

**USAID/MADAGASCAR
STRATEGIC OBJECTIVE 3: BIOLOGICALLY-DIVERSE
ECOSYSTEMS CONSERVED
IN PRIORITY ZONES**

**RESULTS PACKAGE #2:
*SUPPORTIVE POLICIES, PLANNING AND
FINANCIAL MECHANISMS***

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TABLE OF CONTENTS

	Page
I. BACKGROUND/CONTEXT	1
II. USAID/MADAGASCAR’S NATURAL RESOURCES STRATEGIC OBJECTIVE (SO3)	2
III. INTERMEDIATE RESULTS	
- IR 3.3 Sustainable Financing Mechanisms Mobilized	6
- SIR 3.3.1 Tany Meva Financial and Institutional Capacity Increased	6
- SIR 3.3.2 Systems Implemented to Increase Revenue for Environment Agencies	7
* Sub SIR 3.3.2.1 Systems Implemented to Increase Revenue for MEF	8
* Sub SIR 3.3.2.2 Systems Implemented to Increase Revenue for ANGAP	9
- SIR 3.3.3 Effective Financial Management Systems in Malagasy NEAP Institutions	11
- IR 3.4 Supportive Environmental Policies and Procedures	13
- SIR 3.4.1 Regional Policy Process in Place	14
- SIR 3.4.2 Improved Integration of Environment into National Policies	17
- SIR 3.4.3 Effective Application of Environmental Impact Assessments (EIA)	19
* Sub-SIR 3.4.3.1 Increased EIA Capacity of the Public Sector	20
* Sub-SIR 3.4.3.2 Increased EIA Capacity of the Private Sector	21
- IR 3.5 Improved Consultative Planning and Decision-making Processes	23
- SIR 3.5.1 Improved Communication between Stakeholders and Partners	23
- SIR 3.5.2 Improved Quality, Access and Use of Information	25
- SIR 3.5.3 Improved Monitoring and Evaluation Systems in Place	27
IV. PERFORMANCE MONITORING PLAN	30
V. CUSTOMERS AND PARTNERS	31
VI. COMPLEMENTARITY WITH OTHER DONORS	31
VII. IMPLEMENTATION PLAN	32
1. Approach	32
2. Mechanisms and Timing	33
3. Cost	34
4. USAID Management Plan	36
VIII. BIBLIOGRAPHY	37
IX. ANNEXES	
1. Inputs and indicative activities	A-1
2. Discussion of IR 3.3 indicative activities	A-8
3. Financial analysis	A-12
4. Stakeholder analysis	A-14
5. Itinerary and meetings	A-16

ACRONYMS

AGERAS	Support to the Regionalized Management and Spatial Approach
AGETIPA	Executing Agency for Public Works Infrastructure
AGEX	Executing Agencies
ANAE	National Association for Environmental Actions
ANGAP	National Association for the Management of Protected Areas
CAP	Commercial Agriculture Promotion
CFSIGE	Training Center for Geographic Information Science and the Environment
COEFOR	Conservation of Forest Ecosystems
CTE	Technical Evaluation Committee
EIA	Environmental Impact Assessment
EP1	Environmental Program Phase 1
EP2	Environmental Program Phase 2
EP3	Environmental Program Phase 3
EPIQ	Environmental Policy and Institutional Strengthening IQC
FFN	National Forestry Fund
GEF	Global Environment Fund
GELOSE	Secure Local Management
GIS	Geographical Information Systems
GOM	Government of Madagascar
ICDPs	Integrated Conservation and Development Projects
IEC	Information Education and Communication
IFEN	Inventory of National Forest Ecosystems
IQC	Indefinite Quantity Contract
IR	Intermediate Result
KEPEM	Knowledge and Effective Policies for Environmental Management
LTTA	Long Term Technical Assistance
MAELSP	Madagascar Agricultural Export Liberalization Program
M&E	Monitoring and Evaluation
MECIE	Making Investments and the Environment Compatible
MEF	Ministry of Water and Forest
NEAP	National Environmental Action Plan
NGO	Non Governmental Organization
ONE	National Office for the Environment
PGEP	Project Environmental Plan
PP	Project Paper
PSI	Policy - Strategies - Instruments
PTA	Annual Work Plan
REA	Regional Environmental Assessment
RFA	Request for Assistance
RFP	Request for Proposals
RP	Results Package
RPPD	Results Package Planning Document

SAVEM	Sustainable Approaches to Viable Environmental Management
SER	State of the Environment Report
SIR	Sub Intermediate Result
SO	Strategic Objective
SOW	Scope of Work
STTA	Short Term Technical Assistance
TA	Technical Assistance
TBD	To Be Determined
TOR	Terms of Reference
USAID	United States Agency for International Development
WWF	World Wildlife Fund

I. Background/Context

Madagascar has been identified by the international community as one of the highest biodiversity priorities in the world owing to the uniqueness of its biodiversity, high levels of endemism and degree of threat. More than 80% of Madagascar's flora and fauna are found nowhere else in the world, with some taxonomic groups, including reptiles and amphibians, being over 95% endemic. Unfortunately, Madagascar is also noted for its high degree of environmental degradation. The area covered by primary forest has declined from about 25% of total surface in 1950, to less than 15% today. If current practices remain unchanged, natural forest cover may disappear within the next 25 years. Deforestation, bush fires and agricultural encroachment on marginal lands are removing the ground cover necessary to maintain highly erodible soils, and an estimated 200 tons of topsoil per hectare are lost each year, with consequent effects on agricultural productivity and sustainable rural development.

In response to these problems, the Government of Madagascar (GOM) Action Plan (NEAP), in cooperation with a large group of donors, international agencies and NGOs. The NEAP was legally formalized by the adoption of the National Environmental Charter in 1990. The first five year phase of the NEAP concentrated on putting in place the institutional and policy structure. The second phase (EP2), which began in 1997, will focus more on consolidating the gains made under EP1 and incorporating environment into the broader development context, particularly in the area of rural development and economic growth, as well as decentralizing the NEAP.

Activities under RP#2 build on the successes and lessons learned from previous USAID/Madagascar projects and programs, most notably KEPEM, but also SAVEM and CAP. Under KEPEM, support was provided to ONE in policy and institutional development and EIA and to MEF in forest policy, revenue generation and use and participatory forest management. Additionally, KEPEM supported local land tenure and governance studies, and the development and capitalization of the Tany Meva foundation. Support to ANGAP was provided principally through SAVEM. Regional economic growth opportunities have been developed, particularly in agriculture and infrastructure, through partnerships under CAP.

USAID/Madagascar is currently funding a transition project (MITA) through November 1998 to provide support to AGERAS to test the regional approach in three pilot regions. In addition USAID is providing support to continue forest management activities begun under KEPEM and the Conservation of Forest Ecosystems Project (COEFOR) through a Cooperative Agreement with Conservation International through August 1998. Through the EPIQ IQC, USAID/Madagascar is funding an Environmental Policy Advisor in ONE, together with related policy and EIA support, until June, 1999. All these are intended as transition activities through the finalization of contracting procedures under RP#1 and RP#2.

II. USAID/Madagascar's Natural Resources Strategic Objective (SO3)

USAID/Madagascar's natural resources strategic objective is to: Conserve biologically diverse ecosystems in priority conservation zones of Madagascar through improved natural resources management. USAID/Madagascar plans to accomplish this objective through four intermediate results (IR), grouped into two results packages (RP). Under RP#1 there are two IRs. These are: IR 3.1: Improved management of critical biodiversity habitats; and IR 3.2: Sustainable use of natural resources in broader landscapes. Under RP#2 there are also two IRs. These are IR 3.3: Domestic financial mechanisms mobilized; and IR 3.4: Supportive environmental policies and procedures

It is clear that the focus of USAID's interventions under SO3 will be at a regional level, with linkages to the local and national levels. This is a major reorientation of the EP2 and there is widely expressed willingness to pursue regionalization of the EP2, in line with the Government of Madagascar's decentralization policy. Some preliminary structures and mechanisms have been put in place. RP#1 is predicated upon a regional landscape ecology approach. RP#2 has been seen as ensuring that the enabling conditions are in place to make sure that the landscape approach can be successful and that activities under RP#1 can inform and reinforce decisions made at the national level. This was, to a certain degree, the rationale between the former SAVEM and KEPEN programs. Yet there is an opportunity under SO3 to view RP#1 and RP#2 as integrated elements of a regional approach, rather than complementary components. In this view both RP#1 and RP#2 are fundamentally part of the same approach to achieving SO3, with the more direct interventions of IR 3.1 "Improved management of Critical Biodiversity Habitats" and IR 3.2 "Sustainable Use of Natural Resources in a Broader Landscape" being reinforced by the policy, capacity and financial sustainability goals of RP#2 at both the regional and national levels. The focus of all elements would be towards the regions, but all elements would also require linkages to local and national level, with varying degrees of emphasis according to different goals, approaches and capacity.

This document proposes that a fifth IR be created, called "Improved Consultative Planning and Decision-Making Processes", which would combine elements of IR 3.2, notably "Strengthened Consultative Planning and Decision-Making to better foster Biodiversity Conservation" and IR 3.4, notably "Effective Communication and Information integrated into Decision-Making". In addition, it is proposed that IR 3.3 be modified to read "Sustainable Financing Mechanisms Mobilized", since financing other than domestic is envisaged.

The new, fifth IR could either be included in RP#2, split out as a third RP, or developed as a support package for both RP#1 and RP#2. These three options are presented in Figures 1, 2 and 3.

Figure 1 (lotus file): Figure1.wk4

Figure 2 (lotus file): Figure2.wk4

Figure 3 (lotus file): Figure3.wk4

III. Intermediate Results

IR 3.3 Sustainable Financing Mechanisms Mobilized

Indicators

Increased number of organizations improve their existing financing mechanisms and develop new ones.

SIR 3.3.1 Tany Meva Financial and Institutional Capacity Increased

Rationale

Tany Meva, as a private Malagasy foundation, occupies a unique place among the organizations addressing environmental issues in Madagascar. In working with local communities and NGOs, Tany Meva has the potential to respond rapidly to emerging issues and serve as a catalyst for developing a national ethic in support of environmentally sustainable development. Tany Meva has become operational, but still faces difficult challenges as it defines the role it will play in the Malagasy environmental community. The TA provided in this IR targets Tany Meva exclusively.

Linkages with SO

Tany Meva has established a grants program based on an ecosystem approach as a frame of reference, which will support the conservation of biologically diverse ecosystems in priority zones.

Linkages with RP#1

Tany Meva has expressed interest in developing negotiation skills. Such skills would benefit Tany Meva in its relationship with the NEAP implementing institutions and in negotiations with donors. In this regard, grants are directed to USAID priority regions among others and RP#1 agents will be used to solicit sound grant proposals.

Assumptions

1. Tany Meva establishes good financial and institutional track record management.
2. Directors exercise supervision of Tany Meva and set policy, but are not actively involved in day to day management.
3. GOM permits Tany Meva to engage in certain commercial activities.
4. Tany Meva is not engaged in program design and implementation.
5. Tany Meva does not absorb a large percentage of local funds available for environmental philanthropy to the detriment of indigenous NGOs.

6. Tany Meva does not operate on a parallel tract as GOM NEAP institutions and thus avoids duplication of government activities.
7. GOM allows Tany Meva to transfer funds abroad.

Indicators

Increased number of grants awarded each year by Tany Meva.
Maintain value of endowment and gradually increase

Activities (See Annex 2 for a detailed discussion of indicative activities.)

a. Support to manage its endowment

Tany Meva's most pressing problem concerns the management of its endowment. Targeted and timely TA to develop an investment strategy, retain a foreign investment adviser/manager (possibly in US) and a domestic investment adviser/manager, and identify investment opportunities in Madagascar is necessary. In addition, local legal TA to review and suggest revisions to the not-for-profit law will be provided.¹

b. Support to develop fundraising capacity

The most promising fundraising prospects for Tany Meva are with private and public international donors. STTA to develop capacity to prepare effective grant proposals for such donors is necessary.

c. Conduct program evaluations

The grant program poses a challenge owing to weak NGO capacity. Tany Meva has to balance the tasks of grant making and capacity development, and avoid engaging in project design and implementation. An evaluation of the grant program should be conducted early during the life of the project in the event that a course correction proves necessary. While Tany Meva has developed a monitoring system for its grant program, this evaluation will be an external evaluation performed by international STTA.

