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Bureau for Africa

MADAGASCAR

INTEGRATED

STRATEGIC PLAN

FY 2003-2008

November 2002 (Revised)

USAID/Madagascar
Antananarivo, Madagascar

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MADAGASCAR STATISTICS

December 6, 2002

INDICATOR	MADAGASCAR	LOW-INCOME COUNTRIES*
GNP per capita 2000	\$260	\$410
Average annual growth rate of GNP per capita		
1985-95	-2.2%	-1.4%
1998-99	2.3%	2.5%
Average inflation rate		
1991-01	16.6%	
1997-01	7.8%	
Gross domestic investment, average annual growth rate,		
1980-90	1.3%	2.7%
1990-99	0.9%	-1.4%
Official development assistance, as percentage of GNP, 1998	13.5%	1.3%
Total debt service as a percentage of exports before debt relief, 2001 (estimated)	12.0%	
Gross Domestic Product (GDP), annual growth, 2001***	6.7%	
Gross Domestic Product (GDP), annual growth, 2002***	-11.9%	
Gross Domestic Product (GDP), average annual growth, 1991-2001***	2.5%	
Gross Domestic Product (GDP), average annual growth, 1991-2002***	1.2%	
Total population 2001 **	15.4 million	
Population, average annual growth rate (census 1993)	2.8%	2.6%
Percentage of population, 15-64 years, 1998	55%	56%
Urban population as a percentage of total population, 1997	29%	31%
Percentage of population below the poverty line		
1993	70.0%	
1999	71.3%	
2001	69.6%	
2001 (rural)	77.1%	
2001 (urban)	44.1%	
Life expectancy at birth		
1998 (male)	56	59
1998 (female)	59	61
Total fertility rate, Demographic Health Survey 1997	6.0	5.0
Infant mortality rate (per thousand/DHS) 1997	96	89
Under-5 mortality rate (per thousand/WDR) 2000	146	107
Adult literacy	46%	54%
Primary school enrollment rate, 1993		
female	72%	65%
male	75%	78%
Secondary school enrollment rate, 1993		
female	14%	22%
male	14%	27%

* Low-income countries comprise countries with GNP per capita of \$765 or less in 1995; figures in this column are averages of these countries.

** INSTAT projections, based on Census 1993, p.47

*** INSTAT

Source Unless otherwise specified, the source of data is the "World Development Report 2000"

**USAID MADAGASCAR
INTEGRATED STRATEGIC PLAN FY 2003 – 2008
November 2002**

PART I EXECUTIVE SUMMARY

U.S. development assistance to Madagascar supports the policy goals of promoting good governance and market-driven growth as mechanisms that will lead to better management of Madagascar's unique natural resources, an overall reduction in poverty, and a qualitative improvement in the health of the population. A successful program will have numerous ancillary benefits, such as reducing vulnerability to HIV/AIDS, improving the country's ability to manage natural disasters, and enhancing its attractiveness as a commercial partner for the U.S.

Madagascar is one of the world's top three "biodiversity hotspots." Poverty, unproductive agriculture, and weak governance continue to threaten the country's natural resource base and its unique biodiversity. The vast majority of Madagascar's fast-growing population depends on low-productivity, extensive agriculture for its livelihood. Yet this is the main and most severe source of environmental degradation. Deforestation, bush fires, and extensive cropping of marginal lands result in destruction of the ground cover necessary to prevent soil erosion, which in turn contributes to watershed instability, more topsoil loss, and smaller forests.

Madagascar's economy has considerable untapped potential. For example, AGOA-induced investments in Madagascar increased exports to the U.S. by 96.6% in 2000 and 72.3% in 2001. This activity also created over 60,000 jobs—making Madagascar one of the most successful beneficiaries of AGOA. Textiles and clothing accounted for the majority of this export growth.

Almost 70% of Madagascar's people lived in poverty in 2001, making it one of the poorest countries in the world. Poverty is most widespread in rural areas: 75% of the rural population live below the poverty line, compared to 50% in urban areas. Forty-six percent of adults are illiterate. Infant, child, and maternal mortality rates remain very high; life expectancy at birth is only 58 years (see Annex 6). This dire social situation springs mainly from the combination of low economic growth—itsself in large part a result of the country's 20 years of failed socialist policy—and an average annual population growth of 2.8%.

Conflict over the disputed December 2001 presidential election, though largely resolved, has had dramatic impacts on Madagascar's economy and on its poor. The economy contracted by an estimated 12% in 2002, and over 100,000 people lost employment in the formal sector. Agricultural production and rural incomes were adversely affected, and health and nutritional status—already low—has deteriorated. The distress of the Malagasy population, combined with a legacy of corruption, presents challenges for the new administration in its efforts to establish good governance and restore economic growth.

Against this backdrop of social change and poverty, USAID/Madagascar sees hope, and sets its plans for the future. There is new opportunity in the political transition, and new prospects for growth and sustainable development. The Mission is nearing the end of its Country Strategic Plan FY 1998 – 2003. Over the course of the last two years much thought and planning has gone into preparing the Mission’s new Integrated Strategic Plan for fiscal years 2003 – 2008. The ISP process, which was interrupted by the eight months of instability that flowed from the election crisis, has resulted in a new Mission Goal: “Sustainable and Inclusive Economic Development.”

This new goal complements and builds upon the Mission’s current goal of reducing poverty, and aligns well with host country priorities, U.S. foreign policy, and USAID Agency goals. This statement underscores the importance of economic and democratic transformation that involves and benefits all segments of society and is sustainable, both environmentally and in its respect for the aspirations of the Malagasy people.

The new ISP proposes the following four strategic objectives (SOs):

- SO 4: “Governance in Targeted Areas Improved” (Democracy and Governance, or DG);
- SO 5: “Use of Selected Health Services and Products Increased, and Practices Improved” (Health, Population and Nutrition, or HPN);
- SO 6: “Biologically Diverse Forest Ecosystems Conserved” (Environment and Rural Development, or Env/RD); and
- SO 7: “Critical Private Markets Expanded” (Madagascar Agriculture and Trade, or MAT).

The gist of the **Democracy and Governance** SO is that the weakness of the country’s democratic institutions, compounded by a lack of good governance, hampers economic development and reduces any program’s chances for success. The DG SO will pursue its goal of improved governance through intermediate results aimed at building a deeper and stronger civil society, increasing information flow, and increasing government responsiveness.

The **Health, Population and Nutrition** SO will emphasize STI/HIV/AIDS prevention and management, public health systems strengthening, and expansion of private sector health services to continue to improve child, maternal, and reproductive health and nutrition. It will do this through the following intermediate results: Demand for Selected Health Services and Products Increased; Availability of Selected Health Services and Products Increased; Quality of Selected Health Services Improved; and Institutional Capacity to Implement and Evaluate Health Programs Improved.

The focus of the **Environment and Rural Development** SO will be on conserving Madagascar’s biologically diverse forest ecosystems. According to lessons learned, the most efficient and effective way to do this is through an ecoregional conservation and development

approach (see Annex 8). This approach conserves critical biodiversity habitats by linking sustainable management of natural resources with environmentally sensitive development, thus improving people's livelihoods. Five intermediate results are planned: Improve Forest Management System; Maintain Biological Integrity of Critical Biodiversity Habitats; Alternatives Adopted to Reduce Slash and Burn Farming; Increase Investment Initiatives and Partnerships in Natural Resource Management; and Improve Environmental Governance.

The Mission's new program in **Agriculture and Trade** will concentrate on accelerating economic growth through market development and trade. Its intermediate results are: Improved Agricultural Production Practices; Increased Agribusiness Efficiency; Increased Trade Flows in Selected Commodities; and Selected Policy, Regulatory, and Procedural Changes. This SO grows out of and will complement activities to protect critical biodiversity.

In addition, USAID's last 10 years in Madagascar have demonstrated that there are strong cause and effect linkages within and between these strategic objective sectors and a number of vital cross-cutting areas. Under the ISP the Mission intends to continue its innovative cross-sectoral efforts in the areas of food security, HIV/AIDS prevention, good governance, Information and Communications Technology, disaster and conflict vulnerability, gender equity, and public-private alliances. Each Strategic Objective will also incorporate a "crisis modifier," which will facilitate the reorientation of program resources to crisis response in the event of conflict or natural disaster.

Finally, the Mission presents its proposed ISP as a sustainable development, scenario-based strategy. As prescribed in the Parameters Guidance (see Annex 3), the proposed strategy sets forth a range of three different funding and staffing levels, and includes a management structure for each of the three scenarios.

PART II ASSISTANCE ENVIRONMENT AND RATIONALE FOR STRATEGIC CHOICES

A. Assistance Environment

1. Political Trends

Madagascar is emerging from an eight-month period of political instability. The crisis began following the disputed presidential election in December 2001. It escalated from massive public demonstrations calling for greater transparency in the vote count, to general strikes, economic blockades, and ultimately intimidation and some violence; a breakdown of governmental authority followed. Mediation attempts by the Organization of African Unity and others failed, and the situation became increasingly tense. Roads, ports, and airports were blocked, disrupting transportation and the flow of fuel and basic commodities from the coast to the high plateau. Following the June 2002 recognition of Marc Ravalomanana over Didier Ratsiraka as president, more than 400 people were arrested. Many of these arrests appear arbitrary.

The government of President Ravalomanana is now firmly in control. It enjoys broad support among the Malagasy people, and normal relations with most Western countries. It has stated its commitment to restoring economic growth, improving social services, eradicating corruption, and adopting transparent government systems. As an example: in September 2002 the Council of Ministers adopted a decree requiring high public officials to document their financial status.

To consolidate these democratic gains, the new government must be able to produce results—to demonstrate that “business has changed.” Many of the new leaders, however, are inexperienced in national politics. They have inherited a country in severe economic and social crisis, and a government not fully supported by other African states. In addition, many of the democratic weaknesses inherent in the old system of government persist, and contribute to Madagascar’s vulnerability to internal conflict (see Annex 10/Post-Crisis Political Issues):

- **Rule of Law:** The Constitution calls for judicial independence. In reality, judges are subordinated to an administrative hierarchy dominated by the Executive Branch.
- **Decentralization:** The Constitution calls for autonomous provinces within a unitary state. The old regime attempted to “deconcentrate” power, placing party members in key local positions. It remains unclear how successfully the future decentralization process will devolve decision-making and finances to local authorities.
- **Civil Society:** While the role of civil society has been increasing during the past decade, it remains mostly limited to urban centers. Its ability to act as an effective advocate or counterweight to governmental power is still weak. Independent sources of information also remain limited outside of Antananarivo.

President Ravalomanana has called for National Assembly elections in mid-December 2002. This will be the first major test of his government's commitment to democracy. In the aftermath of the last presidential election, expectations are high to see a free, fair, and representative

legislature seated. It is widely expected that these elections will consolidate President Ravalomanana's popular mandate through 2006.

2. Economic Environment

Madagascar, a low-income country with a GDP per capita of \$260, has over the past three decades, seen a decline in real per capita income of almost 50%. According to the National Institute for Statistics (INSTAT), 69.6% of the population lived below the poverty line in 2001 (defined here as consumption of a minimum daily requirement of 2,100 calories)—and this was before the recent months of political turmoil slowed the economy even more. Education and health indicators, including literacy rates and life expectancy, are at or below averages for Sub-Saharan Africa, and access to basic public services is scarce. This is especially true in rural areas, where 85% of Madagascar's poor live.

On the positive side, Madagascar undertook significant reforms to liberalize its economy during the 1990's. As a result, GDP growth between 1996 and 2001 averaged 4.7%. This represented—in light of 2.8% annual population growth—an increase in GDP per capita. Average inflation during the same period was in single-digits at 7.8%. The GOM also made progress in fiscal management (a deficit of nearly 3% in 2001 compared to 5% in 1996). These accomplishments, though, have not yet had a major impact on overall poverty. Recent findings show that while macroeconomic policies have had some effect in reducing urban poverty, they have had little impact in rural areas; economic growth has also benefited richer households more than poorer ones.

- **Agriculture** plays a central role in Madagascar's economy. From 1996-2001, agriculture's share of total output (30% in 2000) declined slightly, but it remains the mainstay of the economy: Agriculture contributes more than 60% of the country's export earnings (see Annex 9).
- **The industrial sector**, accounting for 13% of output in 2000, grew by 7.6% in 2001. This was mostly due to the strong performance of the food, tobacco, and beverage industries and the growth of the free trade zone; the textile industry in the latter was a major source of new employment, growing by 40% in 2001.
- **The service sector**, accounting for 57% of output, increased steadily—4.6% growth in 1997; 6.1% in 2001—and was the economy's major source of growth (service sector expansion was led by the tourism industry, transport services, telecommunications, and construction).
- **The African Growth and Opportunity Act (AGOA)** fueled economic growth in Madagascar and provides real opportunities for further expansion. The degree to which this dynamic will continue depends largely on how competitively the country bounces back from the 2002 crisis, and how successful it is in attracting new (and retaining current) foreign investment.

Estimates for 2002 indicate a contraction of Madagascar's GDP by 11.9%, mostly in the industrial and service sectors. The industrial sector was virtually paralyzed and has declined by nearly 25%,

while the service sector contracted by 12.5% (tourism, transport, and construction operated at around 20% of capacity during the crisis). Free trade zone (primarily textile) production also dropped dramatically: an estimated 80% of the 100,000 workers in this sector are out of work or are working reduced hours. The GOM estimates that it will take up to a year to restore export orders and attract new investment in a sector that was, until recently, thriving.

Despite this picture, there is a sense in Madagascar that the country is now more surely placed to pursue a course of equitable growth. In September 2002 the GOM renewed its commitment to poverty reduction under the Highly Indebted Poor Countries (HIPC) Initiative, and plans to finalize its Poverty Reduction Strategy Paper (PRSP) in December 2002. And in November 2002 the GOM/World Bank program was restructured to promote economic recovery, improve social services, and reduce poverty.

3. Environment

The island of Madagascar (about twice the size of Arizona) has been cited as the highest biodiversity priority in Africa—and among the top five globally—by international conservation organizations. Its owes this status to its unique combination of high diversity, endemism, and degree of threat. More than 80% of Madagascar's flora and fauna are found nowhere else in the world. Some taxonomic groups, including reptiles and amphibians, are over 95% endemic. The country's original flora and fauna evolved largely in isolation for 160 million years, proliferating into a wide array of unusual and often unique organisms. All of this combines to make Madagascar especially important to the United States:

- the island is one of the top locations on the planet for adding to the world's knowledge of evolution; and
- it provides a storehouse of plants and animals not yet known to science that could lead to cures for major diseases.

Madagascar's forests are also extremely important to the island itself. They are complex biological systems that provide society with a wide range of essential products (including timber, fuel, food, medicine, and raw materials). Forests provide critical ecological services to the island, such as soil formation and nutrient cycling, pest and pathogen control, pollination, climate regulation, and maintenance and control of water flow and quality.

Unfortunately, Madagascar is also noted for its high degree of environmental degradation (see Annex 8). The area covered with primary natural forest has declined from about 25% in 1950 to less than 15% today. Forest destruction is eliminating viable habitat critical to innumerable plants and animals. Poverty, unproductive agriculture, high population growth, inappropriate national policies, and weak governance also threaten Madagascar's natural resource base in a number of ways. These include encouraging slash and burn agriculture, deforestation, unsustainable forest management, and habitat loss. This, in turn, leads to plant and animal extinction, watershed degradation, erosion, soil fertility loss, vulnerability to conflict and disaster, and a further increase in poverty.

Madagascar is suffering from a severe agrarian crisis as well as an environmental crisis, and the two are inextricably linked. The vast majority (70%) of Madagascar's fast-growing population

depends on traditional agriculture for its livelihood—and traditional agriculture is the main and most severe source of environmental degradation. Deforestation, bush fires, and extensive cropping of marginal lands are removing the ground cover that protects the most highly erodible soils. Degradation threatens not only biological diversity and soils but also watershed stability vital to the agrarian economy. In rural Madagascar, poverty continues to threaten the sustainability of the natural resource base. Community members need more options to utilize available natural resources in a sustainable manner. Given the widespread food insecurity at the household level, forest removal is seen as a means of survival. This is particularly true as agricultural productivity stagnates and other natural resources are depleted without long-term attention to their potential economic value as a sustainable resource. As stated in a Malagasy proverb: “Without the forest, there will be no more water; without water, there will be no more rice.”

