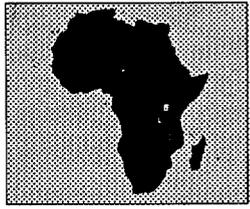


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U.S. Agency for International Development
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DEVELOPMENT FUND FOR AFRICA

**USAID/MADAGASCAR:
ASSESSMENT OF
PROGRAM IMPACT (API)
FY 1992**

USAID/Madagascar
Antananarivo, Madagascar

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USAID/MADAGASCAR
FY 92: ASSESSMENT OF PROGRAM IMPACT

SECTION I : SPECIAL FACTORS AFFECTING THE USAID PROGRAM

Three factors have affected the implementation of the USAID program in Madagascar in FY 1992:

- ▶ The ongoing transition toward democracy
- ▶ A severe drought in the south of the country
- ▶ Political and management disruptions in the environmental program

A. Democratic Transition: Discontent with the existing authoritarian political structure, especially the lack of transparency and participation in government decision-making, resulted in a series of popular civic demonstrations during the summer and fall of 1991. These general strikes, especially in transportation and banking services, and in the civil service, virtually paralyzed the country and disrupted most economic and governmental activity until a transitional government was installed in November 1991. The people of Madagascar approved a new democratic Constitution in August and presidential elections are planned for late November 1992.

The political turmoil of 1991 and the ongoing political transition toward the Third Republic has affected the implementation of all donor-programs -- with the worst delays being found in GOM managed projects. Most donors suspended their program/project design schedules and concentrated on reducing disruptions and improving implementation of their ongoing portfolios (especially the World Bank which has a \$324 million pipeline). USAID/Madagascar used this period to develop its new country strategy; evaluate, audit and refocus a number of ongoing environmental projects; train and upgrade staff (including an in-country project implementation course in September); and develop its own internal operating systems (e.g., 32 Mission Orders were issued from January until the end of the fiscal year). The Mission organized and sponsored a series of donor meetings on the management and use of counterpart funds leading to a common donor position in local currency accountability and monitoring.

At the same time, USAID and the GOM moved ahead in two important areas and signed two major project agreements in the areas of environmental protection (KEPEM Project and NPA - \$42 million LOP) and family planning (APPROPOR - \$33 million LOP) in May and June 1992. Despite the four-month delay in finalizing and approving these two initiatives, their signature was a positive indication of technical ministry commitment and effectiveness to stay the course in a difficult transition milieu.

Progress on the political front was not paralleled in the economic arena. With a narrow view of its mandate and beset by considerable internal friction, the Transition Government did not produce a coherent macroeconomic frame-

work. Several IMF/World Bank missions visited Antananarivo this year without reaching agreement on a macro framework that could be presented to either organization's board of executive directors. Consequently, Madagascar's ESAF program lapsed in May, 1992 after only two of three planned annual arrangements.

B. Drought in the South: The much publicized southern Africa drought of 1992 hit Madagascar first, specifically the southern zone of the island where one million people were at risk and with a daily loss of life between 20 to 50 until the situation was stabilized. WFP, AID and other groups working in the south had been predicting a serious famine in late 1991 at the onset of a third successive year of drought and had made arrangements to import emergency food. Unfortunately, the Government was otherwise occupied and was initially taken aback by the scale of the food security crisis which exceeded anything it had confronted in the past.

In the end and despite delays in getting emergency food in country (e.g., a small but critical U.S. corn contribution), the Madagascar drought relief effort was an impressive donor/NGO (WFP, Swiss, GTZ, IBRD, Médecins Sans Frontières) and GOM mobilization and collaboration that prevented the death toll from being significantly higher. AID contributed 15,000 tons of rice, 5,500 tons of corn, PL-480-generated local currency to finance WFP distribution expenses, and \$150,000 to UNICEF for medicines and other emergency items for the most needy. A final tranche of 20,000 tons of corn is due at the end of November.

The Government's belated (a national appeal was not made until May 15) but effective SOS -- Save Our South -- program mobilized domestic financial and in-kind support for drought victims and provided logistical support to repatriate people and provide them with seeds and tools. On the one hand, this was a positive achievement of the Transition Government in the face of a national emergency; on the other, this further contributed to the diversion of staff time from the normal, day-to-day responsibilities of many ministries, including the Ministry of Population which has a significant family welfare role.