SIR 3.3.2 Systems Implemented to Increase Revenue for Environment Agencies

Environmental financing mechanisms must be identified and systems implemented and/or strengthened in order for the targeted NEAP implementing institutions to use scarce financial

¹ For additional information on investment strategies and options for investment advisors/managers in the US see the report prepared by Lynn Ellsworth, "Management of Tany Meva's Endowment: Overview Report to Stakeholders of the Tany Meva Foundation." Reform of the not-for-profit laws would benefit the entire NGO community -- not just Tany Meva.

resources in the most effective and productive manner. Long-term financial sustainability will prove critical since bilateral and multilateral donor assistance will certainly diminish in the years to come. IR 3.3.2 will provide TA for only ANGAP and the Ministry of Water and Forests (MEF). Moreover, IR 3.3.2 does not provide TA to ONE to develop financing mechanisms. While the 0.5% fee for environmental impact assessment appears a significant source of revenue, the expectations are probably overly optimistic. Moreover, complex issues arise between ONE and the other NEAP implementing institutions as to the allocation of any revenue generated (see Financial Analysis (Annex 3) for a discussion of these issues).

Linkages with SO

Revenue generation will help finance the activities to conserve biologically-diverse eco-systems in priority conservation zones.

Sub SIR 3.3.2.1 Systems Implemented to Increase Revenue for the MEF

Rationale

The generation of revenue from forestry resources will help finance the management and protection of natural forests and facilitate the financial sustainability of the MEF. The financing mechanisms proposed herein will increase the price of forestry concessions to more closely reflect the market value of timber. The MEF plans to conduct its first auction or bid for a forestry concession in 1998 and this represents a very positive development. An auction or bid system represents a valuable tool and this Sub SIR focuses on activities which will develop capacity to conduct such activities since this represents the most promising option for increased revenue generation.

Sub SIR 3.3.2.1 takes an expansive definition of forestry concessions so as to include the various pricing methods. While the market will ultimately determine the price for timber, the forest inventory and the resulting calculations from the inventory will determine the approximate value of a proposed concession. Consequently, the MEF could set a minimum or maximum price for an auction or bid system.

Linkages with RP#1

A critical issue concerns whether RP#1 long-term, forest management TA will assist in preparing forest inventories. An auction or bid system for awarding concessions relies on a forest inventory. IR 3.3.2.1 does not propose an activity to conduct forest inventories. RP#1 envisions the operationalization of participatory forest management. Numerous linkages could arise. The most significant concerns the establishment of legal and regulatory tools and procedures for community management of natural resources. Such tools would impact the awarding of forestry concessions.

Assumptions

1. Effective financial management systems in place.
2. GOM\MEF apply decentralization policy.
3. Proposed Forestry Decret and Arrete, pertaining to revenue raising measure approved.
4. Detailed forest inventories available.

Indicators

Increased number of hectares of forest concessions awarded by auction or bid system.

Activities

a. Develop capacity to award concessions

STTA to assist in preparing concession packages and then announcing and awarding concessions is essential.

b. Provide support for diffusion of information concerning concessions

A series of 1-2 day regional workshops for MEF agents, the private sector and NGOs will be planned to diffuse knowledge on the processes and procedures for awarding concessions. In addition, a forestry concession manual, with copies of the relevant laws will be prepared, provided the proposed Decret and Arrete are passed.

Sub SIR 3.3.2.2 Systems Implemented to Increase Revenue for ANGAP

Rationale

ANGAP needs to undertake revenue raising initiatives to assist with its financial stability. But the feasibility of ANGAP ever generating sufficient revenue to ensure its financial sustainability remains doubtful. Consequently, an endowment provided by the donor community to support parks and protected areas will contribute greatly to the protection of Madagascar's unique biodiversity.

Various green taxes have been suggested for ANGAP, a tax on airplane tickets being the most promising. Conceptually this is a good idea, but as a practical matter too many complications arise to justify pursuing this mechanism.

Linkages with RP#1

Under RP#1, the management systems for protected areas will be strengthened by establishing basic

park operational systems and management. Such strengthening will help ensure the effective use of the revenue generated and collected.

If the RP#1 long-term technical advisor to ANGAP's central office helps create and sustain a forum for dialogue of needed policy and administrative changes based on an analysis of the constraints to existing laws and procedures, this could facilitate ANGAP's efforts to award concessions. Further linkages could occur if the RP#1 advisor seeks to maximize the effectiveness of marketing strategies and policies and coordinates promotional activities with the tourism and private sector.

Assumptions

1. Effective financial management systems in place.
2. Institutional status of ANGAP clarified.
3. Jurisdictional authority over service zones clarified.
4. Data available on parks and protected areas' carrying capacity for tourism.
5. Adequate facilities, services and transportation infrastructure.
6. Secure land title for investors.
7. Cooperation with Ministry of Tourism, Maison de Tourism and private sector operators.

Indicators

Increased revenue generated.

Activities (See Annex 2 for a discussion of indicative activities.)

a. Support to establish an endowment

ANGAP will require STTA to establish a charitable legal entity to house the endowment (Malagasy or international) or to open a window in an existing organization (Malagasy or international).² An issue to resolve concerns whether to designate ANGAP as a beneficiary or whether the endowment should fund the protection and management of parks and protected areas.

b. Assistance to resolve legal and policy issues.

ANGAP proposes to establish service zones in which concessions can be awarded. STTA to provide recommendations on revisions and/or new laws to permit building within a park, the authority to award concession agreements and assistance on resolving the jurisdictional authority issues of land outside the park is necessary. USAID leverage with the GOM will prove helpful. An additional

² The report prepared by Lynn Ellsworth, "An Endowment for ANGAP?" provides direction for establishing an endowment. While many of the points the report makes are still valid, the situation has become more complicated. ANGAP will likely become an office under the Ministry of Environment and not remain a private organization.

policy issue to consider concerns the entrance fees for protected areas.

c. Support to build capacity to award concession agreements

STTA to assist in the preparing concession packages and then announcing and awarding concessions is essential.

d. Diffuse information regarding concession agreements

A series of 1-2 day workshops will be held for ANGAP staff, the private sector and NGOs to diffuse information regarding the necessity of concession agreements and to explain the processes and procedures for awarding concessions.

SIR 3.3.3 Effective Financial Management Systems in Malagasy NEAP Institutions

Rationale

Financial management systems -- including accounting, financial reporting and auditing systems -- require further development and consolidation. The interventions to support the development of the financial mechanisms identified in IR 3.3.2 will have very limited impact without accountable, transparent financial management in place at ONE, ANGAP and MEF.

The Agence d'Execution des Travaux d'Infrastructures Publiques (AGETIPA), the executing agency for urban transport infrastructure, offers an excellent example of the benefits of having an effective financial management system in place. In the past, AGETIPA did not enjoy a positive reputation. Valuable lessons can be learned from how AGETIPA turned itself around with donor assistance. The World Bank now has such confidence in AGETIPA that it disburses funds to AGETIPA based on its projected expenditures.

Malagasy law permits the executing agencies to use commercial accounting practices, but many of the executing agencies continue to follow government accounting practices, which are slow and cumbersome. Furthermore, as government institutions decentralize and adopt innovative, new financing mechanisms, their accounting and reporting requirements will need to move closer to the practices followed by the private sector.

Several Malagasy NEAP institutions are considering new software systems -- in particular TOMPRO. Three of the institutions currently use TOMPRO, which they say the World Bank urged them to adopt. Too much attention, however, is paid to the software which is just a tool. An institution should first develop its financial management system and then adapt the software to the system and not adapt the system to the software. Nevertheless, the institutions should consider moving to a common software in order for their systems to interface. This need not negate each institution developing a financial management system that reflects its particular needs.

An international long-term accountant will work with ONE, ANGAP, MEF and Tany Meva to provide assistance with their financial management systems on a demand driven basis. This service and the workshops for the College of Financiers (the financial staff of all the NEAP institutions) are the only services Tany Meva will receive under SIR 3.3.3.

ONE, ANGAP, MEF and Tany Meva are the targeted clients for assistance under IR 3.3. These are the primary institutions which USAID has been supporting. Generating increased revenue and managing these funds are linked.³ In the event, ONE, ANGAP, MEF and Tany Meva do not want to avail themselves of the services provided by LTTA, then other NEAP AGEX and organizations could be eligible for support.

Linkages with RP#1

ANGAP has already undergone an external institutional audit and problem areas have been identified. Consequently, bridging assistance may be provided under RP#1 to improve ANGAP's financial accountability. RP#1 calls for designing and implementing a training plan for all park staff. If such training includes financial management, the training should be done after a new financial management system is designed.

Assumptions

1. External financial audits conducted.
2. Donor coordination and Malagasy coordination.
3. Decisions based on sound financial and environmental criteria.
4. Equipment purchases, such as computers, software, modules and any add-ons will be paid for by another donor and/or the Malagasy NEAP organization.

Indicators

Number of NEAP institutions which receive financial audit reports indicating that in the auditor's opinion, adequate accounting and internal control systems are in place and relevant transactions documented.

Activities (See Annex 2 for discussion of indicative activities.)

a. Conduct annual external financial audits

This represents the first step toward effective financial management. The audits will recommend

³ As indicated in 3.3.2 assistance to ONE to develop financing mechanisms is not proposed.

internal review and reporting requirements. USAID and the World Bank leverage is critical, especially in assisting with the TOR for external auditors.⁴

b. Support for implementing financial management systems

The external financial audit will identify the reporting needs to implement NEAP financing requirements. Financial management systems can then be designed and implemented to address the particular needs of each institution and introduce approximately standardized systems. The financial management systems developed for the targeted institutions will ensure the Malagasy partners use appropriate management, financial and budget procedures that comply with Malagasy legal and accounting requirements and that meet the managerial requirements at the institutions' different levels and donor requirements. A procedure manual will be prepared for each institution. The same accounting firm should do the initial audits, design the systems, prepare the manuals and assist with initial implementation.⁵

c. Support for capacity building

Initially, a 1-2 week training course will be necessary for the financial management staff and a 1-2 day training course for senior management at ONE, ANGAP and MEF. Periodically during the year, 1-2 day workshops could be provided for the College of Financiers (the financial staff of all the NEAP implementing institutions). Moreover, the workshops will provide an opportunity for the financiers to share experiences. This will facilitate capacity building beyond the specifically targeted institutions. Short training courses based on needs identified in annual audits will be critical and conducted for ONE, ANGAP and MEF. The training courses will be designed to help the institution resolve the problems identified in the audit.

IR 3.4 Supportive Environmental Policies and Procedures

Supportive environmental policies and procedures are considered an important element of the wider landscape approach supported through RP#1 and builds on the achievements and lessons learned from the KEPEM Program and activities proposed and being implemented under the KEPEM PP Supplement. Activities included policy and EIA support to ONE through technical assistance and training, forestry revenue generation and expenditure procedures with MEF and policy development regarding NGO creation and operation, and foundation law, including support to set up Tany Meva. It supports a major component of the EP2, as well as the focus of that program towards

⁴ For year 1 the budget plans for an international/Malagasy accounting firm to do all the initial financial audits, design the financial management systems, prepare the procedure manuals and conduct the initial training. In subsequent years a Malagasy firm will conduct the audits.

⁵ The accounting firm that designs the financial management systems should have a team that consists of an international accountant, a Malagasy accountant and an expert in the relevant sector -- such as forestry.

regionalization of the environment.

The SIRs proposed under IR 3.4 support both regional and national level activities in identifying, clarifying and reinforcing roles and linkages, so that policy development is not carried out in isolation, either at the national or at the regional level.

Indicator

Increased number of policies and procedures being effectively implemented through a consultative development process and regional and national levels.

The following Sub-Intermediate Results (SIRs) have been identified as essential for the achievement of the Intermediate Result.

SIR 3.4.1 Regional Policy Process in Place

Rationale

Environmental policy and the integration of environment policy have traditionally been approached by ONE in somewhat of a vacuum, and have not been demand-driven although it has been a participatory process to some degree. However, the result has been lack of ownership by sectoral ministries and others. During EP2 design it was decided to concentrate on the implementation mechanisms for existing policies rather than the formulation of new policies. The approach currently proposed is to bring the policy process (which includes the identification of constraints and opportunities, including information needs and gaps, policy analysis, including coherence with existing or developing policies, and monitoring the effectiveness and impacts of policies) closer to the realities on the ground where decisions regarding natural resource management and investment are being made, and to involve local decision-makers more in the policy process to better reflect local priorities.

One mechanism that will be used to do this is Regional Environmental Assessments (REA), which will build on the diagnostic analyses of environmental conditions, priorities and issues within a defined area that is facilitated through AGERAS, and supported under RP#1. AGERAS is a process in which improved management and conservation of critical natural resources will be fostered through a multi-level consultative planning and implementation effort among stakeholders. The process seeks a collective understanding at each level (local, regional, and national), to the challenges facing a given resource (protected areas, watersheds, etc.) in the context of the broader bio-physical and socio-economic landscapes.