4. Health Sector

Despite improvements in a number of health indices in recent years, Madagascar continues to face serious health sector problems. Taken together, these problems have substantial implications for the country’s economic and environmental well being and social stability. The statistics tell a chilling story:

- Infant mortality has improved slightly, but is still at 88/1,000;
- Child mortality remains among the highest in Sub-Saharan Africa (only 44% of children are fully vaccinated);
- Due to a combination of poor feeding practices and repeated episodes of diarrheal disease, respiratory infections, malaria, and other illnesses, the majority of children under five—and 50% of all children—suffer from chronic malnutrition;
- Maternal mortality is still high, with a rate of 4.88/1,000. The contraceptive prevalence rate for women in union is just over 12% nationally;
- Access to potable water has increased since 1993, but 80% of the population still has no such access; and
- While the HIV/AIDS epidemic in Madagascar is in its early stages (estimated HIV prevalence is about 1%), Madagascar has one of the highest rates of classic sexually transmitted infections (STIs) in the world. Of prostitutes in three study sites, 82% had at least one STI; in another study, 21% of pregnant women had active syphilis (see Annex 6).

The public sector and NGOs provide services at approximately 2,800 health facilities nationwide. Quality of services is often below standard, however, and basic medicines and supplies are frequently in poor supply. Approximately 65% of the population are estimated to live within a five-kilometer radius (within a one-hour walking distance) of an MOH facility. Although the number of sites providing family planning services has multiplied several times over since 1992, access to reproductive health services remains unacceptably low. Both public and local NGO

capacity to plan and manage effective programs remains weak, particularly with regard to financial and administrative management and use of data for planning. Madagascar has a limited but emergent private health sector; most of these providers are located in urban and peri-urban centers. The nationwide health infrastructure, information and logistics systems, and pre-service training programs are extremely weak.

Public sector spending on the health sector has incrementally increased as a share of GOM expenditures, from 5% in 1988 to 8% in 1994 to 10% in 2000. Now, however, in the aftermath of the recent political crisis, the new GOM faces even more serious challenges to its health sector programs. The health care finance and cost recovery system needs to be reconstructed. The overall logistics system needs to be strengthened. Salama, the central drug procurement agency, needs millions of dollars in recapitalization. The GOM has acknowledged these needs, and has stated that one of its key priorities is sustainability of the public health system. It has, for example, committed HIPC savings to the procurement of essential drugs.

5. Natural Disasters

Madagascar is vulnerable to recurring drought, cyclones, flooding, and plagues of locusts (see Annex 10 and Addendum: Mapping Disaster Vulnerability, Figure 1). For a large percentage of Madagascar's people, the damage caused by these disasters is an ever-present aspect of life; such calamities continuously undermine the nation's capacity to improve the well being of its citizens. To make matters worse, the severity of natural disaster impact and levels of human vulnerability have increased in recent decades. This is mostly due to the continuing environmental degradation of the island: deforestation, eroded soils, and contaminated surface water are among the most pressing problems. The country's physical infrastructure is dilapidated, and rapid population growth exacerbates the impact of each natural disaster that comes along. Chronic poverty and food insecurity, inadequate social services, and the physical isolation of many rural communities increase vulnerability. The severity of logistical and administrative constraints increases short- and long-term impacts and escalates the cost of disaster response: The total cost of reconstruction following a series of particularly devastating cyclones during the year 2000 was estimated at over \$128 million.

The National Strategy for Disaster and Risk Management stresses the critical link between emergency and development programs. Together, these help to reduce community and household vulnerability and facilitate post-disaster recovery. The strategy emphasizes prevention, preparedness, and mitigation. Its intent is to reduce the human, economic, and environmental impacts of natural disasters by building on—and strengthening—community coping systems.

B. Strategic Planning Process and Decisions

1. Description of the Strategic Planning Process

USAID/Madagascar started its broad process of consultative planning and analysis before the end of FY2000. Many of the studies and analyses that would eventually feed into the ISP were set into motion then, and a number of brainstorming sessions were held. This led to a Mission-wide Strategic Planning retreat in March 2001. Discussions continued all the while with

Malagasy partners, U.S. Mission Agencies, Washington staff, local cooperating partners, and private sector and international donors.

The Mission used a variety of methods to listen to and engage interested parties during the design of the ISP. These included:

- surveys to decide which development problems should be addressed (ranging from nationwide in scope to a survey of Mission FSN staff);
- committees to help shepherd the planning process (such as the in-house group tasked to ensure that the ISP dealt comprehensively with gender issues);
- workshops to elicit feedback from stakeholders (including several aimed specifically at our local PVO/NGO partners); and
- meetings with key partners (all relevant GOM ministries have been consulted).

Much of the effort expended during this process was aimed at developing linkages that would serve to multiply the effects of the various proposed programs. The next step was submission of the Concept Paper, which was reviewed in Washington in November 2001. Parameters Guidance was received in January 2002 (Annex 3).

The process slowed during the recently ended eight-month political crisis. The U.S. Mission's Ordered Departure in April 2002 depleted the number of USAID/Madagascar staff in-country, and slowed or stopped the operations of many of our local partners. Consultations with USAID/W continued nonetheless and, because of the presence in Washington of a number of Mission staff, even increased. Finally, in September and October 2002, planning parameters were revalidated, and the last of the analyses and assessments were completed. These remaining pieces of the puzzle served to augment the collaborative consulting process, and allowed the Mission to finalize the ISP for November 2002 submission.

2. Priorities of Host Country and Other Donors

Madagascar's new government presented a recovery plan to the international community in July 2002 based on a goal of "rapid and sustainable economic growth." Emergency measures were adopted to: a) support the most vulnerable in society; b) assist private sector firms in restarting production and creating employment; and c) ensure adequate public services. Good governance is at the foundation of new GOM reconstruction and development initiatives. The Government also places heavy emphasis on the improvement of transportation infrastructure as a means to achieving emergency and longer-term objectives.

The new Administration is committed to completing the preparation of a full Poverty Reduction Strategy Paper (PRSP). An Interim PRSP was completed, and Madagascar reached the Highly Indebted Poor Countries Initiative Decision Point in December 2000. The objectives of the PRSP are to accelerate economic growth for the benefit of the poor, and to improve the quality of life. This is to be achieved through three axes:

- Economic opportunity. Improving economic performance with participation of the poor (including an emphasis on rural development and the environment);

- Investing in people. Developing essential public services (including education, health, and potable water); and
- Good Governance. Putting in place an institutional framework favorable to economic growth and poverty reduction, and strengthening capacity for improved governance and relations between the government and the governed.

The United States is among Madagascar's top five donors, together with the World Bank, the European Union, France, and Japan. Donor coordination in Madagascar is highly effective. The World Bank is the largest donor by far, with a pipeline and estimated new resources of \$800 million.

Key priorities among other donors:

- **Governance:** The World Bank has identified governance as the central theme of its lending. The World Bank, IMF and the EU are the primary providers of budgetary support, and link this assistance to efforts to improve public financial transparency and accountability. The EU will support also judicial reform, and the World Bank will play a key role in efforts to clean up trade in precious and semi-precious stones. UNDP, EU, Japan, Germany, and Switzerland are partners in electoral support. Switzerland also provides assistance to NGOs.
- **Health, Population and Nutrition:** The World Bank, UN specialized agencies, and France are active partners in the health sector, in such areas as maternal and child health. The World Bank is becoming the lead donor in HIV/AIDS prevention. UNFPA is a major partner in family planning. USAID also collaborates with Japan, especially on behavioral change activities.
- **Environment:** The World Bank, the EU, UNDP, France, Germany, and Switzerland are, with the U.S., active members of the Multi-Donor Group on Environment, Rural Development and Food Security. Each of these entities actively supports the implementation of the GOM's National Environmental Action Plan as a sector program.
- **Economic Growth:** The World Bank is the most active donor in supporting emergency economic recovery efforts. The World Bank and EU are leaders in support for infrastructure, especially roads. The World Bank also supports privatization efforts. The World Bank and France provide support to the financial system, especially in the development of mutual credit institutions. Agricultural development focused on the poor is a priority of the World Bank, as well as the EU, France, and the International Fund for Agricultural Development. The World Bank is also the lead donor in the education sector.
- **Disaster Preparedness and Mitigation:** UNDP is a major partner in disaster preparedness and risk reduction. The EU has led the development of an early warning system for the drought-prone South, and, with the African Development Bank, supports ongoing efforts to contain locust outbreaks and mitigate their impacts. The World Food Program is the major

partner in improving food security for vulnerable populations. UNICEF is the key multilateral agency in water and sanitation programs.

3. Relation of Strategy to U.S. Foreign Policy

The proposed program is predicated upon U. S. foreign policy concerns in relation to Madagascar. United States development assistance to Madagascar is motivated by three primary interests: (1) Madagascar's rich natural resources—notably its unique biodiversity, which is of immeasurable global importance; 2) the country's growing importance as a commercial partner, as demonstrated by its exceptional response to the African Growth and Opportunity Act; and 3) the deep poverty of its people, exacerbated by their vulnerability to recurrent natural disasters, continued food insecurity, and lacunae in government management of social sector priorities. Madagascar is also a good partner in the global war on terrorism. Complementary interests include the nascent HIV/AIDS epidemic, which further threatens improved economic well-being, and the evolution of the country's transition to democracy.

The Mission's Integrated Strategic Plan is directly linked to broader U.S. foreign policy objectives. For example, in September 2002, the White House released *The National Security Strategy*; it states that “[u]ltimately the path of political and economic freedom presents the surest route to progress in sub-Saharan Africa” The strategy discusses the need to strengthen democracy worldwide, and in Africa, along with a U.S. desire to “ignite . . . global economic growth through free markets and free trade.” These goals are in complete accord with the Mission's new strategic objectives in democracy and governance and economic growth. Moreover, the State Department's Bureau of African Affairs recently released its *2004 Strategic Plan*. Four of that document's five “overarching goals” dovetail with USAID/Madagascar's four strategic objectives (the fifth Africa Bureau goal deals with terrorism).

U.S. foreign policy with respect to Madagascar is synthesized in the U.S. Mission's FY2004 *Mission Performance Plan*. Broad-based economic development is its top priority. The MPP sees market-oriented economic growth as the best way to reduce poverty and spur investment, and links it to health issues and bio-diversity conservation. This is closely followed by the U.S. Mission's number two priority: promotion of democracy. These synergies with the ISP reflect the close collaboration and planning among agencies at Post.

4. Options Considered and Choices Made

The Mission considered retaining its FY 1998 – 2003 Goal of “Reducing Poverty.” While fully consistent with poverty reduction, the new goal (“Sustainable and Inclusive Economic Development”) was chosen instead to emphasize the important role that economic growth and development plays in improving the well being of the poor. This choice also responds to the post crisis need to reestablish economic growth.

Madagascar also has a compelling need for increased investment in education (in access to education, and in quality of education) at all levels. However, the Mission has not proposed to mount a major initiative in this sector because: a) the Mission determined that USAID does not have a comparative advantage in this sector, in part due to the language and pedagogical barrier

posed by French language instruction; b) other donors, notably the World Bank, are active in this area; and c) program, Operating Expense and staff resources are constrained.

Other configurations of the Madagascar portfolio were presented in the Mission's November 2001 Concept Paper:

- The Mission considered implementing democracy and governance activities as a special objective or integrating them into other strategic objectives. However, according to the Parameters Guidance: "The importance of maintaining a presence in democracy and governance was underscored It was agreed that Democracy and Governance should be a separate Strategic Objective"
- Limiting the program to two strategic objectives—in the environmental sector, and in Health/Population/Nutrition—was considered. The Mission felt, however, that this would severely constrain its capacity to effectively address critical governance and economic growth issues. In addition to the foregoing reasons for a DG SO, USAID is unique among donors in Madagascar in its market-oriented vision. Without an Agriculture/Trade SO, the Mission would be much less effective in its efforts to leverage private sector and other donors' resources to help lift the rural economy out of poverty.
- The Mission considered eliminating HPN interventions in favor of a greater emphasis on economic growth. However, health concerns are critical to sustainable economic growth: improved health and nutrition are necessary for productivity increases, and failure to arrest the HIV/AIDS epidemic would have devastating economic impacts. USAID has a comparative advantage in supporting STI/HIV/AIDS prevention, social marketing, drug and contraceptive logistics, child, maternal, and reproductive health, and public-private sector partnerships.
- A combined Health, Population, and Environment SO drawing on the Mission's rich cross-sectoral experience was also considered. However, it was decided that health should not be subordinated to the biodiversity conservation objective.

Based on a thorough discussion of these options, the January 2002 Parameters Guidance (2002 STATE 02926; see Annex 3) gave the Mission the go-ahead to elaborate four strategic objectives: in Democracy/Governance, Health/Population/Nutrition, Environment/Rural Development, and Agriculture/Trade.

PART III INTRODUCTION TO PROPOSED STRATEGIC PROGRAM

Under its proposed Integrated Strategic Plan, USAID/Madagascar will maintain and sharpen its focus on democracy-building, on improving health services, on conserving biologically diverse ecosystems, and on reducing poverty through economic growth. The Mission believes that its new program best responds to the immense development challenges that Madagascar will face in the coming years.

The ISP is the result of an extensive and integrated collaborative process. It is a program that springs from USG priorities and Agency goals. It builds on lessons learned. And its four sectoral programs are mutually reinforcing, with cross-cutting links connecting each of the strategic objectives and many of the Intermediate and Sub-Intermediate Results.

A. Linkages to Agency Goals and Objectives

USAID/Madagascar's new Goal is "Sustainable and Inclusive Economic Development." This directly supports the achievement of the Agency strategic goal of "[b]road-based economic growth and agricultural development encouraged." Through the individual SOs, the Mission Goal also supports several other specific Agency goals:

- Democracy and Governance. The new DG SO's emphasis on improved governance directly supports the Agency goal: "Democracy and good governance strengthened." Much of this SO's governance work will be in environmentally sensitive areas, which supports the Agency goal of protecting the world's environment for long-term sustainability. The DG SO also has a sub-IR aimed at helping to create a deeper and stronger civil society. This supports the Agency cross-cutting theme of "Civil Society Development."
- Health. The Mission will focus on improving the use of selected health services and increasing the use of selected health-related products, which directly supports the Agency goal of "[w]orld population stabilized and human health protected." Similar to the cross-cutting work planned by the DG SO, many of the health interventions will be in priority conservation areas (thus supporting the Agency's environmental goal).
- Environment. The Environment/Rural Development SO will center its activities around conserving biologically diverse forest ecosystems. This supports the Agency goal of protecting the world's environment. With its sub-IR aimed at improving environmental governance, the Env/RD SO also supports the Agency "good governance" goal. In addition, much of the work being planned by the environment SO is directly tied to protecting human health (as seen by the number of cross-cutting links between this program and the Mission's health activities).
- Agriculture and Trade. The new Agriculture and Trade SO will work to expand critical private markets. This is in direct correlation with the Agency objective of encouraging broad-based economic growth and agricultural development (a relationship further shown by two of this SO's sub-Intermediate Results: "Increased Agribusiness Efficiency" and "Improved Agricultural Production Practices").

B. USAID Past Accomplishments and Relationship to Proposed Program

Limited U.S. foreign assistance to Madagascar predates the establishment of USAID. USAID maintained an office in Antananarivo in the 1960s and early 1970s. After a 12-year absence, presence was reestablished in 1984. At that time, the program focused on food aid and local financing of several small interventions in agriculture. In 1985, the Madagascar Agriculture Rehabilitation Support Program began. This was followed in 1988 by the Madagascar Agricultural Export Liberalization Program.

The Mission Goal of the USAID FY 1993 – 1998 Country Program Strategic Plan was: “Broad-Based, Market-Led, Sustainable Economic Growth.” It was comprised of four integrated strategic objectives: 1) Establish Competitive, Pro-Business Climate; 2) High Potential Zone Growth Multiplies National Market Activity; 3) Reduce Natural Resource Depletion in Targeted Areas; and 4) Reduce Total Fertility. It was supplemented with a “Target of Opportunity:” Support Transition to Democracy.

The Mission Goal of the FY 1998 – 2003 Country Strategic Plan is Reduced Poverty. It operates through a Special Objective: Improved Environment for Private Initiative, and two Strategic Objectives: Smaller, Healthier Families; and Biologically Diverse Ecosystems Conserved in Priority Conservation Zones.

