access to savings and credit, and through expanded micro and small business services;
2. Increase market access for neglected regions by reducing farm-to-market transport costs, by increasing and diversifying agricultural production and sales, and by expanding locally-managed market infrastructure.

3. Reduce natural resource depletion in target areas by conserving biodiversity in national parks, by improving the management of forest resources and national parks, by increasing income opportunities for resource users and by increasing natural resource institutional capacity; and
4. Reduce total fertility through increased modern contraceptive use and improved nutritional status of children under five.

C. PORTFOLIO

The portfolio includes about 13 programs over the period FY 1993-1998. The Natural Resources and Population programs are already in place. The market environment and neglected region programs require four new project starts from FY 93 through FY 95. The portfolio will be supported by food aid and local currency. We envisage average annual resource levels on the order of \$30 million with \$3-4 million in food assistance to carry out this strategy. Country and program performance as well as resource availabilities will determine actual levels.

DESCRIPTION OF PRESENT AND PLANNED USAID PROJECTS IN SUPPORT OF THE STRATEGIC OBJECTIVES

Various projects have been or will be implemented in support of the strategic objectives.

S.O. 1: Establish a Competitive Market Environment for Micro and Small Firms

The Financial Market Development (FMD) project, totalling \$10 million, is a four-year project started in 1993 for the reinforcement of the Central Bank's monetary management and the modernization and expansion of the Postal Savings Bank (Caisse d'Epargne de Madagascar) for poor savers.

The Opportunites for Entrepreneurs (OPEN) project, totalling \$14 million over five years starting in 1995, aims at establishing a competitive, open business climate, supportive of micro and small enterprises (MSEs). OPEN will help improve access to the legal and judicial systems and increase direct services for MSEs.

S.O. 2: Increase Market Access for Neglected Regions

The Commercial Agricultural Promotion (CAP) project, totalling \$29 million over five years starting in 1994, aims at increasing domestic trade of commercial food crops in the neglected regions of Fianarantsoa and Mahajanga.

The Market Infrastructure Expansion (MIX) project, totalling \$10 million, is a four-year project starting in 1995 aiming at increasing economic activity in selected market centers and facilitating public-private partnerships to ensure that market services are demand driven, efficient and sustainable.

An amendment amounting to \$3.675 million to the Madagascar Agricultural Export Liberalization Support Project (MAELSP), which started in 1988, was signed in 1992 for the promotion of non-traditional agricultural exports. This project will end in 1995.

The Rice Research Project, implemented by the International Rice Research Institute (IRRI) in collaboration with GRM's Ag Research Agency (FOFIFA), amounting to \$5.6 million, will end in June 1997.

S.O. 3: Reduce Natural Resources Depletion

The following are the ongoing and new projects in support of the Environmental Action Plan for Madagascar:

- ▶ The Sustainable Approaches for Environmental Management (SAVEM) project for the management of six national parks and peripheral zones in Madagascar: \$40 million are allocated to the project, which started in 1990.
- ▶ The Knowledge and Effective Policies for Environment Management (KEPEM) project for the creation of an institutional framework towards the sustainable management of natural resources: \$42 million have been allocated to the project over five years starting from 1992.

The Debt/Nature Swap amounting to \$2.5 million for the repurchase by the World Wildlife Fund of Madagascar's foreign debt and the use of the local currency funds for training, biological and socio-economic assessment activities.

The Trade in Biodiversity for Environmental Management (TRADEM) project will start in 1996 and will provide a base for the further development of a central system for the utilization and management of unendangered flora and fauna species exported from Madagascar.

S.O. 4: Reduce Total Fertility

Launched in 1992, the Population Support Project (APPROPOP), totalling \$33 million over six years, aims at increasing accessibility and availability of family planning and child survival services.

USAID/Madagascar will continue supporting the child nutrition program of the Catholic Relief Services which benefits 110,000 beneficiaries (PL 480 Title II).

The following cross-sectoral projects are supporting these objectives:

- ▶ The ATLAS project for graduate study in the United States: the annual budget has averaged \$700,000 during the past several years.
- ▶ The Human Resource Development Assistance (HRDA) project for short-term training grants in Madagascar, the United States or a third country: the annual budget has averaged \$700,000 during the past years.
- ▶ The Program Development and Support Program (PD&S) for technical support to ongoing or projects under design. It varies from year to year, depending on need.