The AGERAS unit, itself was not conceived to become a perpetual entity or program but rather a transitory EP2 process to forward spatial analysis and a consultative approach to eco-regional planning while local, regional and national institutions and organizations improve their internal capacity to do so. The ultimate objective of AGERAS is to strengthen the capacity of EP2

stakeholders to: 1) develop eco-regional planning processes through platforms for consultations, analysis, information sharing and negotiation; 2) analyze linkages between the configuration of the landscape and particular land use types to forward biodiversity conservation; 3) promote adaptive management through improved use of information for decision making; and 4) promote education, communication and lobbying on related issues.

The REA may focus on specific priority sectors in certain regions, such as mining, tourism or fisheries, and/or cross-cutting themes, where significant investments or activities are underway or planned, with a view to analyzing cumulative impacts (spatially and temporally) in light of environmental and socio-economic conditions and trends. They are not intended to be comprehensive overviews of the environmental status of a given area, but rather evolving tools to assist and forward the decision-making process.

REAs are intimately linked to the consultative planning structures and processes that will be set up through the AGERAS component, that is being supported through RP#1. Policy cannot be developed or viewed separately from the planning process, but must be an integral part of it. ONE will, on a demand-driven basis, provide information and advice on the implications of policy and planning decisions resulting from the AGERAS process and the activities of other AGEX. This could include harmonization with existing policies, information on EIA procedures and standards and sources of expertise and information. This information, in turn, will assist ONE in national policy development and coordination. This should be viewed as a dynamic and iterative process, involving continuous feedback between different levels (local, regional, national).

Linkage with RP#1

The landscape approach supported under RP#1 forms the framework for this activity, with regional activities being harmonized in a coherent manner so that planning and policy are fundamentally integrated in a single process. It will be important that priority regions under RP#1 form, as much as possible, the areas of intervention of RP#2 activities, although opportunities may arise for REA in other regions. In all cases, activities should complement and build on other donor-supported activities in those areas.

Assumptions

1. REAs, like State of the Environment Reports, are regarded as static documents rather than evolving processes.
2. ONE is responsive to regional requests in a timely fashion
3. Linkages and relationships between REAs, AGERAS, SIE and other components are clearly defined and understood, so that complementarity and synergy is promoted.

Indicators

1. Number of regions where REA performed
2. Number of regions where REA is used by decision makers
3. Number of requests made by Regions to ONE for information support

Activities

a. Support to develop REA principles and methodologies

This is currently being developed within ONE, with support from the Environmental Policy Advisor financed through the EPIQ IQC, with a scoping workshop planned for mid-1998. Since REA is a new and, to a certain extent experimental approach, further refinement and discussion of methodologies is expected as lessons are learned from REAs as they are carried out in the field. Future training and workshops will be planned to develop and diffuse REA methodologies, techniques and approaches. Long term technical assistance for policy analysis and support, based at PSI/MECIE in ONE, currently provided under EPIQ, will be continued.

b. Support REA development in pilot regions

One REA is planned to be carried out in a pilot region during 1998 under the EPIQ IQC support. Up to four further REAs will be carried out, in close collaboration with RP#1 activities in priority regions. Technical assistance and training can be provided in sectoral policy areas, such as mining, tourism, agriculture and fisheries and opportunities to work with private sector investments in these areas will be supported.

c. Develop linkages between REA and AGERAS processes

It is critical that the REA and AGERAS activities supported under RP#1 are complementary and mutually reinforcing. Support should respond to clearly identified needs and opportunities as the AGERAS process develops in priority regions. Because this will clearly be an evolving and adaptive process, it will be difficult to identify specific support needs at the beginning, so support mechanisms need to be flexible and responsive to changing demands.

d. Support ONE's ability to be responsive to regional demands

ONE recognizes the need to become a more responsive and client-oriented organization. Regional organizations will become clients for ONE, through the REA process. Performance criteria for ONE should relate to this service orientation, and the ability to provide timely, useful and user-adapted information and advice. Support can be provided through technical assistance and training to support this re-orientation, and to support the development of products, such as explanatory guides to EIA, policy, environment-development linkages, etc. (See SIR 3.5.1, Communications).

e. Increase capacity for policy development

While “Regionalization of the Environment” is a major theme of EP2, and AGERAS has been developed as a mechanism to achieve regionalization, it is recognized that capacity at regional level is very limited. AGERAS will identify and support multi-stakeholder consultative planning structures at the regional level to address identified environmental issues. REAs will use and build on these structures to reinforce a forward-looking regional planning approach. Opportunities for linkages with private sector investors will be explored and developed through the identification of investment opportunities as a function of environmental conditions. Support will build on capacity building activities planned under RP#1, including identification of complementary institutional support and training needs related to REA and regional policy development in pilot regions.

SIR 3.4.2 Improved Integration of Environment into National Policies

Rationale

To the extent that ONE has looked at national policy, the focus has been on sectoral policy development, and the harmonization with environmental policies, so that “environmentally sustainable sectoral policies” have been developed. With the exception of industry, which has external project support through UNIDO, these have not advanced very far. During EP2 development discussions, ONE has reoriented its approach from sectoral policies towards “cross-cutting” natural resource themes, such as soil, water and air and their management (including environmental standards). Yet a gap still exists with respect to integration with macroeconomic and structural (such as decentralization) policies. Opportunities currently exist, since many of these policies are still being developed, to inform and be informed by these policies as regards environment.

Linkages with RP#1

USAID/Madagascar has been closely involved with several AGEX in developing policy, notably with land tenure and local governance, forest policy, and more recently with protected area management policy. These have been developed with a great deal of ground truthing at the local level. This component will build on these successes, and also on the structures and processes being developed through AGERAS to integrate and take account of national policies and how they can be applied.

Assumptions

1. That national decision-makers at the highest level are committed to integrate environment into macro planning and policy.
2. That structures for policy consultation are in place and effective, e.g. CIME, and regional political representatives are able to provide input to national level consultative bodies.

Indicator

Number of policies or policy elements which are integrated with environment. Criteria for what constitutes integration should be developed.

Activities

a. Carry out review on the integration of environment and decentralization policies

Decentralization policy is currently in great flux due to ongoing constitutional debate. However, the GOM is clearly committed to decentralization, and is struggling with the modalities of implementation. There is a clear opportunity for the evolving environmental regionalization process to provide inputs and advice to this process. Indeed, the GOM Department of Decentralization is looking to such examples to inform this process, and possibly be testing grounds for various decentralization initiatives. The proposed review should serve to highlight promising opportunities and areas of cooperation.

b. Carry out review on the integration of environment and macroeconomic policy

Macroeconomic policy may have important but unintended impacts on the environment, both positive and negative. This study would examine the interactions for the case of Madagascar, and indicate areas of future intervention, e.g. liberalization policy and some of the agricultural activities proposed under RP#1.

c. Support capacity to analyze policy linkages

This activity will support ONE and other AGEX and relevant organizations, such as environmental units of sectoral ministries, in developing, analyzing and linking policies at regional and national level, and across sectors. Examples might include energy and forestry, or tourism and mining, building on opportunities offered by large investment projects and REAs. Cross-cutting natural resources issues can be examined in this context. This activity complements Activity e., under SIR 3.4.1. "Increase capacity for policy development", as well as Activity d., under SIR 3.5.3 "Increasing policy monitoring capacity." There is a communication-related component here, to make sure decision-makers understand what policy is, why it is important (e.g. how sectoral policies could have unanticipated environmental repercussions), and its role in thinking through the impacts and resulting in improved decisions.

SIR 3.4.3 Effective Application of Environmental Impact Assessments (EIAs)

Rationale

The SIR 3.4.3 is an important policy tool to achieve SO3. It will promote sustainability in the use, conservation, and development of nationally scarce resources, putting under wider scrutiny investments which previously were viewed solely through the lens of economic development. The application of EIAs is a crucial step for defining on- and off-site negative and positive environmental impacts of development activities, which can then be integrated in holistic cost-benefit analysis. This will provide authorities with the necessary environmental and economic criteria for making informed decisions. EIAs will produce widespread benefits (not limited to Priority Conservation Zones) in reducing negative impacts on biodiversity.

Linkages with RP#1

The EIA process will become increasingly important in the areas of protected areas management, particularly in peripheral zones, and participatory forest management. Collaboration, coordination, and information should be maintained between ANGAP, MEF, the Ministry of Environment, ONE, the Ministry of Energy and Mines and the Ministry of Tourism relative to the MECIE application, through elaboration of various guidelines, their diffusion, and their implementation.

Assumptions

1. New MECIE Decree is in place: this is not a “sine qua non” condition but the details of the proposed MECIE need to be known. The new decree is still in draft at the time of writing and not all the articles are known.
2. ONE maintains the role of EIA review and not that of technical analysis. ONE's role in EIA implementation and monitoring is clear, together with the Ministry of Environment and that of the communes where the investment takes place.
3. Role of environmental units in sectoral ministries is clarified.

A major risk is political blockage among sectoral ministries (e.g. Ministry of Environment and Ministry of Energy and Mines) on how to use the 0.5% assessment fee established in the 1995 decree. This however will not impede all the proposed following actions.

Indicators

Numbers of submitted EIAs to ONE per year per category (A, B),
Numbers of reviewed EIAs by ONE, CTE, Ministry of Environment, and Communes per year,
Number of approved EIAs per year per category (A, B)

Activities

In order to ensure the durability of EIA implementation in Madagascar, two areas of activity are proposed, which are split out as sub-SIRs. The first area is directed towards the public sector, and the second one toward the private sector, with a third area straddling both sectors, and which is here presented under the private sector.

Sub-SIR 3.4.3.1 Increased EIA Capacity of the Public Sector

According to the proposed MECIE, the legal responsibilities for reviewing EIAs fall to ONE, CTE and the Ministry of Environment according to criteria set forth in the decree, and possibly to the commune(s) concerned by the EIAs. The role of the environmental units in sectoral ministries is not mentioned.⁶

Compliance monitoring, and enforcement of the Environmental Management Plan (PGEP) is a new development in the proposed new MECIE), which is now mandatory, is the responsibility of ONE, the Ministry of Environment and perhaps the communes affected by the project.⁷ These are the probable players on the public sector side. Accordingly the activities proposed are:

a. Develop tools to perform EIAs⁸

Guidelines will be developed by the public sector through ONE, Ministry of Environment and sectoral ministries through their environmental units for the private and public sectors' use. Guidelines for EIA will be developed in three sectors: tourism, oil exploration and extraction and textile industries (Current mining code revision is being supported by the World Bank, which probably will include a section on EIA guidelines with the help of ONE, and forestry guidelines are being partially supported by COEFOR until July 1998). All EIA guide lines should strive for clear, simple and standardized formats.

b. Develop tools to review EIAs⁹

⁶ There are only 3 formal Environmental Cells: in the Ministry of Energy and Mines (one person), the Ministry of Industry (well established and integrated in a Direction with 4 services), and the Ministry of Tourism. In the Ministry of Water and Forest an Environmental Cell is not established per se, but each Direction is responsible for it. Probably a person will be named to be the official contact between the Ministry of Water and Forest and ONE/ Ministry of Environment.

⁷ The page explaining these responsibilities is missing in the Consultant's copy, and not available from ONE at this time.

⁸ This is already in ONE Annual Work Plan (PTA) for 1998, but at this date nothing has started.

⁹ Same as footnote 3.

Guidelines will be developed for the public sector to help the review of EIAs submitted for evaluation. One general guideline should be sufficient.¹⁰ The sectoral guidelines mentioned in the preceding paragraph will also be used by the public sector to evaluate EIAs.

c. Develop capacity for EIA review and decision-making

Capacity building efforts will be targeted at both national and regional levels. National level EIAs are the responsibility of ONE, CTE, Ministry of Environment and sectoral environmental units. Other EIAs will be the responsibility of the communes.

d. Develop capacity to monitor EIA implementation

Guidelines will be developed to help monitor the implementation of EIAs. Capacity building efforts will target the use of these guidelines.

*e. Create an EIA tracking system support*¹¹

A tracking system is required to follow the process and the status of each EIA as it progresses. This should start at the time of the evaluation demand from the investors, and terminate with the completion of the PGEP. In the proposed new decree several deadlines are set forth which ought to be tracked closely in order 1) to follow the law and promote transparency; and 2) to avoid delays which inevitably will have a negative impact on investments (from the investor's point of view it may increase the cost, increase the likelihood to forgo the investment all together, and act as a strong deterrent for future investments, and from the communities' point of view it may push back or forgo badly needed economic development).