C. Management of ONE: The National Office of the Environment (Office National de l'Environnement) ONE was created by the GOM as a policy and coordination body for the implementation of the Environmental Action Plan. As a new organization, its roles and responsibilities vis-à-vis existing organizations, especially the Ministry of Water and Forests, must be clearly established. The Mission's new environmental program (KEPEM) emphasizes the importance of this inter-organizational coherence by inclusion of a Condition Precedent of the first tranche release on the "authority [of ONE] to carry out its responsibilities in accordance with the Malagasy Environmental Charter". The respective duties and responsibilities of the ONE executive board and the director have not been established. The director was fired by the board recently and the chairman of the executive board subsequently appointed himself interim director. This management turbulence prevents the GOM from satisfying the C.P. The terminal date for satisfying the initial CPs has been extended 120 days by the Mission. While non-satisfaction of the CPs does not impede implementation of the project component of KEPEM, it does disrupt the program component.

SECTION II : PROGRESS TOWARD OVERALL PROGRAM GOALS

The strategic framework which summarizes the Mission's CPSP is shown in Figure 1. The goal of the USAID/Madagascar program is broad-based, market-led, sustainable economic growth. The two subgoals are to: (1) increase investment and employment in the private sector and (2) balance population growth and natural resource use.

The political disruptions of 1991-1992 reversed the recent trend of modest per capita GDP growth. Real per capita GDP declined by ten percent in 1991. The decline in economic activity was especially large in the services sector. Private investment fell thirty-seven percent. Government revenue fell sharply as tax collectors participated in the general strike. Striking government employees continued to receive their salaries; current expenditures increased over the 1990 level. The overall public deficit increased from one percent to five percent of GDP. Inflation increased from eleven to fourteen percent. The outlook for 1993 is a stagnant economy, implying another decline in the standard of living.

The economic price of the political progress achieved to date has been high. The gains in real GDP obtained from the structural adjustment program have been wiped out. Real GDP is at the 1986 level. At the same time the political gains have been substantial. The ruling and opposition factions signed the "Panorama Convention" on October 31, 1991. This agreement established a transitional government with the mandate to lead the country to the establishment of the Third Republic, characterized by a new Constitution and free-and-fair presidential and parliamentary elections.

The Transition Government held a constitutional convention in March which offered a new constitutional text to be submitted to a national referendum. The new Constitution is democratic, extends basic human rights and individual liberties such as freedom of association and the press, and explicitly supports political and financial decentralization. While the process was bumpy, including one incident involving bloodshed, the new Constitution was overwhelmingly approved on August 19, 1992. Interestingly, despite the ongoing controversy between "federalists" (nominally people from the neglected coastal regions), who wanted a separate "federal" text to be voted on, and the people from the high plateau, the results in support of the Constitution were higher in all federalist strongholds, except the port province of Tamatave (Toamasina) than in Antananarivo.

The approval of a new and clearly democratic constitution was a major milestone in the democratic transition. U.S. assistance in the form of training of trainers of local election observers and provision of outside observers through the Internal Foundation for Electoral Systems (IFES) played a key support role. The IFES team gave the referendum high marks for transparency and fairness, despite electoral lists in serious need of updating. The next benchmark for the process will be the presidential election followed by parliamentary elections.