Poverty and Economic Growth. USAID has addressed poverty through its environment and rural development activities, its health and family planning initiatives, its P.L. 480, Title II, Food Security interventions, and selected poverty research projects. The environment program addresses poverty through its “landscape approach,” which integrates rural development, rural income generation, and protection of critical biodiversity habitats. Work with the National Savings Bank (CEM) has stimulated increased access to savings for families of modest means: 48 percent of the CEM’s clients are women. Poverty will continue to be addressed through all SOs in the new ISP.

USAID programs have contributed substantially to the underpinnings of economic growth in Madagascar. In 1996-1997, for example, USAID assistance to the Central Bank was instrumental in putting the country’s World Bank and IMF programs back on track. USAID has helped the GOM recognize the legal and administrative constraints to trade and investment, and assisted with the promulgation of more progressive business laws. Mission support for business development services spurred a \$13 million Swiss/Malagasy investment in organic fruit, vegetable, and oleoresin manufacturing for export to European markets. USAID pioneered “Ecologic Investment Zones,” encouraging tourist investments near major parks and stimulating natural product exporter association development. USAID programs also contributed to the remarkable pre-crisis success of the AGOA initiative in Madagascar. The new Agriculture and Trade SO will continue this work, while concentrating on addressing production and marketing constraints along the entire commodity chains.

Environment. USAID’s leadership in the environment sector in Madagascar over the past ten years has concentrated on support of the GOM’s 15-year National Environmental Action Plan

(NEAP). The Mission's support to the first and second phases of NEAP focused on developing environmental tools and approaches, including environmentally friendly technologies for rural production and hillside and watershed stabilization. An internationally respected national park system now protects 8% of Madagascar territory (up from 4.7% in 1992), including 15 of 16 critical biodiversity habitats. Economic growth associated with the system—primarily in the areas of ecotourism and natural products—directly benefits the rural poor. The size of the “protected area network” has increased, too: from 1.1 million to 1.7 million hectares since 1991. With USAID support, management of eight classified forests was transferred to local communities. Local communities now manage forest resources in nine classified forests overall (200,000 hectares). Over 16,000 farmers have formed nearly 600 producer organizations committed to abandonment of destructive land use practices in biodiversity-rich unprotected forests. USAID activities are helping to slow the rate of forest loss. The cumulative rate of forest loss in two USAID intervention zones over seven years (from 1993-2000) was 2.2% and 3.8%, respectively; this compares to a 6.7% cumulative loss over the same period in non-intervention zones.

The Mission is currently finishing implementation of its FY 1998 – 2003 Strategic Objective, *Biologically Diverse Ecosystems Conserved in Priority Zones*. This cutting edge, multi-faceted program stresses an ecoregional approach to conserving and managing Madagascar's unique biodiversity while promoting environmentally sensitive economic growth. It is an excellent lead-in to the Mission's proposed new program, which will concentrate on conserving biologically diverse forest ecosystems while working with people closest to the natural resource base.

Democracy. Despite limited funding, the Mission has made meaningful contributions in the democratic arena during the past decade. For example, the Center for Arbitration and Mediation of Madagascar (CAMM), the country's first alternative dispute resolution center, has been established. The capacity of Madagascar's Chamber of Accounts and Inspector General to audit the use of USG grant funds was strengthened. The Mission financed the compilation and codification of eight commercial codes that were distributed to the nation's courts, and to other public and private organizations. These codification efforts led to the production of a full text, word-searchable CD-ROM containing 300 Malagasy legal texts; 1000 copies of this USAID-funded CD-ROM have been distributed throughout the country.

In addition, dialogue between civil society and government has been strengthened. Debate over the issue of corruption has been raised to the national level. USAID assistance has also strengthened national capacity to conduct election monitoring and civic education. Work with the media has led to increased access to information through more and varied reporting on social, economic, and political issues. Through the Education and Democracy for Development and Leland Initiatives, the Internet market is competitive and growing, strengthening information links within the country and between it and the rest of the world. USAID health and environment programs have worked with the DG team, and directly with community, district, and provincial authorities, in support of decentralization and increased advocacy around key social sector issues. Governance and decentralization issues are directly addressed by the proposed new Democracy and Governance SO, and will strongly affect selection of specific strategies and activities across all proposed SOs.

Health. USAID investments in health in Madagascar over the past 10 years have demonstrated impressive gains in child and maternal health. Health interventions emphasized health worker training, community mobilization and health education, and expansion of quality child, maternal, and reproductive health care delivery in the public and private sectors. The program also focused on the areas of food security and disaster mitigation and response.

USAID-funded activities were pivotal, for example, in the successful development of a pioneer program in the Integrated Management of Childhood Illnesses. Contributions to the National Immunization Program resulted in increased vaccination coverage. USAID family planning and STI/HIV/AIDS prevention efforts increased contraceptive prevalence rates and condom sales. Household food security nutrition interventions resulted in increased rice production and increased exclusive breast feeding of infants. These positive results are due to the effectiveness of the Mission's community mobilization approach, its social marketing efforts, and its success in harmonizing health approaches with the Ministries of Health, Interior and Administrative Reform, Primary and Secondary Education, and Population. Investments in primary schools are also paying off, through the child-to-child approach, through adolescent reproductive health, through expansion of health information through mass media, and through increased involvement with the private sector.

Many of the current activities will continue under the ISP's new streamlined health sector program, and, as outlined in Part V, the Mission will seek to take past successes to scale from the commune to the national level. It has become apparent, however, that systemic problems related to health systems management is one of the issues most hampering improved quality of care. The new program will concentrate on this by working to expand private/public sector alliances and strengthening procurement and logistic systems.

HIV/AIDS. USAID has historically been the main donor in Madagascar supporting the fight against HIV/AIDS and STIs. Recently, USAID leadership led to government recognition of the potential seriousness of HIV/AIDS in Madagascar, despite a still-low rate of infection. Ongoing prevention and management activities include social marketing of condoms, targeted behavior change interventions, support for research to improve data for decision-making, high-level advocacy to raise political awareness of STI/HIV/AIDS, and widespread Behavior Change Communication and adolescent reproductive health programs. The Mission has been successful in integrating STI/HIV/AIDS prevention and management across all its SOs.

As elaborated in Annex 6, the national response to HIV/AIDS changed significantly in late 2000 when the GOM evidenced a new commitment by including STI/HIV/AIDS prevention components in its Poverty Reduction Strategy. The GOM also allocated savings realized under the HIPC Debt Initiative to prevention activities, and created a multi-sectoral HIV prevention committee at the Prime Ministerial level. In September 2002, President Ravalomanana elevated national HIV/AIDS coordination to the Chief Executive's Office. The World Bank is initiating a \$20 - 30 million HIV/AIDS project, and the National Strategic Plan for HIV/AIDS Prevention is being finalized. The Mission's new ISP builds on its current program, and takes advantage of the increase in GOM momentum by stepping up its public sector activities. At the same time,

the ISP reflects the Health SO's greater role in leveraging support for programs sponsored by a range of donors.

Disaster Response. USAID has been one of the leaders, along with the UNDP and PVOs such as CARE, in the development of disaster response capacity in Madagascar. The Mission coordinates with these and other organizations to help the GOM implement its National Strategy for Disaster Risk Management. For example, a well-organized Mission Disaster Management Team is in place to work with government structures and the donor community in the event of a natural disaster. After the year 2000 cyclones, the Mission obtained more than \$20 million in International Disaster Assistance funds: \$3 million was used immediately for emergency relief and \$17 million (from the Southern African Flood Supplemental Appropriation) was integrated into the environment and health portfolios. These supplemental funds were used in the rehabilitation of irrigation, road, rail, port, and agricultural infrastructure. This work was accompanied by the formation of community associations to help ensure the maintenance and sustainability of these investments, which link 100,000 rural families to key markets and help to stem further environmental and watershed damage. Community health facilities were reinforced, and capacity for production and distribution of safe water products was increased. Health education campaigns were conducted, accompanied by research into accelerating the adoption of practices, at the household level, to reduce the risk of diarrheal disease. Interventions were also coordinated with local governments to help develop community disaster preparedness plans.

The Mission has also recently become more involved in prevention and mitigation activities. It is integrating these activities into the ISP by including disaster management components into the community-level planning and governance work to be carried out under each SO.

C. Goal Statement

USAID/Madagascar's proposed new goal of "Sustainable and Inclusive Economic Development" is the result of a long and participatory process (see Part II.B.1). The Mission feels strongly that the end result of that process sums up well what it hopes to accomplish over the next five years: building on the current goal of "Reduced Poverty" by bringing together three descriptive and inter-related themes:

- **Sustainability.** The concept of sustainability reaches across-the-board to each of the proposed SOs; in its absence, USAID/Madagascar's work will fall short of its goals. The term itself is directly linked to the Mission's flagship environmental program: according to the Agency's own definition, one of the four key principles underlying "sustainable development" is responsible stewardship of the natural resource base. (See Glossary of ADS Terms.) That same definition also speaks to the relationships between sustainable development, good governance, and "improved quality of life"; the latter concept is inherent in every intervention being proposed by the Mission's health SO.
- **Inclusion.** Inclusiveness implies the active participation of all groups and members of society in the political process; it is not only a vital component of any democratic system but also of the Mission's newly focused democracy and governance program. The importance of inclusivity in the proposed program is reflected by sub-results under all of the DG IRs; two

examples are: “Increased Advocacy Capacity of CSOs” (working to bring more informed and representative voices to the governance table), and “Increased Capacity of Independent Media Outlets” (bringing more information to more people).

- Economic Development. Helping Madagascar’s economy to grow and develop is key to USAID assistance to the country. It is a USAID overall goal, it is the top priority of the U.S. Mission to Madagascar (as set out in the FY 2004 MPP) and of the GOM, and it remains the most direct way to fight poverty. Helping more Malagasy people increase their incomes, their chances of finding a job, and their agricultural output—while conserving the country’s natural resources and increasing participation in the governance process—will result in a better life for all.

D. Cross-Cutting Themes

The Parameters Guidance for preparation of this Integrated Strategic Plan (see Annex 3) “complimented the Mission on the multi-sector and integrated nature of the program and agreed with the Mission that it should continue this approach . . . in order to maximize sustainable development results.” The Mission agrees with that guidance, having long felt that Madagascar’s developmental needs—and the work USAID is doing to address those needs—lends itself to a strategy with multiple cross-sector linkages.

Madagascar is one of the poorest countries in the world. Its problems are interwoven: Poverty encourages production practices that threaten Madagascar’s resource base and biodiversity. It perpetuates population pressures and health practices that contribute to ill health, draining family resources and reducing productivity. It encourages political and social behaviors—including gender disparities—that undermine economic development and good governance. Similarly, lack of transparency, responsiveness, and inclusiveness in governance inhibits economic growth and accelerates environmental degradation, as do cyclical natural disasters. Food insecurity is both a cause and a consequence of destruction of the environment, poor health, weak governance, and poverty. The threat of rapid escalation of HIV/AIDS, too, poses a real risk to continued development. And gender inequity directly and indirectly constrains family, community, and national economic growth and well being.

To address these concerns, the Mission held a number of “cross-cutting” meetings early in its ISP process. These meetings were initially designed to allow the various SO teams to familiarize themselves with the earliest drafts of each other’s strategic frameworks. Then, as the individual strategies evolved, the teams met to identify potential cross-cutting areas and agree on the meaning of common terms. Finally, the SO teams worked with each other, and with USAID/W, to identify specific cross-cutting linkages and how best to implement them. The latter, in most cases, turned out to be “shared resources supporting shared results.”

The primary cross-cutting issues that will be integrated throughout the Mission portfolio are: good governance, Information and Communication Technologies (ICT), food security, HIV/AIDS prevention and management, disaster and conflict vulnerability, gender equity, and public-private alliances.

The Mission sees **good governance** as one of its strongest cross-cutting issues. Its role has come up again and again in discussions with groups in all sectors of Malagasy society and the development community: it is a necessary base to development in Madagascar. The new Democracy and Governance SO has been put together just for this reason. It will provide integral support to the other SO teams in such areas as strengthening sector-specific civil society organizations, increasing the flow of sector-specific information, and increasing government responsiveness across-the-board.

A basic premise of democracy (and good governance) is that citizens have access to diverse and independent information sources. There is, however, a huge lack of information of all kinds in Madagascar, especially at the provincial and most rural levels. The Mission has successfully begun addressing this need by implementing a limited number of **Information and Communication Technology (ICT)** activities under its current strategy. It proposes to expand these activities beyond the urban centers, e.g., by supporting increased access to and use of ICTs. Among other things, this will allow the other SO teams to spread their programmatic messages further and more effectively.

USAID has addressed **food insecurity** through its maternal, child, and reproductive health programs, through strengthening farmer access to local markets, through community participation in both the management of and economic benefits from the natural environment surrounding their communities, and through disaster mitigation activities. P.L. 480, Title II programs include direct food aid distribution and monetization. Title II resources contribute to child survival, family planning, agriculture, and disaster preparedness activities.

USAID will guide its future Title II Food Aid to activities that contribute to the reduction of food insecurity. Title II will continue to support all SOs and to strengthen cross-sectoral linkages. Pre-positioning strategies will be considered in remote regions and those vulnerable to disasters. Crop diversification and agricultural intensification will be encouraged in communities with good market access. Title II Development Activity Proposals (DAPs) for programs beginning in FY 2004 will concentrate efforts toward poor population sub-groups considered most vulnerable for food insecurity: children under age 2, women, communities vulnerable to disasters, and communities close to fragile ecosystems (see Annex 7).

The Mission proposes to include Food for Work and direct food aid distributions in the new Title II programs, oriented toward support to maternal and child health and nutrition, HIV/AIDS, and agriculture activities. The Mission will consider very cautiously the use of monetization to finance the next round of programs, and will discourage proposals that request 100 percent monetization. Priority areas for monetization activities will be disaster preparedness, agricultural production (linked with the environment and agriculture/trade SOs), and activities in support of the health SO, especially in STI/HIV/AIDS and child survival.

HIV/AIDS prevention and management will be directly addressed in the health SO. Examples of HIV/AIDS linkages with other SOs:

Democracy and Governance

- Collaboration in mobilizing civil society to create open discussion of HIV/AIDS issues

(for example, in DG's project to mobilize municipalities);

- Collaboration in NGO capacity-building by working with DG's existing partners such as the Malagasy Council of NGO's for Development and the Environment (COMODE);
- Building political commitment in the GOM for HIV/AIDS prevention; and
- Working with the Federation of Women in Business and other leading women's associations to address gender issues in STI/HIV/AIDS.

Environment/Rural Development and Agriculture/Trade

- Expanding HIV prevention and treatment programs to all partners in the Health, Population and Environment initiative known as Voahary Salama;
- Maximizing HIV/AIDS education through farmer-to-farmer associations and environmental groups; and
- Including HIV/AIDS questions in baseline studies or environmental impact assessments.

To better ensure the sustainability of its development investments, and to mitigate the potential impact of natural disasters on economic growth and the fight against poverty, the Mission proposes to integrate **disaster and conflict vulnerability** into the community-level planning and governance work to be carried out under each SO. Title II resources will augment this cross-cutting approach by continuing to support the natural disaster-related activities of U.S. PVOs, which in turn support local NGOs, businesses, and communities.

In addition, a recently conducted internal Mission analysis identified five sources of instability as most likely to cause conflict and crisis in the country over the coming years: natural resource degradation, HIV/AIDS, land tenure issues, post-crisis political issues, and corruption. (See Annex 10.) The analysis concluded that the most obvious root cause of these conflict-related disasters is bad governance. Its recommendations to address these problems are being incorporated into each SO's individual strategy.

Given that crises due to natural disaster or, less probably, conflict are likely to occur during the life of this strategy, each SO has an associated "crisis modifier." With the concurrence of the Africa Bureau and Government of Madagascar, and subject to account and earmark restrictions, program resources may be reoriented to respond to crises. However, funds will be used for development assistance programs and not for Disaster Assistance. Based on past experience, such as cyclone response in 2000 and the political crisis in 2002, interventions will be fully integrated into on-going programs. This will maintain continuity in program management and obviate the need for presenting crisis-based scenarios in the ISP.