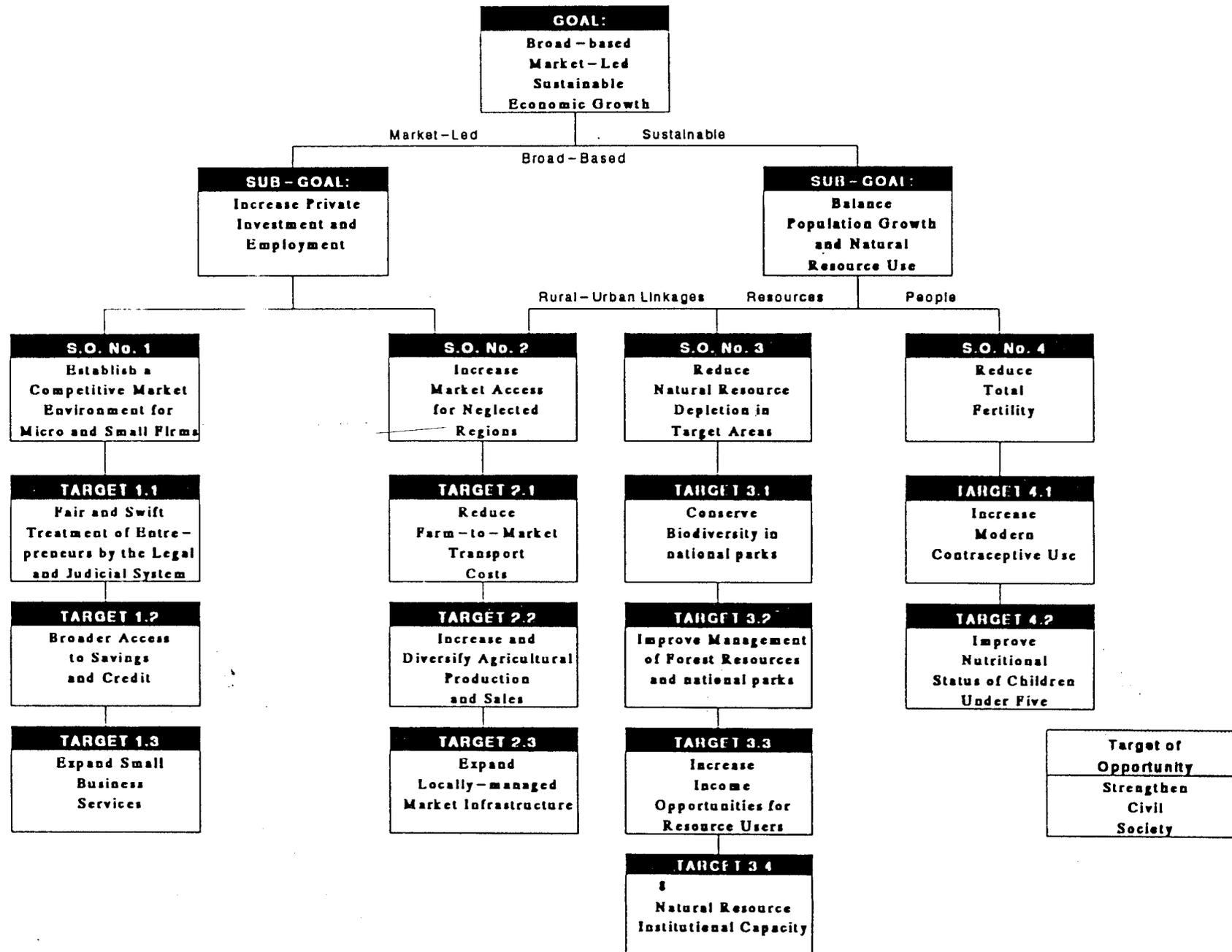
REVISED USAID/MADAGASCAR COUNTRY PROGRAM STRATEGIC FRAMEWORK

Goal and
Sub-Goal
Levels:

Country
Trend
Indicators

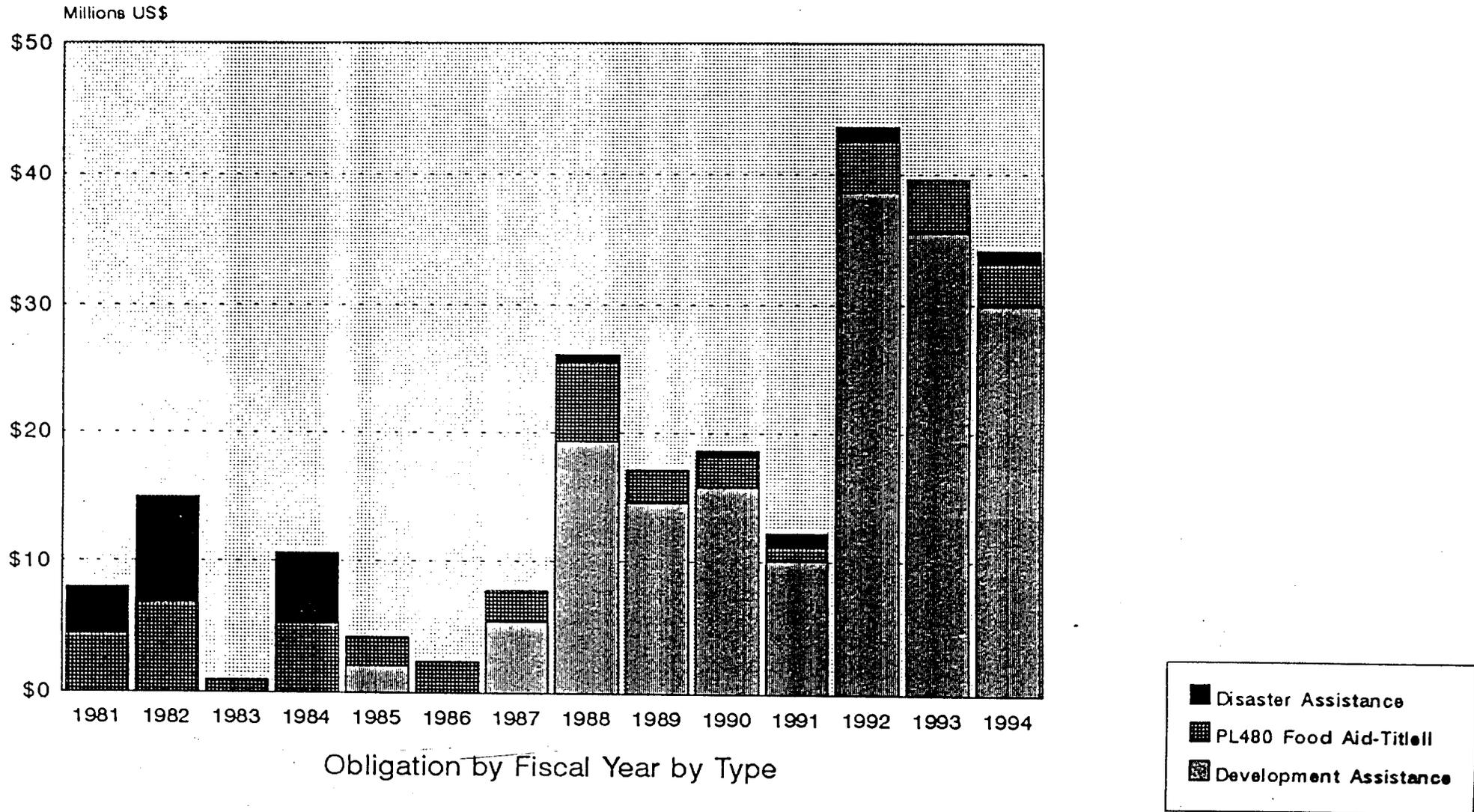
Strategic
Objective
Level:
Program
Indicators

Target
Level:
Performance
Indicators



Obligation History by Type of Assistance

USAID/Madagascar 1981-1994



Source: Bureau for Africa
 Program and Budget Information
 A Retrospective through FY 1993, June 1994 - USAID