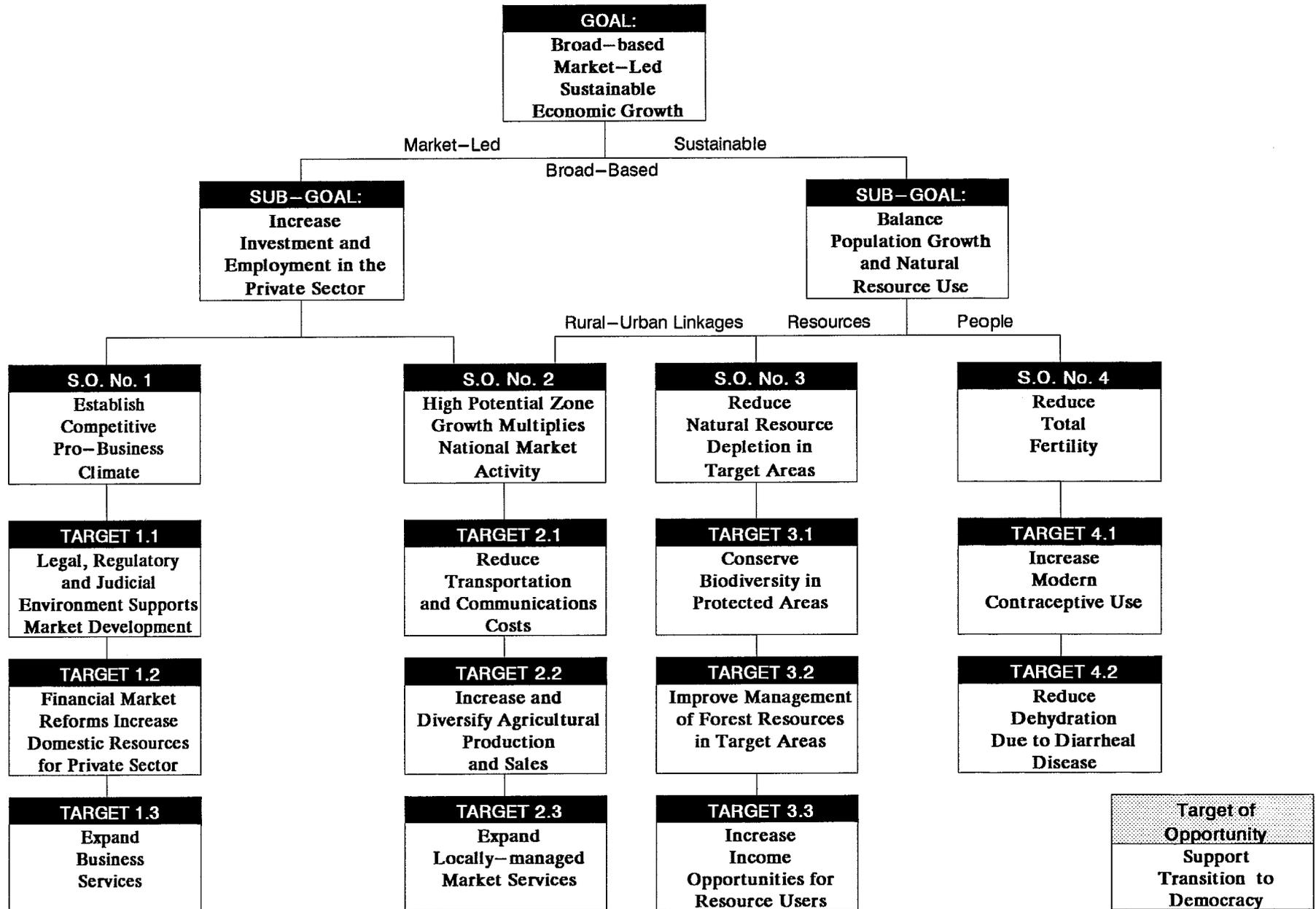
**Figure 1
USAID/MADAGASCAR
COUNTRY PROGRAM STRATEGIC FRAMEWORK**

Goal and
Sub-Goal
Levels:

Country
Trend
Indicators

Strategic
Objective
Level:
Program
Indicators

Target
Level:
Performance
Indicators



The presidential rounds (there are likely to be two as a majority vote is required for the winner) and their aftermath will be effectively the major test of societal resolve for the democratic transition. The popular will must be allowed to speak; then, it remains to be seen if the new President and eventual government have the mandate to make the hard political and economic decisions to put Madagascar on a firm growth path.

Factors which affect the second subgoal evolve in a more gradual, incremental manner than do those affecting the first subgoal. Annual variation in indicators is likely to be small. In fact, the indicators are not estimated annually. The last population census was taken in 1975. The current estimate of population growth, 3.2 percent, is based on fragmentary data. A population census is scheduled for 1993, following several postponements caused by political and bureaucratic turmoil. Results of an AID-financed Demographic and Health Survey will be available in the spring. The FY 1993 API will report the DHS results. Work is underway in our environmental portfolio to improve our reporting on the status of natural resources in the next API.

Table I: Indicators of Progress Toward Program Goal

Indicator	1988	1989	1990	1991
Real GDP per capita (annual growth rate)	0.2	0.9	0.0	-10.1
Private Sector share of resources (%)	86	82	84	89
Formal Private Sector: employment level growth rate	257,929 0.0	265,103 2.8	280,706 5.9	285,854 1.8
Private Sector share of total fixed investment	48	28	46	43
Private investment real growth rate (%)	211	-40	92	-37
Infant Mortality Rate	-	-	-	120
Population Growth Rate	-	-	-	3.2
Deforestation Rate (net)	-	-	-	-0.9

Sources: IMF, Recent Economic Developments, July 1992
World Bank, Social Indicators of Development, 1991-92

SECTION III : PROGRESS TOWARD OBJECTIVES AND RELATED INDICATORS

► **Strategic Objective 1: Establish Competitive Pro-Business Climate**

The Mission has just begun to work on this strategic objective; several studies have been completed but projects have not been initiated.