USAID/Madagascar has paid special attention to **gender equity** concerns in its new strategy, and has worked to apply gender analysis to all sectors and all illustrative activities. As part of this analysis, the Mission has attempted to ascertain how gender relations will affect the achievement of sustainable results under the ISP. In turn, it has looked at how those results might affect the relative status of women. To help do this, gender-disaggregated indicators will be used whenever possible.

The Mission actively participates in the UN-supported Gender Thematic Working Group, and the Malagasy Gender Network. The Mission's approach to gender integration is also informed

by the *Beijing Declaration and Platform for Action*, by the *Agency Gender Plan of Action*, and by a WIDTECH - Women in Development strategy outline for mainstreaming gender that was prepared for the Mission in March 2001. The Mission also intends to incorporate the Ministry of Population, Women's and Children's Affairs' evolving national and regional action plans into activity planning.

Public-private alliances will continue to be an important modality for implementing the Mission's strategic objectives. Recent experiences with Phelps-Dodge and QMM-Qit Fer (Rio Tinto Mining) demonstrate that private sector entities have a clear interest in partnerships with USAID to help address those environmental and rural development challenges that accompany their private investments. The partnership between a USAID grantee and local industry for the production of a safe water product may spawn similar initiatives (for instance, the local production of pesticide-treated bed nets). Private foundations and institutions such as universities, zoos, and museums are likely partners for future alliances, especially in the environmental and health sectors. USAID/Madagascar already has successful partnerships with, for example: the Packard Foundation in support of integrated health, population, and environment activities; CISCO Systems for computer systems training; and the Global Alliance for Vaccines and Immunization.

PART IV STRATEGIC OBJECTIVE #4 – GOVERNANCE IN TARGETED AREAS IMPROVED

A. Problem Identification and Past Achievements

While Madagascar has many of the trappings of a modern democracy, its institutions are weak and continue to derive their authority from a dominant central government. Under the regime of Didier Ratsiraka, decisions were made by an elite group at the highest political levels, judicial systems were best avoided by all but the rich, and a lack of accountability and sanctions resulted in a culture of corruption. Civil society remains weak and unorganized, unable to act as an effective counterweight to government excesses. As a result, the notion of “government for the people” has little resonance in this country. According to USAID’s Democracy and Governance Assessment, which was conducted in August 2001:

The team’s overriding conclusion is that the disconnect between the ruling elite and the masses is so great, government corruption is so pervasive, and USAID resources are so limited, that in order to protect its investment in technical sectors (HPN, EG, AGR, ENV, Title II, disaster), as part of development of the new Integrated Strategic Plan, the Mission should carefully consider an increase in its focus on democracy and good governance in order that its results in all sectors are sustained over time.

The weakness of the country’s democratic institutions, compounded by a lack of good governance, is having a direct impact on USAID’s ability to effectively implement its programs. This lack of good governance is at the root of poverty and conflict vulnerability in Madagascar.

Efforts to address these ills within the FY 1998 – 2003 Democracy and Economic Growth Special Program Objective (SPO) have focused on improving the environment for private investment. This approach—with the ultimate goal of reducing poverty—worked in two ways. First, SPO worked closely with the GOM to improve the legal, financial, and policy framework for trade and investment.

The other half of the program concentrated on strengthening civil society to ensure that dialogue between citizens and government was increased, leading to greater public participation in the decision-making process. From national elections to the country’s Poverty Reduction Strategic Plan, Malagasy were mobilized to give greater voice to their concerns and demands. The Mission has also been a strong supporter of the Leland Initiative, helping to expand the use of the Internet within Madagascar from zero Internet accounts in 1994 to approximately 12,000 Internet accounts (each account has multiple users) by 2002.

While much work has already been done in the areas of civil society and access to information, work on good governance has been more limited within SPO. With a few exceptions—such as the USAID-funded local chapter of Transparency International—civil society’s ability to demand transparency and accountability from decision-makers remains very limited. This lack of

expertise, coupled with the former government's near dictatorial hold on power for so many years, has, in the past, made for slow progress in the area of good governance.

With the recent installation of a new government, however, there are new opportunities for USAID to work with an administration that has publicly committed itself to instilling better governance. In agreement with the recommendations of the Democracy and Governance Strategic Assessment, USAID has determined that targeted investments over the next five years should lend integral support to the Mission's other SOs in the key areas of civil society strengthening, dissemination of information, and working with local government in priority zones.

B. Strategic Objective and Intermediate Results

“Governance in Targeted Areas Improved” (targeted areas due to limited funding) is the new democracy and governance strategic objective for FY 2003 – 2008.

A strong democracy requires open and accessible flows of information, citizen participation in the policymaking process, and a government that acts in an accountable and transparent manner. These attributes of democracy together can help ensure that government policy reflects the will of the people. This in turn contributes to fairer uses of public resources—for example, improved health care, greater education opportunities, access to land, and more effective management of natural resources—to better meet the needs and concerns of local communities. Limited funding for this SO requires that its interventions be targeted.

While this SO will promote good governance explicitly and directly, activities undertaken in the environment, agriculture/trade, and health sectors will serve also as effective vehicles for advancing good governance. Benefits produced by these SOs provide compelling reasons for individuals and groups to come together, discuss roles and responsibilities, and advocate for progressive change. For example, forming democratically run producer associations that allow small-holders to benefit from trade and forest management provides a foundation upon which to promote and improve governance practices. Health groups that move beyond health issues to influence other areas of economic and social life are also powerful vehicles for change, and can foster democratic values and good governance principles at the grassroots.

To integrate and target these activities, common democracy results indicators have been incorporated across all SOs, and priority zones for implementation have been identified (see Annex 11). A portion of funding from each strategic objective will be channeled toward good governance activities, and results achieved under this SO will be shared across the Mission portfolio. Further, while a number of elements under this SO will focus at the national level, field-based work with local CSOs, government, and information systems will be concentrated in the Mission's priority provinces of Fianarantsoa and Tamatave, as well as the Fort Dauphin / Anosy region. Where appropriate and complementary, SO activities may be implemented in geographical areas where the Mission's Title II program is working.

Illustrative Indicators for SO 4:

- Increase in percentage of citizens showing confidence in their government;

- Increase in number of partnerships created between government and civil society; and
- Progress in corruption as shown by Transparency International’s Corruption Perception Index (proxy measure).

IR 1: Deeper and Stronger Civil Society

In Madagascar, although civil society remains weak and dominated by the urban elite, progress has been made in fostering a more vibrant sector during the last decade. At the local level, the growth of microfinance institutions, farmer associations, environmental coalitions, and other issue-based groups are encouraging signs for the future. In step with recommendations from the Conflict Prevention and Vulnerability Assessment, USAID will continue to deepen and strengthen the level of civil society in the country, especially in regard to its ability to act as an effective advocate for good governance, including increased public sector transparency and accountability.

Deepening civil society means moving beyond the capital-based clients to the provincial, regional, and rural levels. Current estimates place 60% to 70% of all NGOs in the provincial capital of Antananarivo. This IR will work to move beyond this single set of actors and increase rural-urban, inter-provincial, and sectoral networking. For example, deforestation is not simply the work of one national “environmental” CSO. An effective advocacy effort should include vertical and horizontal linkages among agricultural associations (due to deforestation’s negative effects on farmland productivity and watersheds), health groups (as the health of the community is so directly linked to the land’s productivity), information centers (as they can provide the data and information needed to change public and government opinion), and democracy groups (to ensure people know their rights and can take legal action if needed). At the same time, the new Democracy and Governance SO will foster the inclusion of youth, women, and the disenfranchised in all its activities.

In addition, this IR will strengthen civil society capacity. This will include fostering organizations that are democratically managed, are able to transparently handle outside funding from donors or private groups, and are working toward greater sustainability.

Civil society strengthening also entails increasing its role as a watchdog and advocate for good governance. While civil society has expanded during the past 10 years, its ability to advocate remains at a rudimentary level: when compared to other African countries, most civil society groups in Madagascar are “behind the curve” in this area. They are unfamiliar with the concept of advocacy, and lack the tools and training to undertake a cohesive effort. (Some of civil society’s major accomplishments, such as input into the PRSP process and drafting of an NGO law, have not been followed up by the kinds of advocacy efforts needed to finish the job. For example, the NGO law, while drafted, has never been enacted into law.)

Links to other SOs: This SO will strengthen advocacy skills among NGO partners in the sectors of environment, health, and agriculture/trade. The goal of this strengthening will be to give NGOs a better understanding of advocacy, the training needed to coalesce around a chosen issue, and moving that issue forward.

Illustrative Activities for IR 1:

- Provide training and support to strengthen the capacity of CSOs to advocate effectively at the national and local levels. National level activities will target organizations advocating for a variety of reforms, including increased public sector transparency and anti-corruption. Local level activities will focus on building skills among CSOs that advocate for issues using a community mobilization approach to improving healthcare and sustainably managing natural resources in Fianarantsoa and Tamatave provinces, and the region of Fort Dauphin / Anosy;
- Work with national federations and associations to increase the capacity of their provincial-based, rural partners; and
- Provide training and mentoring on financial, management, and organizational reforms necessary to create more representative, participatory, and financially sustainable civil society organizations.

Illustrative Indicators for IR 1:

- Increase in number of times CSO coalitions appeal to the Government of Madagascar; and
- Increase in number of targeted organizations showing improvement on an NGO index scale (which would measure factors affecting capacity-building and sustainability of NGOs).

IR 2: Information Flow Increased

Since the end of press censorship in 1990, Madagascar has seen a continual decline in the state's monopoly over radio and television. During the last decade the country's independent media has become one of the major institutions promoting democratic development and good governance practices. More than 100 small, private radio stations have sprung up almost overnight in the provinces. Although most of them are subsidized by local patrons, they are offering an alternative to the state-dominated coverage. There have also been efforts to organize and professionalize journalists, although most of the training has been limited to Antananarivo.

Despite these efforts there remains a gaping lack of information at the provincial and rural levels. Only state television and radio have "national coverage" (which the Ministry of Communication admits covers but two-thirds of the country). And those programs that are broadcast, at the Ministry's own admission, often have little relevance to the daily lives of rural farmers. A more liberal communications bill, first drafted in 2000, remains to be passed into law.

In order to formulate interests and participate in policy debates, the Mission will work through this SO to help ensure citizen access to diverse and independent information sources. These include the electronic and print media, newsletters or bulletins published by civil society organizations, and a multi-sector information service center. Access to other independent instruments, such as the Internet and e-mail, will also be a catalyst for further information sharing and consensus building.

The DG SO will also work to help information find its way to local leaders. Elected mayors, isolated from information sources and by geography, often do not know their roles and responsibilities, or what the most recent laws are, or even what neighboring communes are doing. Communication links—whether with civil society or other government entities—stop short of their door.

Links to other SOs: This IR will continue to build on work undertaken through Leland Initiative and the Education for Democracy and Development Initiative (EDDI) to increase information flow by establishing a more open framework and increasing the capacity of independent media. This includes not only expanding the Internet, but also moving information, communication, and technology methods out beyond the capital to selected provinces. This improved infrastructure will allow the other SOs to increase the use of ICTs, spread their messages more efficiently, and reach deeper into rural areas at lower cost.

Illustrative Activities for IR 2:

- Provide technical assistance to the government to improve its regulatory framework for ICTs (see Annex 2);
- Increase the reach of ICTs into rural areas for citizens, civil society, and government; and
- Provide financial, organizational, management, and journalism training to increase the sustainability of independent print and broadcast media outlets in targeted areas.

Illustrative Indicators for IR 2:

- Increase in percentage of population using internet; and
- Increase in percentage of country covered by independent media sources.

IR 3: Government Responsiveness to Citizens' Demands Increased

Transparency and accountability have been lacking in the GOM. Normal checks and balances seen in other countries are, for the most part, nonexistent. The historically strong role of the state, plus the executive branch's domination of government, has created a near monopoly on power that threatens economic growth and social stability (see Annex 10). Laws tend to be enforced selectively: sometimes as a result of lack of institutional capacity, sometimes by design. Low levels of transparency and responsiveness contribute to the discretionary power of public officials, and to a lack of accountability. Basic information is often unavailable to citizens, further impeding their ability to check abuses of power.

The new government offers an opportunity for change. President Ravalomanana has identified good governance as one of his new "pillars," and has taken steps to address corruption. Work through this IR will seize opportunities that now exist to work directly with selected government units on governance reforms, including improved environmental governance and stakeholder dialogue.

Links to other SOs: USAID/Madagascar as a whole will work to support champions of good governance. Building the capacity of reformist mayors and councils in USAID's "priority areas" will be undertaken in conjunction with other SOs, and will include facilitating dialogue to ensure that community priorities for key forest ecosystems, health services, and trade and agriculture reforms are heard, understood, and integrated into local, regional, and national-level planning and decision making. Within the DG arena, providing innovative, information-based systems that improve government services is one specific area that will be addressed. The rising field of electronic-government (e-government)—which results in a more transparent and accountable

way of doing business—will also be linked to other SO issues and could be supported in pilot areas.

Illustrative Activities for IR 3:

- Support pilot e-government programs that increase transparency and accountability of local government;
- Increase local government partners' access to information; and
- Support mechanisms (town hall meetings, public hearings, etc.) that increase communication linkages between civil society and government “reformers.”

Illustrative Indicators for IR 3:

- Increase in number of government units that solicit citizen input; and
- Increase in number of CSO issues responded to by the government.

C. Critical Assumptions

- *A stable government will remain in place during the next six years.*
- *The GOM will continue to demonstrate greater commitment to democratic principles.*
- *Sustainable economic recovery will continue during the next six years.*
- *Funding will not drop below the low-level funding scenario (see sub-section F. below).*
- *The DG SO will be supported with cross-sectoral funding.*
- *Other donors will continue to support their current DG- and education- focused activities.*

D. Integration and Cross-cutting Issues

Crisis Modifier: Resources under this SO may be redirected to reconciliation or to organizational strengthening and advocacy in the event of a political or natural disaster. Where appropriate, the DG SO could also use Economic Support Funds, Conflict funds, or International Development Assistance.

Other SO Teams: Success in the other core areas of USAID's development agenda (agriculture and trade, population, health and nutrition, the environment, disaster prevention) is inextricably linked to democratization and good governance. As outlined in sub-section B. above, this SO has been formulated to lend support to the Mission's other SOs in the key areas of civil society strengthening, dissemination of information, and working with local leaders in priority zones. This ongoing endeavor to ensure better governance is really the basis on which the other SO activities are being built. As noted in the individual SO frameworks, the SOs will be sharing common IRs, as well as resources, to avoid “stove-piping” and to ensure greater collaboration.

Gender: During the development of the ISP, the DG team first engaged in a general discussion of gender, followed by several exercises to help reinforce the definition of gender. Once there was understanding and agreement on the term, the implications of a “gender approach” were discussed for each IR and possible set of activities. Special importance was paid to the growing “digital divide” in Madagascar, as well as to the lack of local women leaders. Future activities will strengthen women-oriented rural groups and civil society organizations at the national level;

will work with and train women local leaders; and will help ensure that more women benefit from ICT (e.g., that more women are trained in new technologies).

Other U.S. Agencies: The second performance goal of the Embassy's FY 2004 MPP is: "The development of democratically accountable government institutions in Madagascar that follow the rule of law." This SO, through its work on good governance, will directly support this. Close collaboration will continue with the Embassy's Political and Public Affairs sections. Personnel from the Office of Democracy and Governance, the Office of Sustainable Development (AFR/SD), and the Leland Program will be utilized for technical field support throughout the life of this program.

E. Local Partners

Government: Past programs in SPO have seen coordination between a number of different ministries, including Justice, Communications, Industry, and Commerce. As the trade and economic growth activities evolve into a new SO, more effort will shift to the ministries responsible for the communication and decentralization sectors. Exploratory meetings have been held with all relevant ministries to discuss the new DG strategy, and government officials have expressed a readiness to collaborate.

Other Donors: Meetings have also been held with other bilateral and multilateral donors working in the DG sector to ensure coordination, and the Mission has encouraged the establishment of a DG working group. As major providers of budgetary support, the World Bank and EU are engaged in programs to improve accountability and transparency in public finance. The Ravalomanana government is in the process of consolidating its mandate, with legislative elections scheduled for December 2002. A number of other processes are still to take place, including new provincial gubernatorial elections, decentralization, and the resumption and finalization of the Poverty Reduction Strategic Plan. Donors are moving forward cautiously in this still-changing environment, and USAID personnel will continue to coordinate as the programs of its donor partners are finalized.