Sub-SIR 3.4.3.2 Increased EIA Capacity of the Private Sector

Private sector capacity needs to be developed to perform EIAs at two levels: 1) for potential investors; and 2) for preliminary EIA review analysis for ONE/CTE (which will take the final decision on EIAs). EIA review by the private sector for the benefit of the ONE/CTE/Ministry of Environment is based on two assumptions: 1) that these agencies should not have extensive specialized technical expertise; and 2) private sector EIA review will speed up the review and decision-making process.

¹⁰ This is what is referred to the general technical and administrative guideline in the ONE PTA 1998, PSI and MECIE component.

¹¹ Same as footnote 3.

Activities are as follows:

a. Long term training through university-level academic development programs and specialized degrees

The success of EIA implementation in the long run will be based on the capacity and orientation of a new generation of engineers, managers, lawyers, and economists. University degrees in environment sciences, environmental engineering, environmental management, environmental law and environmental economy should be developed. This kind of University development program has been funded, with the help of USAID, in Sri Lanka in four universities and eight faculties. For example, a multidisciplinary Center for Environmental Studies has been developed to coordinate both graduate and undergraduate environmental programs. Masters degrees in Environmental Engineering, Natural Resources Management and Environmental Economics have been developed. In addition a Wildlife Management Certificate program has been created, which could be adapted to Madagascar to become a Biodiversity Management Certificate. Focus should be on developing curricula, teaching materials, and capabilities, raising the quality of professional training, stressing applied skills and multidisciplinary team work, encouraging research and exchange among universities.¹² Institutions such as, but not limited to, the Forestry School in the Agricultural Department, of the University of Antananarivo and the University in Fianarantsoa could benefit from this activity.

b. Short term training through intensive highly specialized seminars limited to qualified individuals

These seminars should be demand-driven, and should include highly focused theoretical and practical issues, together with case studies. They should be between two and five days in length. International short TA should prepare these seminars and could be packaged in one or two week long consultancies and focus on specific sectoral technical issues.¹³

c. Develop a national licensing/accreditation system for EIA experts

This activity will develop a system to test and register EIA experts in various scientific domains to ensure quality, professionalism, and independence. There should be a mechanism of self-regulation through professional associations and universities. A new “Association Malgache pour les Etudes d’Impact” was formed in February 1998, with about 20 members, and this could be a vehicle for this accreditation.

¹² Strengthening EIA Capacity in Asia: Environmental Impact Assessment in the Philippines, Indonesia, and Sri Lanka, WRI, David B. Smith, Mieke van der Wansen, June 1995.

¹³ CFSIGE should only be used for general environmental training, possibly adding two other modules of four weeks each in EIA and cost-benefit analysis. USAID should work closely with the French TA to help develop CFSIGE capacity.

d. Develop a framework for national and international accreditation for Malagasy laboratories

Parallel to the licensing of EIA experts, and to ensure credibility to EIA data and later to develop accurate environmental monitoring data, the establishment of a clear framework for national and international accreditation of a national reference laboratory and the certification of other Malagasy laboratories is essential. This should be followed by implementation of the process for accreditation of the national laboratories.

IR 3.5 Improved Consultative Planning and Decision-making Processes

This IR is not in the original Results Framework, but combines the original SIRs 3.2.4 "Strengthened Consultative Planning and Decision-making to Better Foster Biodiversity Conservation" and 3.4.2. "Effective Communication and Information Integrated into Decision-Making", since both address the critical need for improved consultative planning and decision-making.

Indicator

Increased number of organizations using communications, information and monitoring and evaluation systems for more effective planning and decision-making.

SIR 3.5.1 Improved Communication between Stakeholders and Partners

Rationale

Communication is critical to achieve IR 3.5, but this has only just been recognized in NEAP development. A recent workshop in Antsirabe in January 1998 served to catalyze thinking on communications, and the resulting recommendations provide an important first step in moving communications forward as a cross-cutting issue. Much of the previous interpretation of communications focused on awareness raising. While this is undoubtedly important, a broader interpretation would highlight a process that ensures mutual comprehension of a set of agreed-upon issues by different stakeholders, which leads to effective decision-making. The focus has been limited to awareness-raising tools rather than mechanisms and processes for developing clear and open communication channels, notably within and between agencies. While awareness-raising is a valid and important element of communication, an understanding and acceptance of broader communications principles and frameworks is critical to achieving IR 3.5.

Linkage with RP#1

Communications support to ANGAP is specifically targeted under RP#1. Additionally the AGERAS process supported under the landscape ecology approach aims at building a consultative planning process, for which improved communication is a prerequisite.

Assumptions

1. Willingness to view communications in a broad sense, rather than merely as awareness raising.

Indicators

Number of Agencies with an internal communications system in place.

Activities

a. Develop effective communication systems and mechanisms within AGEX

The results of institutional audits of AGEX have consistently highlighted the lack of internal communication as a major constraint to effective implementation of AGEX mandates. This activity focuses on that issue as a fundamental capacity building measure to promote more effective planning, management and operations of individual agencies as corporate entities. Support will be provided to AGEX on a demand-driven basis through long and short-term technical assistance and training.

b. Develop regional communication strategies

Under RP#1, support will be provided to “ensure that a professionalized information, education and communication (IEC) effort is undertaken at multiple levels within the regions to inform all potential stakeholders about the benefits of the landscape ecology approach and objectives of the EP2.” Given the wide variety and different perceptions, priorities, agendas and backgrounds of these stakeholders, this is a very complex and challenging task. Yet it is fundamental to the success of the AGERAS approach. Communications objectives, targets, channels, methods and messages must be adapted to the needs and capabilities of individual stakeholders. A regional communications strategy will help prioritize these activities within a clear framework. Without such a strategy, communications efforts risk becoming diffused, and even contradictory. Support will be provided through technical assistance and training on a demand-driven basis.

c. Improve Communications among AGEX and between AGEX and other partners

Coordination among AGEX is critical to achieving EP2 objectives. Poor communication is a major constraint to achieving effective coordination. Communication regarding roles, responsibilities and mandates and ways of working together have improved as the NEAP continues to be implemented. Yet, much work remains to consolidate and build on these achievements. In contrast, communication concerning the objectives, structure and activities of the EP2 as a program has been extremely weak, both as regards other government organizations, and the general public. In order for environment to be integrated into development in Madagascar, the perception of the NEAP (to the extent that such perception exists) needs to change. The fundamental role of environment in sustainable economic and social development must be understood and accepted in order to move forward. Otherwise the

NEAP will become just another self-contained, donor-dependent program that will disappear at the end of EP3 without any widespread impact. Support in improved communications between AGEX and in communication of the NEAP as an important component of Madagascar's national development will be provided on a demand-driven basis, through technical assistance, training and workshops. Specific areas could include environmental economics, sustainable development and trends analysis. Linkages with population and health should be emphasized with support from SO2 activities.

d. Develop AGEX communications strategies

In contrast to Activity a., Internal Communications Systems, this activity focuses on supporting individual AGEX in developing strategies to improve communications relative to their mandates and activities with clients, partners and target groups. This activity will build on the EP2 Communications Strategy developed during the Antsirabe workshop in February 1998, which represented the first step in really thinking about communications in the NEAP.

Under RP#1, USAID is supporting the development of communications capacity within ANGAP, including for environmental education.

For ONE, this activity relates to Activity d., above, since part of ONE's mandate is coordination of NEAP implementation, both within the EP2 program and beyond. However, environmentally-related policies have not really been taken on board by sectorial ministries, in part because they do not see how it relates to their mandates. A corporate communications strategy for ONE would have addressed this problem at an early stage. Similarly, the MECIE is widely regarded as a restrictive policy that discourages investment. This is partly because of the approach that has been adopted in the legislation, but also because communication of the policy has been very poor. Opportunities to frame EIA as a positive tool to encourage more efficient, cost-effective program and project development, by government and private investors alike, have been lost.

The EP1 recommended that no new policies be developed by ONE, but rather that ONE should focus on the implementation of existing policies. But it should also focus on communication of those policies.

Support will be through technical assistance and training, with limited equipment procurement.

SIR 3.5.2 Improved Quality, Access and Use of Information

Rationale

A great deal of information is available on environmental status, trends and issues in Madagascar, in the form of databases, GIS systems, reports and documents. However, because of the nature and accessibility of this information, much of it is not used in improved planning and decision-making.

Many workshop reports contain recommendations, sometimes contradictory, that are never taken up by planners and decision-makers. Information is collected for many different reasons and often does not respond to decision-makers needs. Clear identification of the types of information needed to make critical decisions related to improved environmental management is required.

Linkage with RP#1

A major component of the landscape ecology approach supported under RP#1, is the collection, compilation, analysis, presentation and utilization of data using a spatial approach methodology. This will provide the underpinnings of the information that will be used in the regional consultative planning and policy process. It is closely tied to the communications approach developed under SIR 3.5.1, above, and will focus on adapting information to the needs and capabilities of individual stakeholders, while at the same time increasing the capacity of these stakeholders to understand and use this information for improved decision-making.

Specific activities under RP#1 include:

1. Develop an eco-regional planning process through platforms for consultation, analysis, information sharing and negotiation;
2. Analyze linkages between landscape configuration and land use patterns;
3. Promote adaptive management through improved use of information for decision-making; and
4. Spatial analysis and information exchange in areas of agricultural practices and conservation.

The activities proposed below build on these RP#1 activities.

Assumptions

1. Complementarity of actions through potentially different contracting mechanisms.

Indicator

Increased number of users of shared information

Activities

- a. Compile an updated inventory of existing information and sources relating to environment*

There exists a plethora of information on the environment in Madagascar, through the programs and activities undertaken during EP1 and the many local research and development initiatives that have taken place and are continuing throughout the country. The documentation material alone is considerable, but is dispersed among many institutions and individuals. This activity will support ONE/SIE to develop an inventory of this information and where and how it can be accessed (meta-

database) and develop a documentation system for incorporating future information on the environment.

b. Identify critical gaps according to planning priorities

The AGERAS process will identify information gaps at the regional level. Information is collected according to very different, and often specific needs. Gaps may be a simple lack of information, or information that is not accessible to decision-makers in a form that is useful to them. AGERAS, however, will focus on specific environmental issues within given regions. REAs might generate and use different information, to advance the same planning and policy process at the regional level. REAs should build on and support the spatial approach of AGERAS

c. Develop systems and linkages between local, regional and national level for information collection, analysis and use.

The NEAP is a complex undertaking involving many organizations, each with their own information needs and systems. A great deal of information has been generated at the local level, but this often fragmentary and scattered. e.g. for individual protected areas through ICDPs. It is critical that this information is not lost or ignored, but used in the development of the landscape approach around those areas, and also for other areas where similar issues may be relevant. This kind of information can strengthen the linkages between local and regional level, and also between regions with shared or common environmental issues. At the national level, there is a clear need to facilitate information exchange so that all regions can benefit from approaches and lessons learned in individual regions, and that at a national level, policy and planning is better informed, and that improved decisions are made. It is important, however, that the national level (ONE) plays a facilitatory role, and not a directive one, and information flow is speeded up and not slowed down. This will be an incremental and adaptive process and will reinforce a re-orientation to a client-based role.

SIR 3.5.3 Improved Monitoring and Evaluation Systems in Place

Rationale

Under the EP2, executing agencies will undertake internal performance monitoring, and aggregate impact monitoring, for which a set of "global indicators" have been developed. However, the approach appears rather static. It is necessary to develop a dynamic monitoring system that is capable of identifying causal linkages and building in feedback loops in an analytical manner.

Linkage with RP#1

USAID has put into place a SO3 Support Package for Monitoring and Evaluation. These activities would be subsumed under this SIR for all results packages. The following activities complement and build on the Support Package activities.

Assumptions

USAID M&E systems are harmonized with EP2 systems

Indicator

Effective Monitoring and Evaluation Systems in place at national and regional level

Activities

a. Reinforce regional monitoring and evaluation systems

If the landscape ecology approach is not to become a diffuse and unfocused exercise, it is critical to develop regional M&E systems, based on clear and measurable goals, objectives and indicators. This will help focus the regional spatial information systems that are being supported through RP#1 and will become an integral part of the regional planning and policy process.

b. Develop "State of the Environment Reports" at regional and national level as analytical monitoring tools.