The level of foreign direct investment (FDI) is probably the most sensitive indicator of the long-term business climate. The level of FDI was negligible until 1989. The Mission commissioned a study of the business investment climate from the Institutional Reform and Informal Sector (IRIS) Project. The recommendations of this report will be discussed with the GOM and incorporated into the BEST project design (FY 1994 start). During the design of BEST the indicators for Target 1.1 will be finalized.

The Mission is collaborating with the World Bank and the GOM on the design of a financial sector intervention. We have obtained technical assistance from the Federal Reserve Bank of New York to assess the operation of the Central Bank of Madagascar. Our Financial Market Development Project (FY 1993 start) will provide long-term assistance to the Central Bank with the objective of increasing the flow of savings to private sector investment via improved monetary management. The second component of the project will modernize the National Savings Bank. Prior to authorizing the FMD project the Mission will set planning levels of the Target 1.2 indicators for the CPSP period.

The Target 1.3 indicator is merely illustrative. The private sector component of BEST will be designed to expand business services; the specific modalities -- and the appropriate indicators -- will be chosen during the design of BEST.

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STRATEGIC OBJECTIVES	INDICATORS	BASELINE # (yr)	PLANNED					
			FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Strategic Objective No. 1 Establish Competitive Pro-Business Climate	1. Level of foreign direct investment 2. Business confidence index Source: (1) Central Bank (2) Mission Study	\$14M (1991)						
Target No. 1.1 Legal, Regulatory and Judicial Environment Supports Market Development	1. Processing time for investment approval 2. Size of judicial system backlog (number of cases pending in civil docket Court of Appeals at end of year) Source: (1) GOM (2) Ministry of Justice	7406 (1991)						
Target No. 1.2 Financial Market Reforms Increase Domestic Resources for Private Sector	1. Bank credit to the private sector 2. Level of National Savings Bank deposits 3. Number of NSB accounts (gender disaggregated) Source: (1) Central Bank, (2)-(3) NSB Annual Report	FMG 7 billion (1991)						
Target No. 1.3 Expand Business Services	1. Number of technology transfers to p.s. firms participating in BEST Source: BEST Project							

► **Strategic Objective 2: High Potential Zone Growth Multiplies National Market Activity**

Work on this Strategic Objective is at the formative stage with the exception of two ongoing activities. The MAELSP Project is supporting the exportation of non-traditional agriculture exports. A number of studies have been undertaken to identify the constraints and potentials of agribusiness firms and farmer producer associations to expand the quantity and value of non-traditional agricultural exports. This information will serve as API baseline material. The IRRI rice research project is working on improving rice production on farms in targeted high potential areas. Base data collection and monitoring systems are being set up to measure farmer adoption of new technologies and production increases.

The flagship project of this strategic objective will be the Commercial Agricultural Promotion (CAP) Project (presented in the CPSP as a FY 1993 start; however, if the Mission selects the Design and Perform (DAP) contracting mode CAP will be an early FY 1994 start). The CAP project will monitor and report on production and movement of surplus foodcrop production from the two HPZs.

The Mission will study the research done in the Kutus region of Kenya by USAID/ Kenya as a model for building monitoring systems in the two Target HPZs. While future APIs will provide summary statistics on e.g., the share of production exported from the zone and the share of consumption imported into the zone, we expect to develop a robust, dynamic understanding of zonal economic flows by developing regional social accounting matrices and by studying the rural-urban linkages that can magnify the initial impacts of our projects.

Transport and Communications cost indices will be developed and planning levels of the Target 2.1 indicators will be set by CAP project. Indicators and planning levels for Target 2.2 will be finalized during CAP design.

Target 2.3 will be achieved via the Market Infrastructure Expansion (MIX) project, a FY 1994 start. The indicators shown on the table are illustrative.