Local Organizations: The new DG SO will continue to support local organizations working towards good governance, including the local chapter of Transparency International, and expand efforts to identify new partners, both within the DG arena and other sectors. As detailed above, the move to strengthen advocacy efforts in local NGOs is in its infancy. The Mission will be looking to expand its base of collaboration, both at the national level and in targeted priority areas.

F. Alternative Approaches

This SO was developed after lengthy consultations with donor, government, and local partners. The cornerstone of the research used was the DG assessment conducted in July 2001. While the political situation has changed since the assessment was completed, many of the underlying truths for the country—a weak legal system, weak ICT sector, high levels of corruption—still remain despite the change in leadership.

This SO will continue to build on work accomplished to date through, e.g., civil society, the Leland Initiative, and EDDI. Responding to the DG assessment’s recommendations, a more explicit emphasis, however, will be placed on promoting good governance. Work in the area of legal reform was not considered because of the limited budget available to this SO, and due to work already planned by the EU in this arena.

The mid-level funding scenario is needed to implement the DG activities as outlined above at the national and local levels. At this funding level, additional resources will be forthcoming also from other SO teams to address such cross-cutting issues as strengthening the ICT, civil society development, and the incorporation of grassroots environmental, health, and economic growth concerns into regional development and governance agendas. These funds are crucial for the full implementation of the DG program.

Under the high-level scenario, greater results would be achieved. First, the DG SO would expand the number of issue-areas pursued by civil society, and increase the number of targeted government units receiving information and technical assistance. These programmatic changes would be determined in consultation with the other SO teams. Second, this level of funding would allow the DG SO to pursue anti-corruption efforts more aggressively. Third, the high-level scenario would allow USAID to play a role in Madagascar’s decentralization effort. Within the time frame of this strategy, it is certain that the decentralization process will take place. Because the Mission’s environment, health, and agriculture programs work at the most basic rural level, it is crucial that the current “deconcentration” efforts be turned into true decentralization. The outcome of this process will have a profound impact on the Mission’s portfolio. The DG SO should be in a position to commit resources and technical assistance to help ensure a positive outcome for all programs.

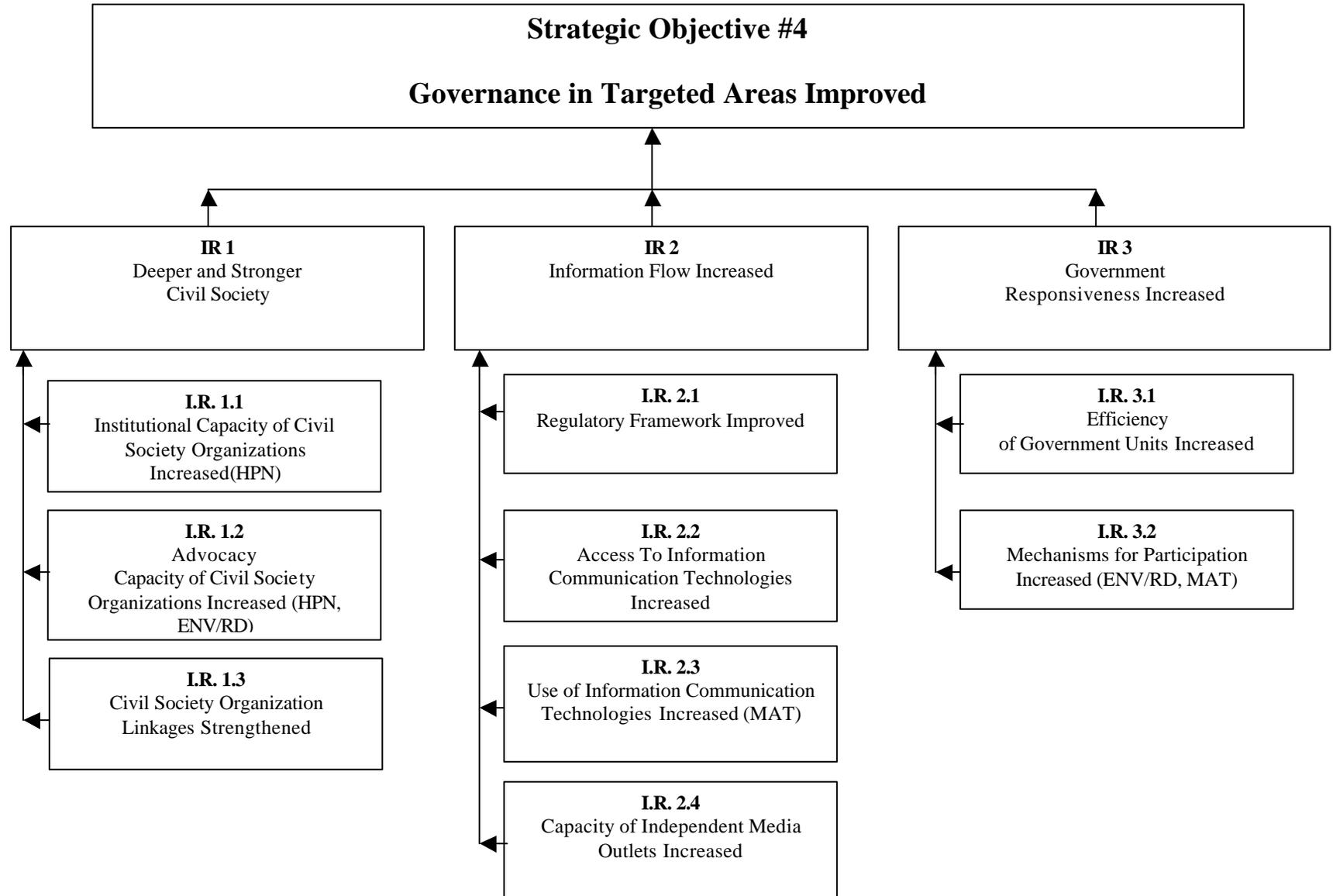
Under the low-level scenario, activities would be severely constrained. This would be due not only to the drop in funds directly available to the SO, but also (because the new DG program has been designed with close linkages to the other Mission SOs) to the decreased share of funding that the other SOs would be able to contribute to DG activities. Low levels of funding would result in fewer CSO and government partners, would hamper the Mission’s ability to support meaningful change in the ICT sector, and would substantially curtail DG activities in the Fort Dauphin / Anosy region.

G. Measuring Results

In light of the intertwined nature of the new ISP, monitoring and measurement of common IRs and pooled resources are being refined among the different teams. Also—as in the past—the DG SO will continue to work with its implementing partners to design a usable and affordable system of monitoring results. Efforts will also be made to include Madagascar on the Afrobarometer survey in the future (the Afrobarometer is an international collaborative enterprise of the Institute for Democracy in South Africa, the Center for Democracy and Development-Ghana, and Michigan State University).



USAID/Madagascar Democracy and Governance (DG) Results Framework



**PART V STRATEGIC OBJECTIVE #5 –
USE OF SELECTED HEALTH SERVICES AND PRODUCTS
INCREASED AND PRACTICES IMPROVED**

A. Problem Identification and Past Achievements

As described more fully in Part II.A., and despite some real advances in health sector indicators, the Madagascar health care system remains one of the weakest in the world – in a recent WHO report, it ranked 159th out of 191 countries.

USAID leadership in child, maternal, and reproductive health has been key to strengthening Madagascar's capacity to address priority health issues. USAID has contributed to a major turnaround in the National Immunization Program: the percentage of children receiving Diphtheria, Pertussis and Tetanus (DPT3) immunizations increased from 48% in 1997 to 55% in 2000 (in USAID focus areas, 2001 data show DPT3 rates at 94%). Overall, 87% of infants are completely vaccinated in USAID sites, compared to 44% nationwide. Exclusive breast-feeding of infants increased from 46% to 83% in target groups. And in USAID target areas, 76% of children 12-23 months of age received Vitamin A supplements, compared to 50% nationally.

USAID family planning services and HIV/AIDS prevention efforts have continued to meet performance targets as well. Condom sales through social marketing increased from 1.1 million in 1996 to over 6 million in 2001. The contraceptive prevalence rate (CPR) increased from 5% in 1992 to 12% in 2000. In USAID focus areas, 2001 data show a range of CPR from 15-23%. And the number of sites where couples have access to reproductive health and family planning services grew nationally from approximately 150 in 1992 to 1,145 in 2000.

With funding from the Southern Africa Flood Supplemental Appropriation, the production capacity and sale of a new safe water product increased to 250,000 bottles per month in 13,600 retail outlets, providing clean water for approximately 2,550,000 people every month. USAID support in developing a health information system and for various studies and surveys, including the national Demographic and Health Survey, has also greatly increased availability of reliable data for decision-making.

B. Strategic Objective and Intermediate Results

“Use of Selected Health Services and Products Increased and Practices Improved” is the new health sector strategic objective for FY 2003 - 2008.

The next five years: The Mission proposes a streamlined HPN program; key program areas are:

- increasing the demand for and quality of selected child, maternal, and reproductive health services and products;
- improving availability of priority products and services through expanding private/public sector alliances and strengthening procurement and logistics systems;
- STI/HIV/AIDS and malaria prevention and management; and
- improving nutrition practices and household food security.

The new program reflects an expansion of private sector participation and social marketing, greater emphasis on participant training and U.S./Malagasy partnerships, and greater collaboration with civil society organizations. It will also reinforce the Mission's environmental objective of protecting biologically diverse ecosystems, as well as support the GOM as it prepares for and attempts to mitigate natural disasters.

The new program reflects current needs in the health sector in Madagascar. It considers USAID's comparative advantage and budget levels and, based on 10 years of experience, proposes logical next steps. The focus is on people-level impact in terms of "use of services" and "behavior change" at two levels. At the national level, the program will reach the entire Malagasy population through policy dialogue, institutional capacity development, social marketing, and media activities. At the commune level, intensive and fully integrated SO activities will improve the supply of and demand for quality health services and products among approximately 8 million people (half of Madagascar's total population). The program will identify successful interventions at the commune level and institutionalize them at the national level, including the "champion community" approach, child-to-child program, and behavior change activities designed to empower women and families as pro-active stakeholders and managers of their own healthcare needs.

Support is still needed to strengthen the public sector health system, particularly logistics management of essential drugs, contraceptives, and the vaccine cold chain. The program will contribute to improving key indicators such as immunization rates, contraceptive use, exclusive breastfeeding, bed net use, condom use, treatment of STIs, and use of selected services. The Intermediate Results should lead to improvements in health status and decreases in fertility.

Illustrative Indicators for SO 5:

- Increase in Contraceptive Prevalence Rates;
- Increase in DPT3 coverage;
- Increase in exclusive breastfeeding;
- Increase in Vitamin A supplementation in women and children;
- Increase in condom use;
- Improvement in appropriate STI treatment; and
- Increase in use of treated mosquito bednets.

IR 1: Demand for Selected Health Services and Products Increased

An increase in demand for health services and products requires knowledge of healthy behaviors, positive attitudes toward modern health care, and a desire to seek and use health services and products. Based on recent community work in the area of behavior change communication in Madagascar, it is clear that knowledge of healthy behaviors alone is not enough to create demand. Communities that have motivated change in personal and community norms and attitudes have been the most successful in improving key health indicators. Community leaders who also work closely with the public health system have challenged the system to improve services. Private social marketing programs and NGOs reinforce messages, motivation, and access to health services and products. The health sector needs to work more with such "non-traditional" health groups to expand knowledge and promote positive attitude for change.

Illustrative Activities for IR 1:

- Mobilize communities through the “champion community” approach to supporting selected health services, products, and environmental initiatives;
- Child-to-child school health education programs;
- Social marketing of services and products;
- Behavior change and communication campaigns using mass media, cinemobile, and other channels for targeted messages; and
- Health education in agricultural and environmental organizations.

Illustrative Indicators for IR 1:

- Increase in percentage of target population that know about the transmission, prevention, and treatment of malaria, STIs, HIV/AIDS, vaccine preventable diseases, and diarrhea; and
- Increase in percentage of communities meeting “champion” criteria for health and environment.

IR 2: Availability of Selected Health Services and Products Increased

As demand is increased, services and products (such as contraceptives, condoms, vaccines, essential drugs, bednets, safe water, and nutrient dense foods) must be made more available. It is frequently systemic problems related to health systems management, rather than health worker or client knowledge, which hamper improved quality of care. One of the principal systemic constraints is the inability to make available timely and adequate stocks of essential drugs and other commodities at the health services delivery level.

Illustrative Activities for IR 2:

- Develop logistics management tools for procurement and management of health products;
- Strengthen institutional capacity to plan for and manage health commodity needs, including the formulation of a national plan for contraceptive security (see Annex 2);
- Promote local production of health products;
- Support a national social marketing program; and
- Pre-position essential commodities in cyclone vulnerable areas.

Illustrative Indicators for IR 2:

- Decrease in percentage of service delivery sites that report a stock out of selected products during the previous 12 months; and
- Increase in numbers of modern contraceptives and condoms sold.

IR 3: Quality of Selected Health Services Improved

Use of health services is highly dependent upon the quality of care provided. Quality is generally measured against accepted protocols or standards. While continuing education for health professionals exists, there is a need to systematically strengthen their pre-service training in technical areas that are quickly changing. Examples include: STI case management, nutrition, Integrated Management of Childhood Illnesses, infectious disease control, and family planning.

Illustrative Activities for IR 3:

- Technical support for pre-service training to medical, public health, and nursing schools to incorporate the latest standards and guidelines in selected technical areas;
- Promote the Essential Nutrition Action package as a national standard;
- Expand the implementation of guidelines for STI case management for high risk women; and
- Conduct operations research on malaria and STI/HIV/AIDS program issues.

Illustrative Indicators for IR 3:

- Increase in number of medical, public health, and nursing schools that have incorporated state-of-the-art technical updates in their curriculum;
- Increase in number of STI cases treated according to national guidelines; and
- Cold chain fully functional in 112 health districts.

IR 4: Institutional Capacity to Implement and Evaluate Health Programs Improved

The strength of health delivery systems depends on the institutional capacity of public, non-governmental, and private sector organizations to use trained personnel to provide appropriate services. The Mission proposes to expand public health training through U.S. - Malagasy university partnerships. Because 80% of health services are most needed in rural areas, the Mission will continue to support private organizations and NGOs that provide rural health services, particularly in regions containing critical biodiversity habitats. Experience here has shown that—in addition to health organizations—environmental, agricultural, and a range of women’s and community groups are also able to promote health messages and provide referrals to the nearest health centers. Expanding access to health information through the media and organizational networks multiplies the impact of the formal health sector. Madagascar also has a wealth of national survey data, but disease surveillance systems are weak (particularly HIV, STI, and malaria). The Mission plans to support technical assistance to strengthen these systems.

Illustrative Activities for IR 4:

- Develop partnerships between Madagascar’s medical, public health, and nursing schools and U.S. schools of public health and nursing;
- Develop partnerships with the National Medical Association and private practitioners;
- Strengthen disease surveillance systems and the Demographic and Health Survey; and
- Support NGO organizational and technical capacity to provide key maternal and child services.

Illustrative Indicators for IR 4:

- Increase in number of formal agreements between U.S. and Malagasy-based health organizations;
- Increase in quality health data available for GOM and civil society organizations; and
- Increase in percentage of NGOs supported that demonstrate increased technical and program management skills.

C. Critical Assumptions

- *The GOM maintains a strong commitment to and continues to view health of the Malagasy population as key to economic development.*

- *Economic growth supports greater private sector expansion and individual ability to pay for health services and products.*

D. Integration and Cross-cutting Issues

Crisis Modifier: Program resources under this SO may be redirected in response to a crisis resulting from natural disaster or conflict. For instance, ongoing programs may be reoriented to affected populations, or assistance may be provided to overcome logistical constraints induced by a crisis. Where appropriate, the HPN SO could also be funded with IDA resources.

Health, Population and Environment: During the current strategy period, integrated program activities have been supported in regions important to the preservation of biologically diverse ecosystems. “Integrated” means that various sector-specific activities—in health, family planning, environment, and agricultural development—are better coordinated between and within the organizations working on them. The underlying hypothesis has been that integration focused on the interaction between such sector specific activities—in communities and in the organizations providing technical and financial support to them—will yield better results than separate sector-specific efforts.