State of the Environment Reports (SER) are currently produced annually, along with statistical bulletins and provide a broad overview of environmental status and trends in the country. However, their use as planning, monitoring and communication tools is very limited. Their production, with limited resources it must be said, is seen rather as a "one-off" exercise. Yet, opportunities exist to develop SERs as key analytical monitoring and reporting tools, rather than static documents. This is particularly the case at regional level, where SERs can be integrated into the AGERAS process as a functional part of regional monitoring systems. Regional SERs can then be aggregated and analyzed at a national level, to form an integral part of the overall EP2 monitoring process.

c. Increase capacity for M&E among key stakeholders

M&E is much more likely to be used as an effective planning tool if it is developed and internalized by different stakeholders rather than seen as an "imposed" system. At a regional level, this must be part of the AGERAS process. At a national level, AGEX must strengthen individual M&E systems, based upon AGEX goals and objectives. Short-term technical assistance and training will be provided on a demand-driven basis, to support M&E capacity development in regional and national level organizations, particularly the linkages between strategic planning and management and monitoring.

d. Increase policy monitoring capacity

Policy analysis and monitoring capacity is generally weak in Madagascar, particularly in environmental policy. Economic, and even social, policy analysis is much better developed than

environmental policy. It is critical that the implications, and ultimately the impacts, of environmental policy and sectoral and economic policy on decision-making, the environment, and people's interaction with the environment, be better understood. Linkages between policies and between levels (e.g. regional and national) have to be identified and understood. USAID will provide support to identify opportunities to develop policy analysis and monitoring capacity, including points of articulation with existing policy structures.

e. Support ecological monitoring

This activity is planned under RP#1, and a recent study under the Biodiversity Support Program has come up with some recommendations. This is particularly important in monitoring at the SO level, where biodiversity conservation is the explicit goal.

IV. Performance Monitoring Plan

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V. Customers and Partners

The partners of Results Package Two include various AGEX of the NEAP, notably ONE, ANGAP and MEF, various sectoral ministries concerned with environmental issues, and notably the environmental units that have been created in these ministries, the Ministry of Environment, and various regional government, non-government and private sector bodies (many of which have yet to be identified). In addition, USAID will work with traditional partner NGOs and private sector groups that have been involved in the SAVEM, KEPEM, CAP and MAELSP projects. The foundation Tany Meva, which was set up with USAID support, will continue to be an important partner in RP#2 implementation. The contracting agencies implementing the activities under RP#1 and RP#2 will also be partners. Other donors supporting complementary components of the EP2 will be crucial partners (see VI, below).

Many of the partners mentioned above are also customers, in that they will benefit from capacity building and training activities, and be responsible for implementing key activities. The ultimate customers of Results Package Two will be the local, and a certain degree, regional actors, that receive the full benefit of conservation and development activities which the Results Package supports, as well as decreased negative impacts of investment projects, through effective EIA development. Both rural and urban communities will benefit from these activities. (See Annex 4, Stakeholder Analysis, for more details).

VI. Complementarity with Other Donors

One of the features of the Madagascar NEAP has been the conspicuous involvement of the donor community as partners to NEAP Executing Agencies. Coordinating mechanisms among donors, and between donors and AGEX, that were put in place during EP1 have been strengthened in EP2, including the establishment of a Multi-Donor Secretariat in Madagascar. Traditional areas of support have been maintained between certain donors and AGEX, e.g. the Swiss and ANAE, USAID and ANGAP. The World Bank, which supported many of the infrastructural and operating costs of AGEX continues to be a very important donor, but has taken on the mantle of "donor of last resort" to provide support where no other donors are prepared to invest.

In the area of environmental policy, USAID remains the principal donor, with the World Bank. UNDP, through GEF, is playing an increasing role in, particularly biodiversity, policy, and in other international conventions. French assistance to ONE has increased in EP2, with direct support to GELOSE. The French are also heavily involved in the development of CFSIGE.

In the forestry arena, several donors are supporting activities, particularly at the regional level, but also through linkages with the MEF, and further consultation will be necessary to ensure complementarity among activities. The World Bank funded a National Forest Ecosystems Inventory (IEFN) project. GTZ sponsors the decentralization of MEF responsibilities; national and regional forestry plans; and regional offices/activities in Tamatave, Mahajanga, Diego and Antananarivo. The

Swiss Cooperation supported the development of forestry policy and laws; and regional forestry plans at the community level in Antananarivo, Tulear (Morondava) and Fianarantsoa. French support MEF administration and activities in the Moramanga priority conservation zone. In the past, the FAO worked with the MEF to establish road control stations. FAO and the European Community are considering whether to assist with the collection of forestry statistics.

The World Bank has been the lead donor organization in requiring reporting requirements and trying to harmonize reporting requirements. The Bank works through ONE and charges ONE with tracking the financial activities of the other AGEXs. USAID could use its leverage to ensure that the AGEXs first develop an accounting and reporting system and then consider the appropriate software. The World Bank supports the Association of Malagasy Professionals (a professional organization for chartered accountants) to develop accounting standards compatible with international standards. Expected implementation by will be 2001. In addition, the Bank has reporting requirements for executing agencies and often provides assistance in the design and implementation of such systems.

In communications, information and M&E, several donors, and also international NGOs, such WWF and Conservation International, are involved, but usually in the context of their own projects and activities. One recommendation of the RPPD refers to support to SIE to compile an updated inventory of information and sources relating to the environment.

VII. Implementation Plan

1. Approach

The approach that will be used to provide support under RP#2 will be primarily demand-driven. Technical assistance and other support will not be based, for the most part, within individual agencies, but rather outside of these agencies, possibly linked to Malagasy service-oriented organizations. These could be individual organizations or a group of organizations, which may include training organizations, private consulting firms, financial and accounting firms, higher learning institutions, etc.

Malagasy organizations are increasingly looking to alternatives to long-term technical assistants based in their offices. The client-oriented, demand-driven approach, with technical assistance and services provided from outside of concerned agencies has been adopted through the CAP and MITA projects. Progress was initially slow but rapidly increased with understanding of the process by partner organizations. Another approach could focus on exclusively short-term technical assistance, rather than long-term, but it is difficult to guarantee the continuity of assistance (i.e. the same person coming out to follow up on previous visits), which partner organizations have highlighted as an issue. Long-term assistance, in addition to understanding better the issues, should be able to ensure better and more rapid service to potential clients.

Other reasons for this approach include the following:

- a. Support provided by USAID under RP#2 is intended to assist several organizations, including, but not limited to, ONE, ANGAP, MEF, Tany Meva, Ministry of Environment, regional authorities, and others;
- b. The types of technical support provided are widely applicable to many organizations, e.g. financial management and communications.
- c. Technical assistance situated directly within AGEX has had variable and rather limited success. There is often a tendency for TA (and this is not necessarily the fault of the TA) to replace the functions of AGEX personnel, rather than transferring skills, so that gaps are left with the departure of the TA;
- d. Support will be provided to regions through the AGERAS/REA process, through regional structures and processes that are not yet clearly defined;
- e. There is need to develop a client-based, demand-driven orientation for the AGEX and other organizations

The risk is that TA will be viewed by customers and partners as external, and ownership will be diminished, and hence willingness to use the TA. However, the analysis behind this document indicates that the areas of support provided are critical to the development of AGEX and the advancement of the EP2. The value of these services will have to be demonstrated in practice. A component of the program could include capacity building of Malagasy private sector to continue to provide these services after the end of the program.

Criteria for priority targets of assistance should be developed in line with activities required to achieve intermediate results and the strategic objective. Priority organizations will vary according to each component, but primary clients would certainly include ONE, DEF and ANGAP for all components, and also Tany Meva. Regional structures, to the extent that they have been identified through AGERAS, would also be primary clients. The Ministry of Environment and sectoral ministries with environmental units would be potential clients for the environmental policy and EIA activities. Universities, CFSIGE and specialized EIA experts will also be targeted in the EIA component. Environmental groups and organizations, NGOs and the media will be involved in the communications component. It is possible that the program can work with other NEAP AGEX and government and non-government structures, if there is potential for multiplier effects, but these are not thought to be primary clients.

2. Mechanisms and Timing

As laid out in this document, Results Package Two is comprised of three Intermediate Results and a series of Sub-Intermediate Results. Several approaches will be utilized to obtain the services and commodities that are called for under these results. The majority of the implementation of this

Results Package, however, will be procured through a direct contract, to ensure the best technical, managerial and cost-effective approach. This contract will be competed openly by USAID/Madagascar. The Scope of Work (SOW) for the Request for Proposals (RFP) will be drafted after the award of the contracts under RP#1, to ensure maximum complementarity.

In addition to the direct contract, other components will be contracted separately. These are:

- a. Activities under the EPIQ IQC, which currently support an Environmental Policy Advisor to ONE, and other related policy and EIA issues, will continue until June, 1999, when these activities will be assumed under the direct contract.
- b. An independent financial audit by a recognized international accounting organization will be contracted separately.
- c. A final component, that involves the “twinning” of a U.S. university with higher learning institutions in Madagascar, will be contracted through a mechanism yet to be identified, possibly a Cooperative Agreement.

It is important to realize that important components of Results Package Two are currently being contracted under Results Package One, and that USAID management will need to reflect this reorientation.

The timing of the contracting mechanism will depend on the award of the contracts under RP#1, which should be completed by May, 1998. The SOW for the RFP will be drafted in July, 1998, following further refinement and approval of this RPPD, and advertised in late August, 1998. The contract will be awarded in November, 1998, with most activities beginning in January, 1999, when the contractor is established in country.

The contract for the twinning of universities could be achieved several months earlier, since the activities are fairly discrete.

3. Cost

The budget was developed according to factors such as types of activities, results required, level of effort and duration of the work. For the four year period, 1999-2002, a total of US \$10.0 million is required.

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Prudent use of USAID resources will be assured through the following:

- a. Assuring cost-effectiveness and complementarity between RP#1 and RP#2 contracts and activities;
 - b. Leveraging support from other donors to complement USAID activities, e.g. World Bank for financial systems, other donors working in priority regions.
 - c. Building on the activities, structures and successes of previous USAID programs in Madagascar, e.g. Tany Meva, whose initial capitalization was funded through USAID support.
 - d. Supporting improved financial management by partners, is an explicit goal of RP#2 IR 3.3.3 "Effective Financial Management Systems in Malagasy NEAP Institutions." The financial management systems developed for the targeted institutions will ensure the Malagasy partners use appropriate management, financial and budget procedures that comply with Malagasy legal and accounting requirements and that meet the managerial requirements at the institutions different levels and donor requirements. Furthermore, the financial management systems will meet the business requirements of particular institutions.
 - e. Contractor and USAID tracking of financial expenditures, including an independent program audit.
4. USAID Management Plan

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ANNEX 1

INPUTS AND INDICATIVE ACTIVITIES

IR 3.3 Sustainable Financing Mechanisms Mobilized

SIR 3.3.1 Tany Meva Financial and Institutional Capacity Increased

Support to Manage its Endowment

1. Conduct workshop for board to develop investment policy.
2. Retain international investment advisor/manager to manage offshore account. Possible travel to the US for a board member, executive or deputy executive secretary and financial director.
3. Retain local investment advisor/manager and identify in-country investment opportunities.

STTA International: 2.5 person/months over four years

STTA Malagasy: 1 person/month over four years

Support to Develop Fundraising Capacity

1. Review and possibly prepare recommendations to revise Malagasy not-for-profit law. In particular, examine tax exemptions for charitable contributions.
2. Training for grant writing to prepare grant proposal for private and public donors.
3. Training in fundraising so as to foster in-country philanthropic donations.
4. Pursue opportunities for bilateral debt-for-nature swaps. USAID leverage necessary with GOM. This activity does not envision short-term TA.

STTA International: 2.5 person/month over four years

STTA Malagasy: 3 person/month over four years

Conduct Program Evaluations

1. Institutional evaluation.
2. Evaluation of grant program.
3. Institutional and financial audit

STTA International: 2.5 person/months over four years.

SIR 3.3.2 Systems Implemented to Increase Revenue for Employment Agencies

Sub SIR 3.3.2.1 Systems Implemented to Increase Revenue for MEF

Develop Capacity to Award Concessions

1. Training for action or bid concession system at national level.
2. Assist in preparing, announcing and awarding a forestry concession.
3. Issue individual stamps to agents at Cantonnement level.

STTA International: 8.75 person/months over four years

Provide Support for Diffusion of Information Concerning Concessions

1. Prepare forestry manual explaining the process and procedures for awarding concessions, with copies of relevant laws included.
2. Conduct 2 day workshops on concessions for MEF agents, private sector and NGOs in 5 regions.

STTA International: 1.25 person/month over 4 years

STTA Malagasy: 1 person/month over 4 years

Sub SIR 3.3.2.1 Systems Implemented to Increase Revenue for ANGAP

Support to Establish and Endowment

1. Establish a charitable legal entity to house the endowment or identify an existing organization.
2. Prepare endowment proposal package for bilateral and multilateral donors.

STTA International: 4 person/months over 4 years

STTA Malagasy: 2 person/months over 4 years

Assistance to resolve legal and policy issues

1. Negotiate with GOM for authority to establish service zones in degraded protected areas or to the expand a protected areas beyond its current boundaries.
2. Negotiate with GOM for authority to award concession agreements in the service zones.
3. Prepare draft legislation and implementing regulations.