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STRATEGIC OBJECTIVES	INDICATORS	BASELINE # (yr)	PLANNED					
			FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Strategic Objective No. 2 High Potential Zone Growth Multiplies National Market Activity	1. Share of HPZ production and consumption to/from outside zone Source: CAP Project							
Target No. 2.1 Reduce Transportation and Communications Costs	1. HPZ Transport Cost Index 2. HPZ Communication Cost Index Source: CAP Project							
Target No. 2.2 Increase and Diversify Agricultural Production and Sales	1. Area planted to off-season crops (or) level of production of off-season crops 2. Number of households producing off-season crops 3. Level of Ag input sales in HPZ 4. Export volumes of targeted crops - Arabica coffee - Source: (1) GOM (2) CAP Project (3) MAELSP Project							
Target No. 2.3 Expand Locally-managed Market Services	1. HPZ cities' tax receipts 2. L.G. expenditure on market infrastructure Source: GOM							

► **Strategic Objective 3: Reduce Natural Resource Depletion in Target Areas**

The environmental Grants and the SAVEM project in the Mission's portfolio are experimental efforts to develop technologies and institutions that will produce a balance between the need to conserve natural resources and increase the standard of living of the resource users. As experiments, these are risky, long-term efforts. The Mission must do more analysis via the SAVEM and KEPEM projects in order to: (1) develop baseline data and (2) set planning levels of the targets. A delay in the start-up of the Bio-diversity Planning Service (BPS) component of the SAVEM project has retarded work on biodiversity indicators. The ANGAP component of SAVEM has developed a methodology to monitor the development portion of Integrated Conservation Development Projects (ICDP). This methodology will be incorporated into the projects which receive SAVEM-funded Protected Area Development Grants. Baseline data on income sources of households in the development grant areas will be included in the FY 1993 API.

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STRATEGIC OBJECTIVES	INDICATORS	BASELINE # (yr)	PLANNED						
			FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	
Strategic Objective No. 3 Reduce Natural Resource Depletion in Target Areas	1. Forest cover in protected areas and buffer zones Source: ANGAP								
Target No. 3.1 Conserve Biodiversity in Protected Areas	1. Various biodiversity counts 2. Level of p.a. where biodiversity has been maintained Source: SAVEM – BPS component								
Target No. 3.2 Improve Management of Forest Resources in Target Areas	1. Number (hectares) of protected areas under Management Plan 2. Level of stumpage fee collection Source: KEPEM								
Target No. 3.3 Increase Income Opportunities for Resources Users	1. Income sources of households in Protected Area Buffer Zones								

► **Strategic Objective 4: Reduce Total Fertility**

The indicators for Strategic Objective 4 and Target 4.1 reflect planned achievements of the Population Support Project ("APPROPOP") which was signed on June 12, 1992. All conditions to the initial disbursement have been met. Buy-ins to the OPTIONS and PRITECH projects are underway. The Project Coordinator was selected and arrived in-country on November 10, 1992. Project commodities have been ordered to be pre-positioned for the primary implementing organization to speed project start-up. A system for tracking Host Country contribution has been established. The competitive process for selecting the primary implementing organization is underway and the Cooperative Agreement should be awarded in early CY 1993.

Until the APPROPOP Project is fully operational, several central projects are working in the country to provide "bridging support" to maintain momentum already begun to provide family planning services in Madagascar. To this effect USAID/Madagascar has supported the following activities in the last year:

The Demographic and Health Survey (DHS) has almost been completed with approximately 4,500 interviews completed of the 6,000 women in the survey sample. Results of this survey will be used to provide baseline indicators for all demographic and health objectives.

The General Population and Housing Census in Madagascar has received training of some 20,000 enumerators, controllers, crew leaders and supervisors; and technical assistance has been provided by the U.S. Bureau of Census. Fifty-two computers will be ordered when the date of the Census is determined.

The Ministry of Population and FISA, a private family planning organization, have received training, seminars and equipment to assist them in designing training materials and providing information, education and communications (IEC) in the family planning service delivery;

Four doctor/nurse teams have been trained in mini-laparotomy under local anaesthesia and provided medical equipment and supplies for voluntary surgical contraception;

In addition, national contraceptive requirements have been distributed to the Ministry of Health, FISA and other non-governmental organizations. The training of 158 (120 in-country and 38 in the U.S. and third countries) has been provided in clinical family planning, management, IEC, logistics and in the planning for the implementation of the national population policy. Also eight seminars have taken place in the last year on approximately the same subjects. Two studies which will greatly assist the program are legal restrictions to deliver FP services and a bibliography of FP and Control of Diarrheal Disease studies.