To date, these efforts have been supported under the Mission’s objectives in environment and in health, in partnership with the USAID Bureau for Global Health’s Population-Environment Program and Environment Health Project. USAID was also instrumental in leveraging \$2 million over four years from the Packard Foundation to further Health/Population/Environment efforts. Technical support for integration has been provided to a wider array of implementing partners through the newly established Voahary Salama (“health along with all that is natural”) consortium, which is now recognized by the GOM as an official non-governmental organization.

Through Voahary Salama, USAID provides: (1) direct financial support to NGOs for program integration in the Moramanga and Fianarantsoa regions (see Annex 11); (2) technical support through training and materials to a broader array of partners; (3) support for monitoring and evaluation to test and document the effectiveness of integrated approaches; and (4) support for a secretariat to coordinate timely and effective communication among all Voahary Salama partners.

Gender: The new HPN program considers women's participation throughout: in health activities, in access to information, in participation in decision-making, in access to resources for investments in family health, and in opportunities for training and leadership in the public health field. In addition, men's roles in family health are included, such as fathers’ participation in monitoring child growth and nutritional status, men's condom use, men's role in contraception, and men's roles in promoting community health. Actively engaging men and women on family and community health issues will lead to more sustainable maternal, child, and reproductive health results. Global evidence demonstrates that improvement in these areas has a positive impact on women’s productivity and quality of life.

HIV/AIDS programs will include activities to strengthen safer-sex negotiation skills and other activities aimed at helping women take greater control in sexual decision-making. Public health

survey data will be disaggregated by sex to determine differences in use of health care, vaccine coverage, nutritional status, attitudes toward condom use, etc. Professional training opportunities developed in the new strategy will emphasize female participation on an equal basis with males. Leadership training for women will also be emphasized.

Food Security: USAID's efforts to improve the food security of Madagascar's most vulnerable populations, and respond to potential disasters, have been a focus for the HPN SO over the past five years. HPN has spearheaded efforts to address food insecurity through its nutrition, maternal, child, and reproductive health programs (see Annex 7). Increases in agriculture productivity through Title II programs contribute powerfully to food security by augmenting the quantity of food available and improving food access. Food security issues dovetail with HPN's efforts in disaster preparation and mitigation. HPN and Title II partners work in the most cyclone-vulnerable areas, at the community level, to train leaders in cyclone preparation and response and to pre-position food, pure water product, and health supplies; and at the national level, to help the National Disaster Management Council build a sustainable disaster early warning system and improve national response to cyclones. During and following a natural disaster, HPN has taken the lead in working with the Office of Foreign Disaster Assistance to manage the USG response, and with Title II partners, Food For Peace, and the World Food Program in delivering food aid to affected populations.

E. Local Partners

Government: HPN works closely with the GOM Ministries of Health, Interior and Administrative Reform, Primary and Secondary Education, and Economy, Finance and Budget (including the National Statistics Institute, or "INSTAT"). The schools of medicine, public health, and nursing are also key institutions for developing U.S. - Malagasy partnerships. Interventions such as the national immunization program, HIV prevention, social marketing, and selected others will involve the government and elected officials at the central, regional, district, and community levels.

Local Non-governmental Partners: Local non-governmental partners include international and local NGO/PVOs, the network of faith-based NGOs, a range of community groups involved in the promotion of health, agriculture, environment, and education initiatives, private physicians, media associations, and private and public schools. Private organizations, companies, and factories that provide health services will also be considered.

Other USG Agencies: The Peace Corps and USAID collaborated closely over the past eight years in child and maternal health and in HIV prevention, and these efforts will continue. USAID and CDC have combined forces in the areas of polio surveillance, assessment of the HIV surveillance system, and in cholera and diarrhea diseases and development of the clean water product Sur' Eau; this relationship is expected to deepen. In the area of HIV prevention, USAID has worked closely with the Department of Defense and the Embassy's Public Affairs Section. USAID also serves on the Embassy's interagency HIV/AIDS prevention committee.

Other Donors: USAID will continue to work closely with other donors to coordinate human and financial resources to support health initiatives in Madagascar. The key international health

donors are UNICEF, the UNFPA, the World Bank, the European Union, the Japanese Embassy, GTZ, the World Health Organization, and the French Cooperation.

F. Alternative Approaches

This SO is based on in-depth analysis and assessment of the status and trends in nutrition, maternal, child, reproductive health, food security, and disaster preparedness. The Mission studied the elements contributing to sustainable health programs, the socio-economic and political context of health systems, and identified realistic outcomes. Lessons learned during the past 10 years of USAID work in Madagascar informed the new direction and approach.

Initially the Mission considered placing the SO at the highest impact level to measure changes in fertility and child mortality rates. However, in spite of much progress, change in health indicators and the nutritional status of women and children continues to come slowly. The Mission recognizes that the country's level of economic development and the availability of resources to support the health system is limited. These factors, together with USAID's manageable interest, led the Mission to conclude that the program is not ready to graduate to the next level, i.e., that the Strategic Objective should rest at the outcome, or behavior change, level.

The Mission also considered how best to focus resources for maximum impact. Alternative scenarios for supporting the public and the private sectors were analyzed. Given past experience working with the Ministry of Health, the current political context, and the need in the private and NGO sector for capacity development, the SO is designed to provide optimum flexibility and will balance support among the public, private, and NGO sectors. During the past five years the Mission placed substantial program resources at the District and community levels. In the development of this SO, resources will continue to be focused at the community level. To broaden impact, however, a greater focus will be at the national level to strengthen systems and pre-service training. The strategy also allows for future expansion of the private sector components of the program such as increasing work with NGOs, private companies, the media, and social marketing of selected health products.

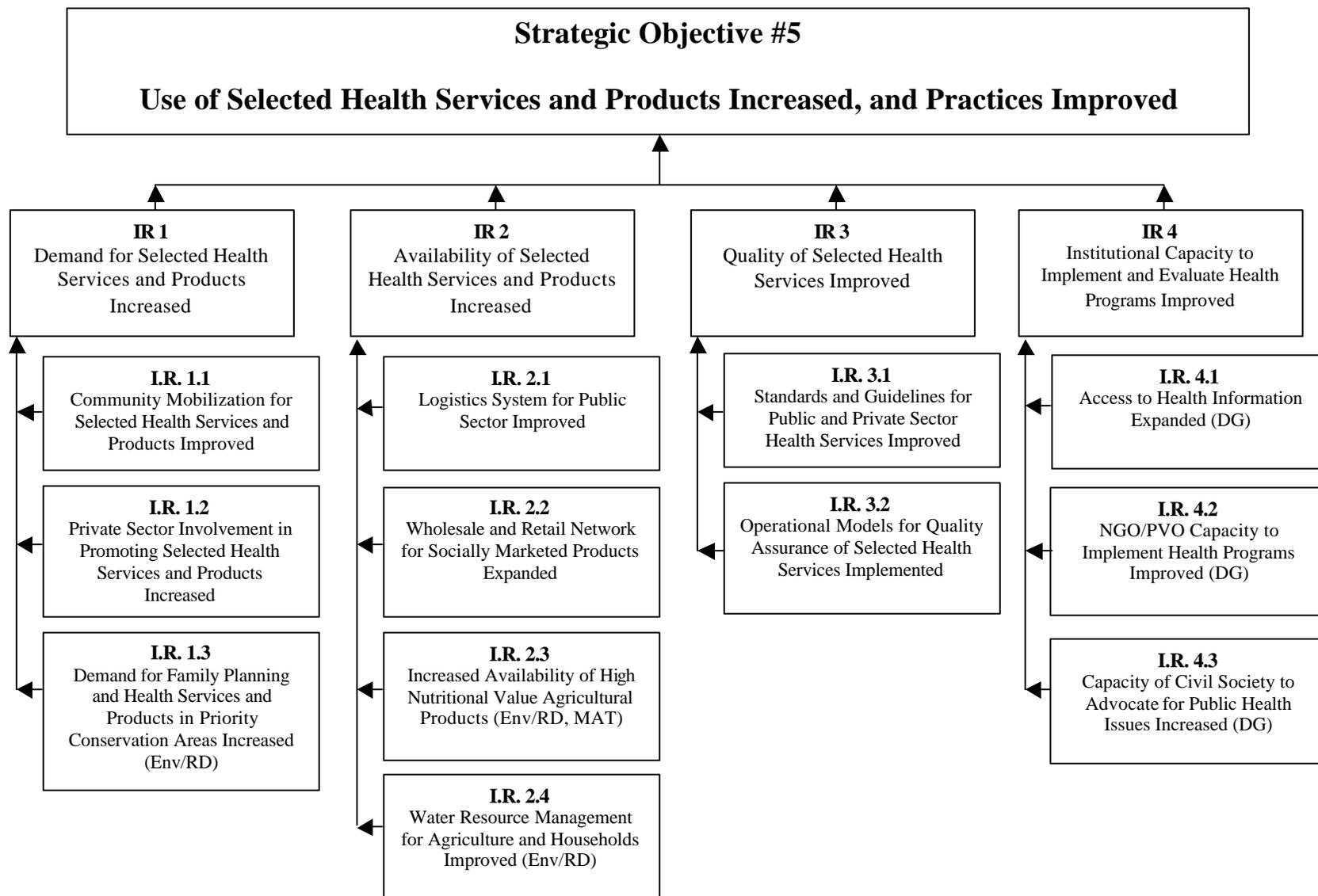
Over the past decade, the Mission has demonstrated remarkable results in Contraceptive Prevalence Rates, immunization, and breast-feeding in targeted areas. HPN has forged strong partnerships with the GOM, local NGOs, and donors, and mobilized communities have led a groundswell for improved health services and products. At the mid-level funding scenario, the Mission could maintain these results and expand to additional geographic areas and populations, supporting both the public and private sectors. At the high-level, the program could broaden its reach even further, and deepen activities aimed at building greater systemic change and sustainability. In particular, it could provide significantly more support to greater numbers of NGOs, broaden the access to and use of health information services and technology, and appreciably strengthen national management of drug, vaccine, and contraceptive logistics systems. The low level is less than HPN received, on average, during the past five-year strategy. Consequently, the expected results will be severely constrained; the program will be tightly focused geographically, and the reach of activities limited.

G. Measuring Results

The baseline for measuring program impact will be the 2003 national Demographic and Health Survey (a follow-up survey is scheduled for 2008). USAID is coordinating this survey with INSTAT, the GOM, and other donors. All key indicators for program baseline information will be included in the 2003 survey. In addition, a national household survey funded by the World Bank will be completed in 2004 and a UNICEF Multiple Indicator Survey in 2005. Periodic program surveys, social marketing sales data, and the GOM health information system will also be used to monitor program indicators.



USAID/Madagascar Health, Population and Nutrition (HPN) Results Framework



**PART VI STRATEGIC OBJECTIVE #6 –
BIOLOGICALLY DIVERSE FOREST ECOSYSTEMS CONSERVED**

A. Problem Identification and Past Achievements

Madagascar has been identified consistently by the international community as one of the highest biodiversity conservation priority countries in the world. Some experts believe that the country harbors more genetic information per unit area than anywhere else in the world. A hectare of forest lost in Madagascar has a greater negative impact on global biodiversity than a hectare of forest lost virtually anywhere else on earth. Poverty, unproductive agriculture, high population growth, and weak natural resources governance threaten Madagascar's natural resource base by encouraging slash and burn agriculture, deforestation, unsustainable forest management, and habitat loss. This leads to plant and animal extinction, watershed degradation, erosion, soil fertility loss, conflict and disaster vulnerability, and more poverty (see Annexes 8 & 10).

USAID has provided extensive leadership in the environment sector in Madagascar over the past ten years, primarily through support to the fifteen year (1991- 2006) National Environmental Action Plan (NEAP). The USAID/Madagascar environment program has been one of the Agency's flagship environmental programs. To help conserve Madagascar's heritage, USAID has implemented a cutting edge approach that has consistently linked a healthy environment to improved well being of the Malagasy people. It has done this through approaches that address biodiversity conservation while contributing to the country's socio-economic development. Another critical component has been the inclusion of rural communities in the management and sustainable use of their natural resource base.

USAID's support to the first and second phases of NEAP has focused on developing environmental institutions, tools, and approaches. For example, the Mission has helped develop a more efficient National Park Service, which in turn increased the total area of critical habitats being effectively managed and protected. USAID support has helped transfer management of forest areas to local communities. And it has been instrumental in the establishment of ecotourism investment zones, promotion of environmentally friendly farmer groups, and development of more financially sustainable environment institutions.

B. Strategic Objective and Intermediate Results

“Biologically Diverse Forest Ecosystems Conserved” is the new environment and rural development strategic objective for FY 2003 - 2008.

As demonstrated over the last ten years, there are inextricable links between natural resources, economic growth, agricultural productivity, water quality and availability, poverty, health, and governance. It is clear that forest ecosystems are essential to the long-term economic, social, and environmental well being of local populations in Madagascar, the national economy, and the earth's biosphere as a whole. Therefore it is critical, in addressing the problems of Malagasy people, to focus more holistically on forest ecosystem management over the next five years. This will deepen the Mission's efforts in the environment domain while increasing the emphasis on conservation and sustainable use of forest and natural resources to empower, enrich, and

elevate people out of poverty. **Working with people closest to the natural resource base will be the nexus of the new Environment/Rural Development (Env/RD) SO.**

A multifaceted program will be pursued to achieve the new SO—one which continues the current successful ecoregional (i.e., biogeographical areas which represent distinct assemblages of natural communities and share a majority of species and ecological processes) approach. The strategy's intent is to “conserve biologically diverse forest ecosystems” by improving sustainable natural resource management and environmentally sensitive development. The SO's five components are based on accepted approaches to ecoregional conservation and development.

Illustrative Indicator for SO 6:

- Percent change in forest cover.

IR 1: Forest Management System Improved

Ecological services provided by forest ecosystems are extremely valuable benefits. These services include maintaining and controlling water flow and quality, soil formation and nutrient cycling, pest and pathogen control, pollination, and climate regulation. Ignoring or undervaluing these can increase pressure for land conversion—a result based on the mistaken perception that agriculture or other land use practices would be a more valuable land use. A strategic vision for the preservation of forest ecosystems must be integrated into the decision-making process of all stakeholders, and must be implemented at the field level.

Satisfying the broad range of human and ecological demands requires new approaches to the stewardship of Madagascar's forests. Forest management will be based on two key premises:

- forests must be managed to fulfill a range of environmental, social, economic, and cultural functions, rather than serving sole interests such as logging or conservation; and
- forest products outside of primary forest exploitation must be made more profitable, which will tend to reduce the pressure for primary forest timber products.

To help facilitate the development of a forest management vision, a number of activities will take place under the new ISP. USAID will assist in establishing an effective system and structure responsible for forest management. Support will be provided to ensure that the forest service is able to transfer its vision to the field through national, regional, and communal forest zoning plans. Along with establishing an effective institution, USAID will help implement a system to provide adequate resource information on which to base decision-making: Skills and infrastructure will be developed to ensure that information is gathered, analyzed, and provided in a way to allow use by decision-makers at all levels. Finally, the flow of information and dialogue with partners will be facilitated to ensure that the priorities for key forest ecosystems are heard, understood, and integrated into local, regional, and national-level planning.

Illustrative Indicator for IR 1:

- 20-year management vision defined and implemented through national and regional zoning plans.

IR 2: Biological Integrity of Critical Biodiversity Habitats Maintained

Ensuring that core biodiversity areas are protected is critical to conserving forest ecosystems. The program will strive to reach the internationally accepted measure for how much of a country's critical habitats should be protected, which is that an adequate percentage (usually 10%) of habitats are under conservation status. To achieve this, USAID will provide support to implement the strategic management plan for the protected areas network developed with past USAID support.

One aspect of protecting critical habitats is to maintain the ecological processes within and between habitats. A total of 90% of the country's biodiversity lies within forest areas, of which less than 8% is represented in the protected area network. Moreover, many of Madagascar's highest priority biodiversity areas fall outside the network. The program will use new and innovative mechanisms, such as conservation contracts and regional protected areas, to help ensure that these high priority areas are maintained.

Ecological restoration and reforestation will be used to re-establish connectivity between habitats where ecological processes have been destroyed. Another aspect of conserving critical habitats is to ensure that biodiversity habitat management plans are integrated into landscape planning. When local, regional, and national level development plans are established, the needs for protecting these critical habitats will be integrated to ensure that conservation goals and development activities are complementary.