STTA International: 1.5 person/months over 4 years

STTA Malagasy: 0.5 person/months over 4 years

Support to Build Capacity to Award Concession Agreements

1. Review and revise strategic plan.
2. Training to prepare concession agreements.
3. Prepare, announce and award concession agreements.
4. Review park entrance fees policies.

STTA International: 13.5 person/months over four years

Diffuse Information Regarding Concession Agreements

1. Provide a series of 2 day workshops for ANGAP staff, the private sector and NGOs.

STTA International: 1 person/month over 4 years

STTA International: 0.5 person/month over 4 years

Support to Implement Demand Driven Park Entrance Fees

1. Identify quality of internal park services, existing level of demand from tourists, rapidity of transport from Tana, quality of transport from Tana, quality of hotels and restaurants and interest in biodiversity.

SIR 3.3.3 Effective Financial Management Systems in Malagasy NEAP Institutions

Conduct first financial audit, design and introduce financial management systems, prepare procedure manuals and train financial management staff and senior management for ONE, ANGAP and MEF (international/ Malagasy accounting firm).

Conduct financial audits in years 2000, 2001 and 2002 (Malagasy accounting firm)

An international long-term financial management specialist will work with ONE, ANGAP, MEF and Tany Meva for 3.5 to provide assistance with their financial management systems on a demand driven basis.

Provide training to College of Financiers (long-term international financial management specialist)

IR 3.4 Supportive Environmental Policies and Procedures

International LTTA in Environmental Policy/REA. From Nov 1999 for a period of three years, based at ONE. This is a continuation of the present post, financed under the EPIQ IQC. Illustrative tasks could include:

1. Develop the capacity of ONE, and specifically PSI/MECIE, in policy development, analysis and monitoring;
2. Work with AGERAS and regional authorities to develop, refine and carry out REAs in priority zones;
3. Assist ONE, regions and others move towards a more holistic Strategic Environmental Assessment process;
4. Assist ONE, upon demand and opportunity, to develop long-term visioning and strategic development and management processes and activities;
5. Liaise with other departments of ONE, e.g. GELOSE, for linkages with policy and REA;
6. Liaise with other donors supporting policy development;
7. Work with ONE to understand the implications of decentralization and other policies and incorporate these into environmental policy development. Develop formal and informal linkages, e.g. through CNE, CIME and others;
8. With ONE, work to increase the capacity of environmental units in sectoral ministries;
9. Identify types and timing of STTA, training and equipment needs to support this component;
10. Support PSI/MECIE in various policy issues that may arise, e.g. bush fire policy.

International STTA in specific technical areas, to examine policy linkages and implications, such as:

Mining (Four person/months over four years)

Tourism (Four person/months over four years)

Agriculture (Four person/months over four years)

Other areas, such as energy, fisheries, etc. (Four person-months over four years)

International STTA in strategic planning and management, policy analysis, or similar “thematic areas”, depending upon demand (Four person/months over four years).

Training and workshops in the above areas, and also in REA processes and linkages with regional planning, for a variety of stakeholders.

Equipment (vehicle, computer, office space) will be provided by ONE, as it is now to the EPIQ Policy Advisor.

IR 3.4.3 Effective Application of EIAs

Develop Tools to Perform EIAs

One person/month of STTA for the development of each of four guidelines to focus on the environmental problems of each of four sectors: four person/months total. Each STTA should be provided when the Malagasy partner has completed draft sectoral guidelines, in order to assist in the review, reorientation and finalization of each guideline. Each STTA will prepare a final workshop where the guideline will be presented (awareness) to all the stakeholders in the sector or related sectors.

Develop Tools to Review EIAs

As above, one person/month STTA, intervention at the end of the partner's guideline preparation (“technico-administrative”) to review, reorient, finalize it, and conduct a workshop to all the stakeholders in the sector or related sectors.

Develop Capacity for EIA Review and Decision-Making

STTA to guide specific, on-the-job EIA review. Six person/months to review three EIAs in the first two years of the program. The review could involve ONE, the Environmental Unit in the relevant Ministry plus the local representative of the same Ministry, CTE, and the Commune(s) where the investment will take place.

Develop Capacity to Monitor EIA PGEP’s Implementation

STTA to guide specific, on-the-job EIA PGEP’s implementation. Up to eight person/months to review three PGEPs. This activity should involve ONE, Environmental units in the Ministry, regional or local representative of the sectoral Ministry, and the commune(s).

Create an EIA Tracking System Support

STTA to set up procedures, the data base, and the training at ONE. Four person/months.

University Academic Development Program/Specialized Degrees

Twinning agreement with a reputed University to develop the full curriculum in Environmental Sciences, Engineering, Economics, and Law: one year to develop the curriculum, implementation starting the second year.

Short Term Intensive Highly Specialized Seminars

Short term intensive seminars could be on new environmental technologies and Best Available Technologies or on specific environmental scientific topic: six 2 to 5 days seminars.

CFSIGE: Develop a formal EIA training module of 2-3 weeks. Develop as a training module basic cost-benefit analysis: 2 or 3 weeks.

Develop a National Licensing/Accreditation System for EIA Experts

STTA to develop the process of licensing/accreditation. Two person/months.

Develop International Accreditation for Malagasy Laboratories

STTA to develop the framework for accreditation. Four person/months.

Long Term Technical Assistance, one year at first, maybe renewable in the third year of the program, to act as a training person on dissemination of the environmental law, MECIE, and various guidelines being developed. This TA should not be assigned to one institution and/or one city. This TA will be organizing and delivering short seminars across agencies, inviting private business and the press, at the national, regional, and local level to raise the environmental legal and regulatory awareness among various government agencies, including the AGEX, NGOs, and the public at large.

IR 3.5 Improved Consultative Planning and Decision-Making Processes

IR 3.5.1 Improved Communication between Stakeholders and Partners

LTTA for four years, based outside of individual agencies, perhaps with independent Malagasy organization dealing with communications, perhaps with other LTTA in contract office.

Illustrative tasks could include:

1. Working with ONE, MEF, ANGAP, Tany Meva and other organizations to develop internal communications capacity;
2. Working with these organizations to develop communications strategies;
3. Provide training in communications, including linkages with information and education
4. Provide support and training in stakeholder analysis, message development and media, etc.;
5. Capacity development and training of independent Malagasy communications experts;
6. Work with regions through the AGERAS process and other activities supported by RP#1 and RP#2, to develop communications frameworks;
7. Identify communications equipment and materials needs;
8. Develop tailored, client-based, communications tools that favor decision-making;

9. Identify types and timing of STTA, training and equipment to support communications.

STTA to support the above areas, and also to respond to specific demands coming out of this TA and training (10 international person/months and 30 Malagasy person/months).

A vehicle, computer and office equipment is needed, in addition to limited communications equipment (audio-visual, photocopy machine, color printer, desktop publishing software, etc.)

IR 3.5.2. Improved Quality, Access and Use of Information

Inputs under RP#1

IR 3.5.3 Improved Monitoring and Evaluation Systems in Place

International STTA for a total of 20 person/months over four years (the same person to assure continuity) to work primarily with the regions to develop M&E for the AGERAS/REA process, but also linkages to the national level.

International STTA for a total of 10 person/months (same person) over four years on policy analysis monitoring, focusing on the linkages between economic, decentralization and sectoral policies with the environment.

ANNEX 2

DISCUSSION OF IR 3.3 INDICATIVE ACTIVITIES

SIR 3.3.1 Tany Meva Financial and Institutional Capacity Increased

Support to Manage its Endowment

Tany Meva's most pressing problem concerns the management of its endowment - both its offshore, hard currency funds and its local currency funds. Support can be provided through technical assistance and travel to the US to meet with possible investment advisors/managers for the hard currency account. In particular, capacity building to understand and apply such concepts as asset allocation, indexing, total return, the definition of asset categories and the trade-off between risk and return is necessary. A workshop will be conducted for the board and staff.

Managing the FMG portion of the endowment poses a vexing issue. A capital market does not exist and limited investment opportunities are available. Expatriate and Malagasy financial experts will need to assist Tany Meva in identifying investment opportunities. This may entail Tany Meva looking at direct commercial investments and the legal and policy obstacles to do so will have to be addressed. Tany Meva has used approximately 50 percent of its local currency to directly subscribe to GOM treasury bonds -- a wise move.

Tany Meva has requested USAID assistance in urging the GOM to allow Tany Meva to transfer funds to its offshore account.

Support to Develop Fundraising Capacity

The most promising and lucrative fundraising prospects for Tany Meva are with private and public international donors. Hands-on training to prepare effective winning grant proposals is essential. Support could be provided to facilitate a bilateral debt-for-nature swap.

Tany Meva could play an important role in developing a philanthropic spirit in Madagascar and is considering a broad array of fundraising strategies. However, Tany Meva should approach this issue carefully, so as to avoid competition with its NGO grantees/beneficiaries. Owing to its comparatively large financial and human resources, Tany Meva could absorb a substantial amount of any available funds. Recognizing the need to develop NGO fundraising capacity, Tany Meva provides matching funds for NGOs to develop fundraising capacity.

Local legal technical assistance to review and prepare suggested revisions for the Malagasy not-for-profit laws, so as to encourage tax deductions for charitable contributions and tax exemptions, and trust law would prove beneficial for Tany Meva and the NGO community as a whole. USAID leverage with the GOM on this issue could be considered.

Evaluation of Grant Program

The grant program poses a particular challenge. Tany Meva held 21 workshops around the country on grant preparation. Most of the grant applications received, however, failed to comply with the grant criteria. NGO capacity is weak and PACT faced a similar situation when it began its grant program. Tany Meva now has to balance the tasks of awarding grants and building capacity. Tany Meva has developed a strategy to address this problem. First, it will send staff to the ecosystem to identify environmental problems and consult with the local communities. In each ecosystem Tany Meva plans to have a partner organization to serve as an intermediary between Tany Meva and the ultimate grantees. A potential pitfall will be if Tany Meva and its partner organizations move toward project design and implementation. Furthermore, Tany Meva should consider accessing existing information mechanisms, such as through AGERAS, to identify environmental problems in an area. In light of these concerns, an evaluation of the grant program will be done early in 2000 in the event a course correction proves necessary.

Debt-for-nature Swaps

Debt-for-nature swaps using private and multilateral debt have been used in Madagascar. For instance, USAID purchased multilateral debt from the African Development Bank to establish Tany Meva's endowment. However, RP#2 has not budgeted for a debt purchase. World Wildlife Fund's and Conservation International's debt-for-nature swaps used private debt purchased on the secondary market, but Madagascar no longer has significant private debt.

Limited opportunities may arise for bilateral swaps. Madagascar has reached an agreement with the Paris club providing for a 2/3 debt reduction. The agreement provides that up to 20% of Madagascar's Paris Club debt can be used for debt swaps. However, Madagascar's annual budget, which is voted on by the National Assembly, must provide for the amount of debt for a swap. The possibilities of any debt swap can vary greatly, and it is difficult to recommend a strategy to pursue. Nevertheless, a first step will be for USAID to determine what Malagasy bilateral debt the US holds. USAID could also use leverage with the GOM to expand its debt-for-nature program and encourage other donors to participate.

The US Congress recently passed the Tropical Forest Conservation Act, which provides for debt buydowns, swap or buybacks. The Administration's position on this Act is unclear.

SIR 3.3.2 Systems Implemented to Increase Revenue for Environmental Agencies

Sub-SIR 3.3.2.2 Systems Implemented to Increase Revenue for ANGAP

Support to Establish an Endowment

The report prepared by Lynn Ellsworth, "An Endowment for ANGAP?" provides direction for establishing an endowed trust and discusses the pros and cons of different options. Since this report was written the issues have become more complicated. ANGAP's institutional structure has been in flux and ANGAP will likely move from being a private organization to a government office. As a government office it would prove problematic for ANGAP to have an offshore, hard currency account. Also, it would not be able to obtain 501(c)(3) status. The Ellsworth report's criticisms of establishing a foundation or opening a window in Tany Meva remain valid, but those options, along with the other options proposed should be revisited.

Consequently, the legal institutional framework for the endowment should not designate ANGAP as a beneficiary. Instead, the endowment will fund organizations managing and protecting parks and protected areas. Short term technical assistance will be necessary to assess the options and assist with establishing a new charitable organizations (domestic or foreign) or opening a window in an existing organization (domestic or foreign).

After ANGAP implements effective financial management systems and develops its financing mechanisms it will be in a position to approach the donor community. STTA can assist in preparing the endowment proposal and identifying potential donors.