Within the protected area network, program activities will promote continued institutional development, while also focusing on developing the capacity to implement field-level management activities. These activities will include park outreach and education, monitoring and research, infrastructure development and maintenance, habitat maintenance, and integrating protected-area management activities and local and regional development.

Continued support in the area of "sustainable financing" is also critical; public resources are insufficient. A multi-pronged approach will be pursued here: (i) restructuring of the environmental institutions to enable them to be more financially and institutionally secure; (ii) exploring new avenues for securing increased and sustainable revenue generation for the environment, which might include carbon sequestration, private sector resources, green taxes, etc.; and (iii) pursuing the establishment of a biodiversity/protected areas trust fund.

Illustrative Indicator for IR 2:

- Area of selected habitats under conservation management.

IR 3: Alternatives Adopted to Reduce Slash and Burn Agriculture

The largest threat to the remaining natural forests of Madagascar is slash and burn agriculture (*tavy*). *Tavy* is the result of a number of social, cultural, economic, and biological factors. Local communities and forest dwellers are working to reclaim their rights to use and manage the forestlands. These critical landscapes include biodiversity-rich forest ecosystems, water catchment areas, land use systems where agriculture has high potential for sustainable growth,

marginal lands with valuable non-agricultural resources that are under threat of degradation, and lands that can support economic diversification.

USAID's efforts to reduce slash and burn farming will continue to be based on reinforcing synergies between natural resources management, agricultural productivity, food and financial security, economic growth and poverty alleviation, health, and natural resource sustainability. The approach will address socio-economic factors that increase human pressure on highly valuable forest corridors in two USAID priority ecoregions. It will help to alleviate poverty while improving food security in both regions. USAID will build on foundations established by the current ecoregional conservation program, which has demonstrated that slash and burn can be halted, and expansion of lands encroaching on priority ecosystems limited, through agricultural intensification and income-generating activities based on sustainable use of natural resources.

Farmers and their communities are the common element in these desired conditions, so USAID will focus on community-level "farming systems" interventions. This will increase farmer incomes and create strong economic, ecological, social, and geographical linkages between rural development and reduction of pressures on forest corridors. The approach will focus on inter-related interventions based on sustainable land use planning and management.

The first of these interventions is community-based forest management. Contracts will continue to be established with local communities to transfer management of designated forests with well-defined resource management plans, access, and use. Alternative energy sources and technologies, such as community woodlots, will be explored to reduce dependence on harvesting fuel-wood from primary forests. Second, agricultural productivity will be increased by encouraging farmers to adopt approaches that are more sustainable and profitable than the slash and burn system. Emphasis will be placed on empowering farmers to be self sufficient. This will be done through a "farmer-to-farmer" approach using ecologically friendly techniques and by fostering market linkages between producer groups and agribusinesses (in collaboration with the Mission's Agriculture and Trade SO). Third, community land use management plans will build-in the protection of micro-level water catchments, thereby improving water quantity and quality. Finally, linkages will be established with the Mission's health sector SO to address a number of community health concerns, as well as the over-arching need to address population growth around forest areas. This will be achieved by increasing the demand and availability of family planning and health services, products, and practices.

Illustrative Indicator for IR 3:

- Decrease in area and incidents of new slash and burn agriculture sites in priority areas.

IR 4: Investment Initiatives and Partnerships in Natural Resource Management Increased

In order to protect Madagascar's unique biodiversity, it is necessary to facilitate the involvement of the private sector: under this IR, economic benefits will be emphasized and investments in natural resource management encouraged. Forest lands and other natural resources will be identified with a view toward capitalizing on their potential for production of goods, maintenance of environmental services, generation of jobs and public sector revenues, contributions to exports, and associated multiplier effects.

Forest-based industries such as plantations will be supported as a way of enhancing sustainable use of forest assets and reducing pressures on the natural forests. Assistance will be focused on improving methods of management, harvesting, extraction, utilization, recovery of wastes, and value-added processing of forest products. There will be an emphasis on training field-level forest workers in more efficient forest production and processing methods, and exploring use of wood residues to create biomass energy for value-added processing of forest products.

USAID also plans to support businesses in the natural products sector, through production of quality natural products for domestic and international markets. This will consist of promoting the environmentally sensitive collection, production, and processing of indigenous and introduced natural products such as essential oils and spices (as well as such crafts as raffia woven products). Continued support will be provided to the ecotourism sector, too, as a way to actively engage the private sector in the conservation agenda. Other areas of collaboration to be pursued will include emerging carbon sequestration/carbon credit trading options, eco-certification of forest products, biotechnology, and bio-prospecting. USAID will also play a proactive role in identifying ways to engage other institutions, including zoos, museums, and universities, to invest in Madagascar's biodiversity.

Illustrative Indicator for IR 4:

- Increase in number of investments contributing to natural resource management.

IR 5: Environmental Governance Improved

Forests are amazingly busy places. Carbon sequestration, aesthetic and religious values, agents of soil and water protection, biodiversity in all its aspects: these are things not transacted in markets. Even though they carry no market price as such, these forest "values" are essential to Malagasy society. Thus, government must intervene to establish rules of the game and incentives that encourage sustainable natural resources management.

Activities within this IR will promote the involvement of all interest groups to improve environmental governance and stewardship. Public institutions must demonstrate that they can manage natural resources and revenues transparently, particularly forest and mining resources (e.g., gemstones). Law enforcement must be improved. The government must demonstrate that public forests can be managed for national benefit, rather than for private gain. Incentives and disincentives must be put into place. Communities must perceive that the government is making decisions that favor their interests rather than the influential segments of society. Finally, natural resource observatories, local monitoring measures, and independent "watchdogs" measures must be promoted. In so doing, this IR will respond to a source of tension between farmers and state agents, and contribute to the Mission's efforts to help prevent conflict stemming from natural resource degradation (see Annex 10).

Checks and balances will be enhanced by: (i) facilitating *participation* in environment management through greater information flow and communication with communities about their role as environmental watchdogs; (ii) educating the public about its role as an *advocate* for better environmental management; and (iii) educating development actors about the benefits that arise

from an effective *partnership* with environmental institutions through use of environmental impact assessments and information for decision-making.

Illustrative Indicator for IR 5:

- Decrease in illegal exploitation of natural resources.

C. Critical Assumptions

- *Large scale natural forest exploitation in Madagascar is not sustainable.* Due to the relative lack of large forest blocks and the complex and poorly understood forest dynamics, the application of worldwide research and experience demonstrates that large scale natural/primary forest exploitation is not sustainable in Madagascar. Any natural forest exploitation should be small scale and limited to the community level.
- *Positive economic growth in the broader landscape will complement the activities located near the forest corridor.*
- *The GOM will maintain its commitment to sustainable management of Madagascar’s natural resources; the donor community will continue to view biodiversity support as necessary for the “international public good.”*

D. Integration and Cross-cutting Issues

Links to other USAID/Madagascar Strategic Objectives: Given the importance of natural resources to the socio-economic fabric of Malagasy society, linkages between the Env/RD SO and economic growth, agriculture, health, food security, and governance activities are critical. Joint implementation of complimentary activities in priority watersheds will be promoted with linkages to transport infrastructures and domestic and international markets. The program’s focus on water quality and availability has a direct link to health programs related to infectious diseases and child survival. The SO also responds to the need to curb corruption through its governance-related activities.

Other U.S. Agencies: With its increased emphasis on combating corruption through improved governance, USAID will work closely with the Embassy’s Public Affairs Section to implement a strategic, media-targeted approach to help increase transparent communication in the sector. USAID and the Peace Corps have collaborated over the last eight years, primarily through the Malagasy Park Service to improve park management. This collaboration will continue. The U.S. Forest Service will provide technical support to the Malagasy Forest Service and to USAID implementing partners to improve strategic planning and sustainable forest management. The U.S. Geological Service will provide information management and remote sensing support.

Conflict Prevention and Disaster Vulnerability: Good management of forest ecosystems and watersheds directly contributes to disaster prevention and mitigation. Stabilization of hillsides is also critical: it decreases erosion, siltation of agricultural lands, and cyclone-caused landslides. **Crisis Modifier:** The Env/RD SO could be adjusted in response to crises to assist in restoring the livelihoods of affected populations, and to mitigate damage to the environment.

Gender: Integrating gender concerns to development investments will be systematically addressed through organized groups such as rural associations, producer organizations, women-owned businesses, and community-based natural resource groups. The organization of formal groups will be developed to ensure participation of women. Provision of on-site income generation opportunities will promote participation of women in socio-economic activities.

E. Local Partners

The National Environment Action Plan provides a 15-year strategic framework. Malagasy partners include the Ministry of Environment, Ministry of Water and Forests, Ministry of Agriculture, National Office of the Environment, National Association for the Management of Protected Areas (ANGAP), National Association of Environmental Actions (ANAE), and Support Services for Environmental Actions (SAGE). Another key partner is Madagascar's first private national environmental organization, Tany Meva (Beautiful Country), which was established with USAID funding and which began grant making in 1997.

Bilateral and multilateral donor support of NEAP's first phase (EP1) totaled \$150 million; another \$120 million has been provided for EP2. The World Bank has provided technical assistance to key environmental institutions and funding for projects to address the problems of soil and water conservation. The Global Environmental Facility (GEF) is supporting the management of critical biodiversity habitats within and outside the protected area network. Bilateral donors have been primarily involved in the forestry sector. Germany has been instrumental in the development and implementation of a new forestry policy. France is helping to improve forestry sector fiscal policies and promoting community-based NRM. The three principal international conservation organizations active in Madagascar are WWF, Conservation International, and the Wildlife Conservation Society. They are primarily involved in improved management of biodiversity habitats, community-based forest management, sustainable financing options, and environmental education. U.S. PVO development partners include PACT, CARE, ADRA, and CRS, and a host of national NGOs.

F. Alternative Approaches

The development process for this SO was based heavily on lessons learned during the past 10 years of USAID support to the NEAP. The cornerstone of the process was a stocktaking exercise undertaken during 2000. Early on, the Mission held discussions on whether the program should change focus from biodiversity conservation to sustainable natural resource management. However, discussions with partners in Madagascar and Washington recommended that, given the high biodiversity priority of Madagascar worldwide, the focus of the program should remain biodiversity. An array of possible strategic objectives for biodiversity conservation was considered and rejected, including the pursuit of agricultural and trade development under this SO. However, conserving forest ecosystems was selected as the focal point due to the importance of forests in terms of biodiversity, USAID's relative comparative advantage *vis a vis* other donors' activity areas, and the crucial role forests play in providing critical ecological services.

The Mission also considered ways in which the program could be best focused to help ensure maximum impact. In light of budgetary concerns, and given past USAID support, a

geographical focus on vital forest corridors was selected for field-level activities. At a national level, strategic support will be provided for forest and protected area management.

To build on and expand its activities in two eco-regions in the provinces of Fianarantsoa (see Annex 11) and Tamatave, and in the southern Madagascar eco-region of Anosy, the Env/RD SO will need to operate at the mid-level funding scenario. Under the high-level scenario, a further expansion of activities could occur north of Tamatave, into the largest remaining forest blocks in the country. The Mission was actively involved in this area in the early 1990s. Under the low-level scenario, USAID would have to substantially curtail support to the Anosy eco-region (where USAID has been instrumental in incorporating environmental concerns into regional development, in part through its implementation of a public-private alliance with a mining company). The Anosy investments would be compromised if the Mission is unable to continue its support to this region. In addition, under the low-level scenario, support to improve forest industry efficiency would have to be limited to pilot activities only.

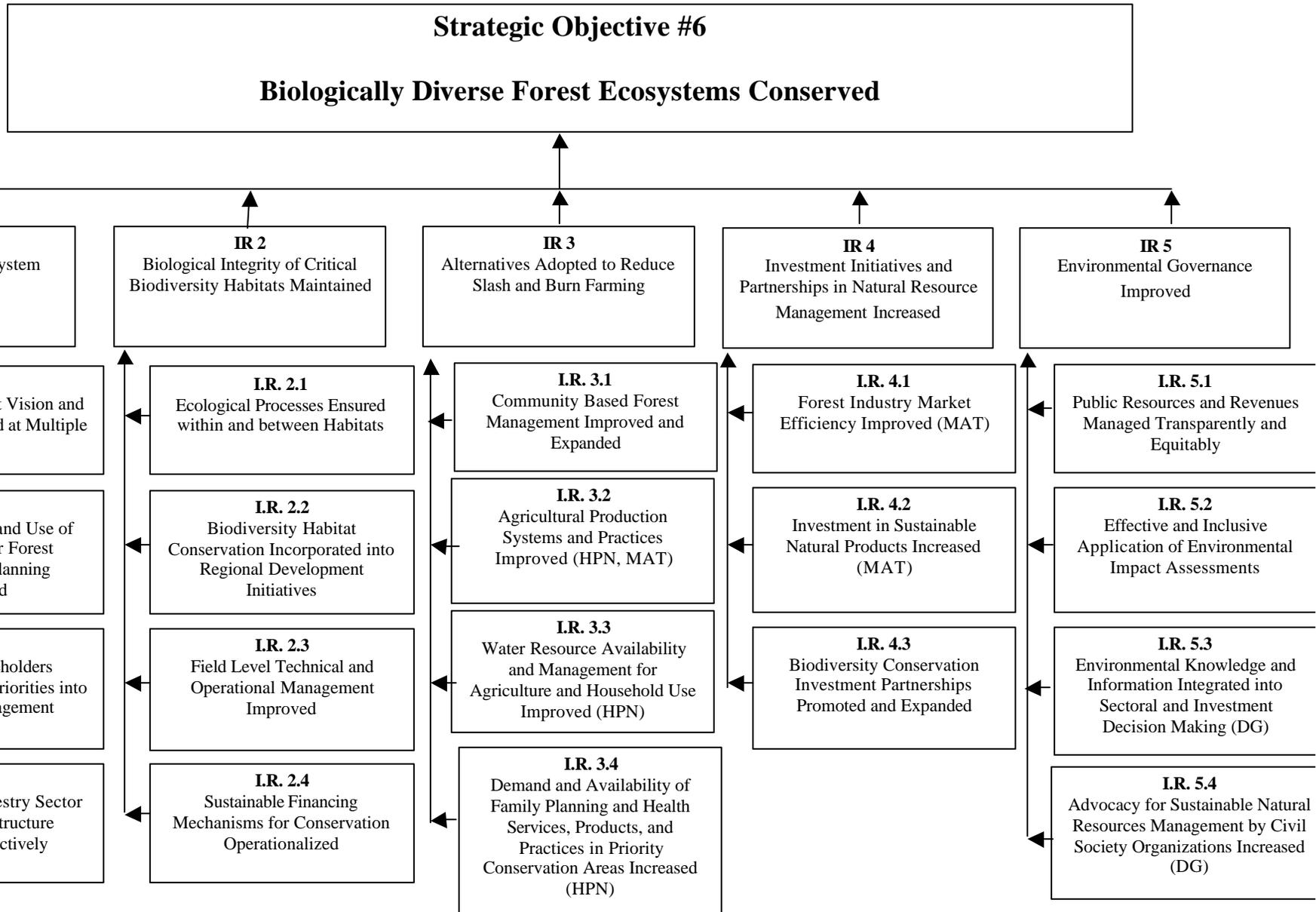
G. Measuring Results

Achievement of results under the Env/RD SO will be addressed by integrating implementation activities and monitoring of key indicators at the SO level, IR level (see relevant IR sections), and sub-IR level. The results of these efforts will be used to ensure that the program is on track, and, if it is not, to decide what changes should be made or problems addressed to ensure future targets are met.

At the SO level, forest cover monitoring has already established a solid baseline from which to base future comparisons. At the IR and sub-IR level, each procurement mechanism will be required to establish a baseline for each IR they are involved with. Reasonable but ambitious targets will be established based on analysis of baseline data and discussions with partners. Targets and indicators will be evaluated on a yearly basis, and any necessary adjustments or changes will be considered.