Support to Build Capacity to Award Concession Agreements

ANGAP proposes to establish service zones in degraded park areas or adjacent to the parks for the purpose of awarding concessions -- particularly to private sector hotel operators. Existing laws will require revision for the authority to build within a park and complicated jurisdictional authority issues over land outside the park require resolution. USAID leverage with the GOM will prove helpful. ANGAP will require training and technical assistance to prepare concession packages and then announce and award the concessions. A series of two day workshops for ANGAP staff, the private sector and NGOs to diffuse knowledge regarding the necessity for concession agreements and explain the processes and procedures for awarding concessions will be held. The issue of park entrance fees should also be revisited.

IR 3.3.5 Effective Financial Management Systems in Malagasy NEAP Institutions

Support for Designing and Introducing Financial Management Systems

The external financial audit will identify the reporting needs to implement NEAP financing mechanisms. Financial management systems can then be designed to address the particular needs of each institution and introduce approximately standardized systems. A procedure manual will be prepared for each institution. The reporting system will require periodic financial reports. Initially the reports could be biannually and then become quarterly. The systems will take into consideration the on-going decentralization process and in this regard indicative activities are proposed below.

- * Pilot project regional offices prepare weekly reports.
- * National office receives and computerizes regional office reports and produces consolidated statements
- * Pilot project regional offices prepare reports with a narrative of key statistics, receipts, and payments, cash position, projections for the next reporting period and any issues that may have arisen.
- * Quarterly and annual reports generated by aggregating the statistics from the weekly and monthly reports.

ANNEX 3

FINANCIAL ANALYSIS

Environmental financing mechanisms must be identified and systems implemented and/or strengthened in order for the targeted NEAP implementing institutions to use scarce financial resources in the most effective and productive manner. Long-term financial sustainability will prove critical since bilateral and multilateral donors will provide less assistance in the years to come. However, the interventions to support the development of the financial mechanisms will prove of very limited value without accountable, transparent financial management in place at ONE, ANGAP and MEF. Financial management systems - including accounting, financial reporting and auditing systems - require further development and consolidation.

The generation of revenue from forestry resources will help finance the management and protection of natural forests and facilitate the financial sustainability of the MEF. Forestry concession agreements awarded through an auction or bid system which will increase the price of timber so as to more closely reflect the market value of timber. The MEF plans to conduct its first auction or bid for a forestry concession in 1998. This represents a very positive development.

ANGAP needs to undertake revenue raising initiatives to assist with its financial stability. But the feasibility of ANGAP ever generating sufficient revenue to ensure its financial sustainability remains doubtful. Consequently, an endowment provided by the donor community to support parks and protected areas will contribute greatly to the protection of Madagascar's unique biodiversity.

The report prepared by Lynn Ellsworth, "An Endowment for ANGAP?" provided direction for establishing an endowment. The situation has become more complicated since this report was prepared. ANGAP will likely become a government office and it would prove problematic to have an offshore hard currency endowment. The issue will need to be discussed as to whether to establish a charitable legal entity to house the endowment (Malagasy or international) or to open a window with an existing organization (Malagasy or foreign). An additional issue concerns whether to designate ANGAP as a beneficiary, or whether the endowment should fund the protection and management of parks and protected areas.

Green taxes, such as the proposed airplane ticket tax, will not be feasible. ANGAP, in particular, was interested in this mechanism. Such taxes prove problematic, since the National Assembly would need to pass a law and many Malagasy believe the donor community already puts too much emphasis on parks and protected areas. The ministries with the financial portfolio would object that such a dedicated tax is not good public policy and the tourism industry believes that it is already taxed enough. The revenue collected would have to go into a general revenue account. The law could specify that the revenue then go to ANGAP or for park protection activities, but following up to ensure this happens would prove problematic.

The fee for an environmental impact assessment (EIA) represents the primary source of revenue that ONE could conceivably generate domestically in the short to medium term. Unfortunately, expectations as to the revenue EIA will generate are perhaps overly optimistic. Numerous problematic issues arise concerning the 0.5% EIA fee the MECIE Decree requires for development activities. The GOM NEAP implementing institutions will need to resolve these issues.

ONE will benefit from activities proposed under IR 3.4.3. The activities to develop EIA capacity presented will proceed. EIA represents the first step in developing an environmental regulatory regime and should be supported. Furthermore, IR 3.3.3 will assist ONE to develop and implement financial management systems to manage effectively its financial resources.

ONE and the sectoral ministries, notably the Ministry of Environment and the Ministry of Energy and Mines, have different views as to how the money will be allocated among the GOM NEAP implementing institutions. This proves symptomatic of the larger unresolved issue of which GOM NEAP institutions will have jurisdictional authority over the various components of the environmental portfolio.

The 0.5% fee for an EIA represents the high end for EIA fees. In addition, ONE is considering a requirement that a developer post an environmental performance bond. Such a bond may be a good idea, but the costs for the developer begin to accumulate. At some point, these costs and the possible fees required by the other ministries become a deterrent to investment activities.

While the 0.5% EIA fee is high, ONE will likely lose money on EIA. The expense for conducting an EIA for small development activities, will exceed the 0.5% fee collected. The MECIE decree requires an EIA for all development activities, regardless of size. There may be the possibility of using an Arrete to define the size of the project requiring an EIA, but this issue will likely not be resolved soon. Consequently, large development activities would be necessary to generate sufficient revenue. A plethora of large development activities do not appear on the horizon. The Phelps Dodge mining project and the Qit Fer mining project represent the primary anticipated source of EIA revenue -- estimated at US\$ 5 million. But Phelps Dodge has yet to make a definitive decision as to the financial viability of this project and whether to proceed. ONE could still collect the fee if Phelps Dodge goes ahead with the EIA, but then decides not to proceed with the venture.

Some countries have used fees for discharge permits and fines based on the polluter pays principle as revenue sources for national environmental funds. Such instruments, however, require an effective environmental regulatory regime with well-defined standards, which does not currently exist in Madagascar.

ANNEX 4

STAKEHOLDER ANALYSIS

This analysis provides a rapid overview of activities and approaches proposed in the RPPD from the perspective of different stakeholder groups.

1. NEAP AGEX

Most activities are targeted specifically at NEAP agencies, notably ONE, ANGAP and MEF. Other AGEX will be able to benefit from services provided under the program, to the extent that training and workshops, for example, can accommodate more participants. Some activities, such as communication and policy, have specific elements that are intended to improve functional relationships between AGEX. CFSIGE will benefit directly from the EIA short course training. It may also be a partner for the proposed approach to implementation (i.e. a partner with the technical assistance team). NEAP AGEX, with the exception of ONE, will not have technical assistance directly located within their organizations, so immediate day-to-day access may be more difficult, but having a client-based assistance strategy should help AGEX focus on prioritizing short- and long-term needs and promote the long-term viability of the organizations.

2. Government ministries

Government ministries will also benefit from technical assistance and training, to the extent that they are involved in environmental issues. Although the Ministry of Environment is not explicitly targeted, it could be that activities do support this ministry, once it becomes clear what their precise role, e.g. in EIA becomes. Awareness-raising activities that highlight the importance of environment in sustainable development in Madagascar must involve GOM ministries. The USAID/Madagascar SO3 has the potential to directly inform and contribute to important policy such as decentralization and land tenure, as well as individual sectoral investment projects, such as the Qit-Fer Ilmenite mining project.

3. NGOs

The establishment and success of Tany Meva should encourage NGOs to look at financial and institutional sustainability issues. Furthermore, Tany Meva should make more effort to reach and form partnerships with NGOs. NGOs may have some concern that Tany Meva will "suck up" available funds for the environment in Madagascar, leaving them little. This is a valid concern that needs to be addressed. Communication, and particularly environmental education has been something that NGOs have been particularly involved with in Madagascar, and they will continue to be important partners in this area. NGOs should have more access to technical assistance and training that is located outside of NEAP AGEX, rather than inside. Criteria and modalities of assistance will have to be clarified. Revision of not-for-profit law proposed under RP#2 will also benefit NGOs.

4. Private Sector

The private sector will benefit in a variety of ways from the proposed program. Directly, the EIA component explicitly targets capacity building in the private sector through the development of a cadre of trained experts capable of undertaking EIA. It is planned that the approach to be used for providing services under the program involves partnerships and capacity building for Malagasy private sector firms, including accounting firms but also other consulting groups. The private sector, in the form of potential investors, may be discouraged by the current EIA legislation, seeing it as a disincentive. It is up to ONE and others to make sure that EIA is a positive development for more cost-effective and locally acceptable investment projects that is in the long-term interest of the country. Environmental standards need to be pragmatic in this sense, and adapted to the realities of the Malagasy situation.

5. Communities

Communities will be a primary focus of RP#1 activities, and to the extent that RP#2 activities reinforce and complement these activities, they will directly benefit. Support to EIA, forestry revenue raising activities, park concession fees will also have indirect impacts on communities. In the case of EIA, support to communes can be envisaged. Linkages between environmental and decentralization policies should address community rights and responsibilities regarding natural resource revenue generation and use. The Social Soundness Analysis of the KEPEM Program document provides more detail on community issues.

6. General Public

The general public should benefit from the improved environmental conditions, both locally and nationally as a result of the development of environmental policies and standards and as a result of effective EIAs. However, care must be taken to not to discourage badly-needed economic investment, but rather to promote more sustainable development. Awareness-raising of this issue is planned under the program.

ANNEX 5

RP#2 DESIGN TEAM - MARCH 9 - 27 WITH LIST OF ATTENDEES

Friday, March 6th

10:10pm Arrival of Spike Millington at Ivato

Saturday, March 7th

12:00 - 2:00 Meet with Skip Waskin, Assistant Director and Share Maack, RP#2 Team Leader (Spike)

4:00 - 6:00 Meet with Lisa Gaylord, RP#1 Team Leader (Spike)

Read Documents

Sunday, March 8th

9:35am Arrival of Christine Bernadeau and Gene Gibson at Ivato

11:30 - 12:30 Meet with Helen Gunther, SO3 Team Leader
Read Documents

Monday, March 9th

8:00 - 9:30 Meet with SO3 (Biologically-Diverse Ecosystems Conserved in Priority Conservation Zones) Team and RP Team Leaders

Subj: SO3 Overview

Who: Helen Gunther, SO3 Team Leader
Share Maack, RP#2 Team Leader
Lisa Gaylord, RP1 Team leader
RP2 Design Team

Where: Helen's office

9:30 - 10:00 Meet with Front Office Team

Subj: Design Team Overview

Who: Karen Poe, Director
Helen Gunther, SO3 Team Leader
Skip Waskin, Assistant Director
RP2 Design Team

Where: Karen's office

10:00 - 11:30 Meet with RP#2 Team

Who: Share/ Josoa/Jennifer/ RP2 Design Team

Where: Annex Conference Room

11:30 - 12:30 Meet with RP#1 Team

Who: Lisa/ Share/ Dale/Lynn/ Sahondra/ Jo/Lucien/ Zoely/ Jennifer/ RP2 Design Team
Where: Annex Conference Room

Lunch

2:15 - 3:00 Courtesy call to DG and DGA of ANGAP
Subj: Sustainable Financing/Policy/Financial System
Who: Rasolofo Andriamahaly, DGA
Faramalala Miadana Harisoa
Share/ Lynn/ Adèle/ RP2 Design Team
Where: ANGAP

4:00 - 5:00 Meet with Skip
Subj: PDO issues
Who: Skip/ Helen/Share/ Jennifer/ RP2 Design Team
Where: Skip's office

Tuesday, March 10th

10:00 - 10:30 Howard Perlow, Chargé, AMEmbassy
Peter Barlerin, Econ & Comm Officer
Helen/Lynn/Josoa/Jennifer
Spike/Christine/Gene
AMEmbassy

11:15 - 12:00 Meeting with Tany Meva Team
Subj: Sustainable financing
Who:
TANY MEVA: Laurent Rasolofonirina, Tany Meva Executif Secretary
Alfred Andriamoeliarivony, Responsable de la Communication & Fund
Raising
Voahangy Rabefarihy, Responsable de Subvention
Bodo Rasendrasoa, Resonsable Finance
USAID: Helen Gunther, USAID/NRO
Share Maack, USAID/NRO
Lynn McCoy, USAID/NRO
Josoa Razafindretsa, USAID/NRO
Jennifer Rabesahala, USAID/NRO
DATEX: Spike Millington, DATEX Team Leader
Christine Bernardeau, DATEX Team
Gene Gibson, DATEX Team
Where: Tany Meva

Lunch Lunch at Helen's place
RP2 Design Team/Helen/Share/Lisa/Lynn/Josoa/Jennifer

3:00 - 4:30 Meeting with technical Staff of MEF
Subj: EIA/Sustainable Financing
Who:

MEF: Noël Randrianandianina, Director of DGDRF
Monique Radiarisoa, DPEE
Véronique Razafindratsimba, DGDRF/SGRF
Fidy Andriamananoro, DPSE/SSE
Benjamin Razafindrakoto, DPSE/SSE
COEFOR: Denoît Delaite, CTP/COEFOR/KEPEM
WWF/DN: Georges Rakotonarivo, Dette Nature
DATEX: Spike Millington, Team Leader
Gene Gibson,
Christine Bernardeau
USAID/NRO: Josoa Razafindretsa
Lynn MacCoy
Sahondra Andrianarivony
Zoelimalala Ramanase
Jennifer Rabesahala

Where: MEF

6:00 - 8:00 Meeting with Egide Cantin, Technical Advisor of Tany Meva
Gene Gibson
Tany Meva

Wednesday, March 11th

7:30 - 8:00 Breakfast with Lisa Gaylord

Who: Lisa/ RP2 Design Team

8:00 - 9:00 Meet with Greg Woodsworth, EPIQ IQC Policy/EIA Advisor to ONE
Subj: Policy including Biodiversity/ EIA/ Regional Development
Who: Share/ Lynn/ Josoa/ RP2 Design Team
Where: ONE

9:00 - 10:30 Meeting with Policy Strategy Instrument (PSI) Team of ONE
Subj: Policy/ EIA
Who:

ONE: Gregory Woodsworth, Policy Advisor
Henri Rakotobe, Director of Politiques Environnementales
Claudine Ramiarison, Chef Cellule PSI
Levy Rakotoarison, Chef Cellule MECIE
Harizo Rasolomanana, Cadre EIE
Feno Jean-Paul, Cadre EIE
Francis Andrianarison, Economiste DPED
Nirina Rakotomalala, Juriste
Jean-Pierre Randrianasolo, Economiste
Paul Andrianaivomahefa, Cadre Appui Technique
USAID: Share Maack, NRO
Lynn McCoy, NRO
Josoa Razafindretsa, NRO
Jennifer Rabesahala, NRO
DATEX: Spike Millington, Team Leader

Christine Bernardeau
Gene Gibson

Where: ONE

10:30 - 12:00 Meeting with the AGERAS team with PSI Participation

Subject: Eco-regional planning

Who:

ONE: Vololoniaina Rasoarimanana, AGERAS National Coordinator
Henri Rakotobe, ONE/PSI/MECIE
Claudine Ramiarison, Chef Cellule PSI
Feno Jean-Paul, cadre EIE
Jean-Pierre Randrianasolo, Economiste
Paul Andrianaivomahefa, Cadre Appui Technique
Francis Andrianarison, Economiste DPED
Harizo Rasolomanana, Cadre EIE
PACT: Paul Cowles, NR Management Advisor
Jean Michel Dufils, PACT/TFMT, EIS Advisor
USAID: Share Maack, NRO
Lynn McCoy, NRO
Josoa Razafindretsa, NRO
Jennifer Rabesahala, NRO
Adele Rahelimihajandralambo, NRO
Zoelimalala Ramanase, NRO
DATEX: Spike Millington, Team Leader
Christine Bernardeau
Gene Gibson

Where: ONE

12:00 - 2:00 Lunch with Multi-Donor Secretariat

Who: Andrew Keck/ Bienvenu Rajaonson/ Helen/Share/ Josoa/ RP2 Design Team

Where: Chalet des Roses Antsahavola

2:00 - 3:30 Monitoring & Evaluation Working group

Subj: M&E

Who:

Monitoring & Evaluation working group:
Vololomihaja Rasamimanana, Chef de Cellule Suivi-Evaluation, ONE
Herivololona Ralalarimanana, Ministry of Environment
Jacques Daniel, Ministry of Environment
Alain Madhow, Chef de Cellule SIE, ONE
Tovondriaka Rakotobe, ANGAP/CSE
Benjamin Razafindraketa, MEF/CSE
Tiana Andriamihaja, ANGAP/ACSE
Henry Lala Razafitsialonina, Chef de Cellule Consolidation et Exploitation du Suivi,
ANAE
Bénie Vonjy Razafindriaka, AGERAS/ONE
Roussetot, FTM
Narizo Rahaingoalison, FTM
Tsilavo Ralandison, CFSIGE
Fanja Rahantamalala, CFSIGE
Jean Roland Randriamaro, CFSIGE

Andrew Keck, SMB
USAID: Helen Gunther, USAID/NRO
Share Maack, USAID/NRO
Josoa Razafindretsa, USAID/NRO
Lucien Rakotozafy, USAID/NRO
Lynn McCoy, USAID/NRO
Adèle Rahelimihañdralambo, USAID/NRO
Zo Randriamaro, MER Specialist, USAID
Jennifer Rabesahala, USAID/NRO
DATEX:Spike Millington
Christine Bernardeau
Gene Gibson

Where: Annex Building Conference Room

Thursday, March 12th

8:00 - 9:00 Courtesy meeting with DG and DGA of ONE
Subj: Policy/Environmental Impact Assessment (EIA)/ Sustainable Financing/
Communication/Monitoring
Who: Alfred Rakotonjanahary, DG ONE
Jean-Chrysostome Rakotoary, DGA ONE
RP2 Design Team
Helen/ Share/ Lynn/ Josoa/ Adèle/ Jennifer
Where: ONE

9:30 - 10:30 Communication Working Group

Who: Communication Working Group Team/ Adèle/ Zoely
Where: ONE

9:30 - 10:00 Meeting with Technical Advisor of Tany Meva
Subj: Sustainable Financing
Who: Egide Cantin/ Share/ Lynn/ Josoa/ Jennifer/ Gene Gibson
Where: USAID Annex Conference Room

10:00 - 12:00 Sustainable Financing

Who:
USAID: Jim Funkey, Camille Rajonhson, CONT
Josoa Razafindretsa, Share Maack, NRO
ONE: Angelin Randrianarison, DAF
Jean Pierre Randrianasolo
Lucien Ralaisaholy
Francis Andrianarison
TANY MEVA: Egide Cantin
Laurent Rasolofonirina
PACT: Patrick Brenny, Chief of Party
Where: USAID Annex Conference Room

2:45 - 3:00 Meet with Paige Carlson
Josoa/Gene Gibson
PACT

- 3:00 - 4:00 Meet with George Razafimanantsoa
Joso/Gene Gibson
ANGAP
- 4:00 - 5:00 Laurent Bonneau
Who: RP2 Team Design/ Helen/Joso
Where: Mission de Cooperation Française
- 7:00 - 9:00 Meet with Jean-Michel DuFils, TMFT/PACT
Spike Millington

Friday, March 13th

- 9:30 - 11:30 Meeting with Benoit DeLaite, COEFOR/MEF
Spike Millington
Gene Gibson
Christine Bernardeau
Adele
- 3:00 - 4:00 Attend the BSP debriefing on Ecological Monitoring
Who: All Mission/ Jean-Michel Dufils
Where: Annex Conference Room

Saturday, March 14th

- 10:30 - 12:30 Jean Chrysostome, DGA ONE
Spike Millington
ONE

Monday, March 16th

- 8:30 - 9:30 Raymond Rakotonindrina, DG ANGAP
Spike/ Lisa, Lynn, Jennifer, Adèle
ANGAP
- 10:00 - 11:00 André Rajaona Ratsimisetra, Director of Foreign Service and External Debt
Gene/ Joso
Central Bank
- 12:00 - 12:30 Presentation of Preliminary Outline to USAID

Lunch

- 2:30 - 3:30 Levy, MECIE ONE
Christine/ Joso
ONE
- 3:00 - 4:00 Peter Barlering, Econ & Comm Officer
Gene/Joso
AMEmbassy

4:00 - 5:00 Alphonse, ANGAP
Ankarana
Christine

5:00- 6:00 Jean-Chri Rakotoary, DGA
Spike Millington
ONE

7:00 - 8:00 pm Vololona Rasaminanana, AGERAS
Christine
ONE

Tuesday, March 17th

9:00 - 10:00 Jocelyn Rafidinarivo, President of CNE Board & SG of Ministry of Budget
Spike, Gene/ Joso/Adele/Didier
Ministry of Budget

11:00 - 12:00 Elisé Rakotomamonjy
Environmental Economic
Christine/Jennifer
ONE

Lunch Lunch with the RP#2 Team @ Share : 12:30 - 14:15
Spike/Christine/Gene/Share/ Joso/Adele

2:45 - 3:30 Meeting with Skip
Spike/ Helen, Share, Jennifer

4:00 - 6:00 Alfred Rakotonjanahary, DG ONE
Spike/Christine
ONE

Wednesday, March 18th

8:00 - 9:00 Willy Ranjantoelina, GLW Conseil
Christine/Jennifer
USAID

9:15 - 9:45 Levy, MECIE/ONE
Christine/Jennifer
ONE

8:30 - 9:30 Sahondra Rasoarisoa, Cabinet Deloîte
Gene/Joso/Didier
Cabinet Deloîte, Tsaralalana

8:30 - 9:30 Communication Working Group
Spike/ Adèle, Zoely
ONE

10:30 - 11:30 Sylvère Rakotofiringa, SG of Environment

Spike/ Christine/ Gene/
Ministry of Environment

Lunch

- 2:30 - 3:30 Monique & Nivo, MEF
Mecie, Environmental Cellule
Christine/Josoa
MEF
- 2:30 - 3:30 Noel & Philbert
Concessions
Gene
MEF
- 3:45 - 4:45 Mr. Hussein
Christine/Jennifer
CFSIGE, Ambatobe
- 3:30 -4:30 Chris Juliard, Chief of Party of Chemonics
Spike/Adele
Chemonics
- 3:30 - 4:30 Lydie & Fara, MEF
National Forestry Funds
Gene/Zoely/Didier
MEF

Thursday, March 19th

- 8:30 - 9:30 Ranaivoson Jean Noel, Directeur Dettes Publiques (DDP)/Trésor
Gene/Josoa/Didier
Trésor
Ministry of Finance
- 10:00 - 11:00 Hilarion Razafimandimby, DG of MEF
Josoa/Helen/Lynn/Zoely/Adele/Didier
Spike/Gene/Christine
- 11:30 - 12:15 Monique Andreas, DG Decentralization
Spike/Gene/Adèle
Ministry of Finance

Lunch

- 3:00 - 4:30 Laurent Rasolofonirina, Tany Meva
Gene/Josoa/Didier
Ivandry
- 4:00 - 5:00 Meet with Levy, ONE
Christine/Jennifer

Friday, March 20th

- 8:15 - 9:00 Angelin Randrianarison, DAF/ONE
Gene/Josoa/Didier
ONE
- 8:30 - 9:30 Alain Dasso
Christine/Jennifer
Comptoir de l'or, Ampandrianomby
- 9:00 - 10:00 Claudine Ramiarisoa, PSI
Spike/Adele
ONE
- 9:00 - 10:00 College of Directors
Financial Sustainability
Who: Jean Angelin Randrianarison, ONE
Rakotoson, FTM
Jeannine Ranivoarimalala, CPF
Thomas Andriamandimbarisoa, ANGAP
Adeline Rajoarimanana, DGEF
Hanitriniala Randrianarivo, DGEF
Vololona Rajaonson, ANAE
Haritiana Rajaonarisoa, CPF
Tsilavo Ralandison, CFSIGE
Lucien Ralaisaholy, ONE
Gene Gibson, DATEX
Didier Rapanoelina, USAID Translator
Where: ONE
- 10:00 - 11:00 Alfredo Tsaramaody, Min Industry
Cellule Environnementale
Christine/Jennifer, Min. Industry
- Lunch*
- 2:30 - 3:30 Alain Randriamaherisoa, EIA
Christine/Jennifer
ANGAP
- 2:30 - 3:30 Zaza Ramandimbarison, DG AGETIPA
Gene
Tsimbazaza
- 5:00 - 7:00 pm Chris/Greg/Paul/Jean-Michel
Spike
At Paul Cowles's place
Ambohitrahaha

Tuesday, March 24th

- 11:00 - 12:00pm Mme Razanamanana, DG Tourism
Cellule environnementale

Christine/Sahondra
Ministry of Tourism

3:30 - 4:30pm SG of Environment
Spike/Josoa
Ministry of Environment

Wednesday, March 25th

3:00 pm Briefing Meeting with PDA staff
Spike, Gene, Christine/Helen, Adèle, Jennifer

Thursday, March 26th

10:00 am Jim Funkey, Controller
Spike/Gene

Friday, March 27th

8:00 am Mission Briefing on conclusions of RP2 Design
Final English deliverables submitted to USAID

Saturday, March 28th

12:40am Departure of Christine

Monday, March 30th

11:00am Departure of Spike

April 10th French version of all deliverables to USAID