USAID/Madagascar Environment and Rural Development (Env/RD) Results Framework



PART VII STRATEGIC OBJECTIVE #7 - CRITICAL PRIVATE MARKETS EXPANDED

A. Problem Identification and Past Achievements

According to the U.S. Embassy's Mission Performance Plan for FY 2004:

Within this [MPP] framework, economic development, generated by market-oriented, private sector-led economic growth is our top priority. Adoption and implementation of such an approach will allow Madagascar to reduce poverty and spur investment by enhancing the ability of the private sector to thrive. This priority encompasses activities across a variety of sectors, including health and the environment.

Madagascar has substantial economic growth potential, yet it remains poor. Economic growth is essential to empowering and improving the living conditions of the poor, and reducing the country's dependence on external assistance. Properly managed, economic growth can also contribute to stewardship of the environment. Madagascar experienced accelerating growth between 1996 and 2001, but the political crisis of 2002 resulted in an estimated contraction in GDP of nearly 12%.

Textiles led much of the economy's growth in recent years, with the trade advantages afforded by AGOA playing a significant role. Madagascar has also become one of the world's major suppliers of rubies, sapphires, emeralds, and other precious and semi-precious stones, though the bulk of this trade remains outside of formal channels. There are opportunities for growth in artisanal products. It is agriculturally based products, however, that offer the greatest potential for growth to reach the majority of Madagascar's population in the medium-term. Agriculture accounts for 30% of GDP. Eighty-five percent of Madagascar's poor live in rural areas, and 77% of the rural population is poor. Madagascar is already a world leader in vanilla, clove, and litchi markets. Its diverse climatic conditions host a wide array of attractive commodities, including: fresh fruits and vegetables; robusta and arabica coffees; tea; cereals (rice, maize, wheat); tubers (cassava, yams, potatoes); dried beans; oilseeds (soybean, sunflower, peanuts); essential oils (aloe, ylang ylang, ravinala); spices (pepper, ginger, cinnamon); fibers (cotton, silk); tree crops (cashews, cocoa, coconut, palm oil); dairy products; livestock; and poultry. Madagascar also supplies seafood and forest products to the world economy, though these sectors need to be better managed to remain sustainable. Linkages exist with regional and international markets (and U.S. markets under AGOA), but these need to be strengthened. More efficient domestic commodity distribution channels need to be established.

Agricultural productivity is low. Farmers rely on traditional farming practices, often including slash and burn, and adoption of new technologies is low. Landholdings are small, and, increasingly, soils are being depleted. Input and output markets are weak, in part because of poor transportation infrastructure, small marketable surpluses and long distances between rural families and urban markets. Weak organization of producers and traders constrains efforts to surmount these problems (see Annex 9).

Madagascar's entrepreneurs tend to lack the information and experience necessary to compete successfully in international markets. Increased knowledge of market requirements such as standards and packaging specifications, and of the benefits of international agreements, is essential. Limited access to investment credit and to trade financing instruments, such as letters of credit, also hinders expansion of international trade.

Despite steady improvement in the policy environment for private enterprise and international trade over the past decade, and the commitment of the new government, much more needs to be done to improve policies and their implementation. The World Bank - UN "Integrated Framework" study identifies a number of policy constraints: poor customs administration, high import taxes, weaknesses in the rule of law, inability to enforce contracts and secure loans, disadvantageous labor policies and practices, and restrictive access to land.

Precious and semi-precious stones offer an opportunity for rapid growth in incomes, and government revenues. The vast majority of exports of precious and semi-precious stones is clandestine. Neither the small-scale miners nor the state coffers realize sufficient benefits. Establishment of transparent mechanisms for the grading and sales of these stones, with the private sector playing a substantial role in management, would bring sales revenues into the formal sector. Moreover, GOM efforts to reform this sector would be a bellwether of its commitment to good governance.

USAID has promoted agribusiness and economic growth in the past. For example, the Commercial Agricultural Promotion (CAP) Project was a six-year \$24 million project designed to increase production of agricultural products in targeted high potential zones. It provided technical assistance to agribusiness and producer groups and rehabilitated roads and rail lines. Also, between 1994 and 2001, USAID invested in the development of improved crop varieties through a grant to the International Rice Research Institute. However, lack of funding has slowed the dissemination of improved varieties. Environment and PL 480, Title II partners are working with farming communities to improve agricultural practices and mitigate pressures on the environment. In order to scale up support for agricultural production, more attention is needed to improve markets for inputs and agricultural products.

USAID programs are currently working with business associations in national products (spices and essential oils) and eco-tourism to expand trade. The Global Technology Network facilitates access to American technology. USAID has also provided technical assistance for the formation of a Madagascar - U.S. Business Council, and for workshops and information dissemination on World Trade Organization and regional trade agreements.

B. Strategic Objective and Intermediate Results

"Critical Private Markets Expanded" is the new agriculture and trade strategic objective for FY 2003 - 2008.

Market-led development will increase family incomes and improve food security. Over the life of this SO, selected interventions will be undertaken along selected commodity chains:

production, market organization, competitiveness, international trade performance, and national policy. Choice of interventions will be based on three priority considerations: a) potential for a significant contribution to economic growth; b) contribution to improving the lives of poor populations, with reference to gender equity and food security; and c) complementarity with environment/rural development activities.

This SO will support improved marketing and trade of selected agricultural and non-agricultural goods and services. It will be mutually reinforcing with the Env/RD SO. It will assist in job creation and help identify new livelihood opportunities (which will, in turn, draw growing populations away from threatened forests). It will have a strong private-sector orientation and will be a vehicle for developing public-private partnerships. Through its emphasis on markets, it is expected to reinforce and leverage World Bank, European Union, and GOM (HIPC) investments in agricultural production and transportation infrastructure.

Illustrative Indicators for SO 7:

- Increase in Gross Domestic Product from selected products; and
- Increased value of selected goods and services exports.

IR 1: Agricultural Production and Practices Improved

In coordination with the Env/RD SO and in support of a key recommendation of the Mission's agribusiness and food security assessments (see Annexes 7 & 9), this IR will increase agricultural production through the introduction of new technologies and best practices. It will help to address constraints affecting agricultural productivity, including limited access to agricultural inputs, and limited use of productivity-enhancing technologies. It may promote farm productivity through: 1) agro-ecological approaches using traditional or improved methods of inter-cropping, fallow, rotations, agro-forestry, crop-livestock integration, green manure, cover crops, integrated pest management, and water management; and 2) genetically engineered cultivars that resist pests and drought and produce higher yields. Technology choice will, among other considerations, reflect domestic and international consumer preferences, small farmer capacities, agribusiness competitiveness, and Malagasy policy (including biosafety regimes that regulate genetically modified organism research and use).

The introduction of productivity-enhancing agricultural technologies is important to increase rural incomes and decrease food insecurity – both key contributors to Madagascar's vulnerability to conflict and disaster. Increased access to environmentally appropriate technologies will allow rural families in environmentally fragile areas to improve output and increase household incomes. Agricultural diversification and off-season cropping will help to reduce the use of slash and burn practices and stabilize hillsides, thereby mitigating pressures on the forests.

Market-responsive technology dissemination will take place through agribusinesses, NGOs, or state institutions. Based on experience gained under the FY 1998 - 2003 Country Strategic Plan, this IR will work primarily through farmers' associations, in collaboration with local authorities and NGOs.

Illustrative Activities for IR 1:

- Increase farmers' access to existing and new technologies;
- Promote off-season crops and crop diversification;
- Identify new products for small farmers to produce and market;
- Increase farmers' participation in producers' organizations;
- Increase small farmers' access to market information; and
- Help local organizations facilitate collective action and complement public services.

Illustrative Indicator for IR 1:

- Increased production of selected agricultural commodities in priority areas.

IR 2: Value-Added through Agribusiness Increased

This IR will promote increases in the value of selected commodities for the domestic and export markets. This intervention is intended to increase net returns to suppliers at each level, e.g., producers, handlers, processors, and exporters. With regard to export, intervention is intended to increase the share of the value chain for exportable products that remains in Madagascar. Agribusiness development will help to diversify and upgrade Madagascar's domestic as well as exportable supply of agriculture-based products, measured in terms of varieties, length of season, market window, presentations, forms, packaging, container type, and transport mode.

Madagascar's poor road and communication networks, small marketable surpluses, long distances between rural families and urban markets, weak rural institutions, and rugged terrain increase agricultural extension, rural finance, and marketing risks and costs. To reduce costs and encourage mutually beneficial agribusiness-small farmer linkages, this SO will support farmer-initiated, democratically managed, financially viable, rural group businesses (e.g., cooperatives). Group businesses will reduce technology and information dissemination costs through farmer-to-farmer extension. They will rely on group liability for and management of rural finance (micro-finance, out-grower schemes, forward contracts, etc.) to reduce financial intermediation risks and costs, and group input and output marketing to reduce marketing costs. This SO support will network rural group businesses into regional and national farmer federations or unions. USAID has developed experience in working with village farmer groups, road user associations, and water user associations and forging national linkages.

Illustrative Activities for IR 2:

- Increase business skills of rural, non-farm enterprises, e.g., planning, management, storage, processing, packaging, and marketing;
- Increase use of formal and informal business contracts;
- Support the establishment of private and non-governmental business service providers;
- Increase access to and use of market information, including the use of information technologies;
- Help non-farm enterprises identify and gain access to credit; and
- Promote and tailor technology to local conditions.

Illustrative Indicators for IR 2:

- Number of agribusinesses showing improvement on a Best Business Practices Index (TBD); and

- Number of group businesses assisted (cumulative).

IR 3: Trade Flows in Selected Commodities Increased

The volume of trade, both domestically and into the international market, is hampered by a number of factors. These include lack of access to finance, poor quality standards, and lack of adequate infrastructure. Private sector knowledge of and adaptation to international norms, e.g., certification, custom procedures, and sanitary and phyto-sanitary standards, is also needed. Under this IR, USAID/Madagascar's objective is first to identify trade constraints and bottlenecks, and then to promote solutions that will result in an increase in the flow of trade of selected agricultural and non-agricultural commodities. Opportunities will be identified that will result in more efficient flow of goods and services within the country and internationally. Where feasible, intervention by USAID/Madagascar will seek to differentiate Malagasy products in target markets, and will work to increase the leverage of Malagasy suppliers in target markets by enhancing competitive advantage. If these interventions are effective, there will be measurable increase in domestic and international trade.

Illustrative activities for IR 3:

- Assist development of business associations;
- Support development of trade facilitation services;
- Promote investment;
- Stimulate consumers' preferences for Madagascar's exports;
- Support access of Malagasy businesses to U.S. markets; and
- Facilitate market access by reducing transaction costs.

Illustrative Indicator for IR 3:

- Increased trade volumes of selected goods and services.

IR 4: Selected Policies, Regulations, and Procedures Changed

Inappropriate national and local policies, regulations, and procedures (e.g., macro-economic, trade, agricultural, nutritional, environmental, or gender-biased) contribute to limiting trade opportunities, food insecurity, poverty, and environmental degradation. Under this IR, USAID/Madagascar's objective is to help public, private, and non-governmental organizations identify and analyze the policy and regulatory issues that need change. This will, in turn, create additional forums for dialogue among stakeholders. It will provide more and varied tools for advocacy so that policy-makers have the right information on which to act. And it will help to open up the international market.

Illustrative activities for IR 4:

- Support business association participation in informed decision-making;
- Support policy analysis;
- Support improvements in policies and practices, e.g., customs, taxation, telecommunications, finance, and land-use (see Annex 2);
- Support market access, input provision, and crop diversification interventions; and

- Promote an improved land tenure system that provides better incentives for farmer investments in land use conservation practices, tree plantations, and perennial crops.

Illustrative Indicators for IR 4:

- Index of Policy Changes (TBD); and
- Index of Economic Freedom (Heritage Foundation).

C. Critical Assumptions

- *Land tenure policies and practices will not pose a binding constraint to economic growth.* A viable land tenure system is important to secure property rights, so that rural households and agribusiness firms are more likely to benefit from their investments. Without such a system, any investor's access to land is problematic and time-consuming. Generally, foreigners cannot own land in Madagascar, though they are permitted to obtain long-term leases. The majority of rural holdings are small: over 80% of rural households have access to less than 2 hectares (4.94 acres) of land. Yet, there has been progress (since 1998) in establishing industrial and eco-tourism zones for long-term investment, and in privatizing state-owned plantations and industrial concessions. Improving access to land will be addressed over time under IR4.
- *Weak financial markets will not pose a binding constraint to market development.* Although commercial banks have ample money to lend, Malagasy businesses have difficulty in meeting loan criteria and rely on auto financing. This is exacerbated by weak laws governing security of assets. Donor-supported micro-finance schemes do not yet satisfy demand, and there is a “missing middle”—credit is less available to small and medium enterprises. USAID will help to expand access to credit by assisting in investment project preparation and promoting innovative financing schemes, such as inventory credit. Meanwhile, it is expected that credit pressures will ease over the life of the strategy as other donors' lending for micro, small and medium enterprises expands.
- *The GOM will support prudent macro policies,* including exchange rate, fiscal, and monetary restraint in order to maintain stable aggregate price and employment patterns, allowing market-based macroeconomic and sectoral reforms to provide the overall structure of market and price incentives.
- *World Bank, EU, and GOM investments in road, rail, and port infrastructure will lower marketing costs and increase participation in the market by remote, rural populations.* Telecommunications are adequate in major cities, but costly. With privatization and increased competition, telecommunications are likely to improve and become less expensive. Electricity and water supplies are generally adequate for industrial uses.

D. Integration and Cross-cutting Issues

Crisis Modifier: In the event of a crisis due to **conflict** or **natural disaster**, interventions may be adjusted to help restore productive capacity and market access for affected populations.

The process of selecting interventions to develop markets will be done in collaboration with the Env/RD SO. These two SOs will also share activities under agricultural productivity IRs. Policy change and association development activities will be coordinated with the DG SO. Development of agricultural production and agribusiness will contribute to **food security**, and complement health and nutrition activities under the HPN SO. SO 7 will contribute to the Mission's Health, Population and Environment Initiative. **Gender** considerations will be integrated into commodity choice, and into agricultural production, association, and business development activities, on the ground.

SO 7 will also collaborate with central and regional USAID projects. For example, the SO will work with AFR/SD's Tree Crops Initiative to increase small farmer production and agribusiness export of coffee, cocoa, and cashew products. In several of Madagascar's biodiversity-rich conservation areas, cashew and coffee production is closely linked to improved forest management. The SO will also work with AFR/SD's Agribusiness in Support of Natural African Products (ASNAPP) project to increase production and export of Madagascar's potentially vast array of natural products, providing rural families with income opportunities beyond slash and burn and charcoal and firewood production. To promote trade and investment, including participation in regional trading arrangements, the Mission will collaborate with REDSO/E's COMESA and RCSA's SADC development activities, as well as with the Political and Economic section of the U.S. Embassy.

E. Local Partners

SO 7 is directly supportive of Madagascar's Poverty Reduction Strategy Paper (PRSP) and the National Recovery Plan (July 2002). One of the major axes of the PRSP is to improve economic performance by increasing participation of the poor. Its rural development objectives include: a) ensuring food security; b) contributing to economic growth; c) reducing poverty and improving rural living conditions; d) promoting sustainable natural resource management; and e) promoting training and information to improve rural production. The National Recovery Plan emphasizes "rapid and sustainable development," including "restarting agriculture." Agriculture production and marketing interventions are further supportive of Madagascar's Rural Development Action Plan (PADR).

USAID and the U.S. Embassy work in close collaboration with the GOM, business associations, and other donors through the recently created *Comité d'Appui et de Pilotage pour la relance des Entreprises* (CAPE). In particular, business facilitation services will be coordinated with CAPE. Principal counterparts in the Government are the Ministries of Agriculture and Livestock, Industry and Private Sector, and Commerce and Trade. USAID will also collaborate with the Ministry of Economy, Finance and Budget, and provincial and local authorities.

SO 7 will directly complement the European Union's \$100 million, the World Bank's \$89 million, and the International Fund for Agricultural Development's \$11 million investments in rural development—all of which place an emphasis on increasing agricultural production among poor, rural households. USAID's critical contribution will be to leverage these investments by emphasizing market development. The World Bank and the EU are also investing in road and

rail transport infrastructure. The World Bank is making additional investments in community development and economic recovery.

Malagasy NGOs will be important partners in the implementation of SO 7. The Mission already has established partnerships with organizations such as the national congress of farmers' associations, and PRONABIO/SYPIEM, the association of natural products producers.

F. Alternative Approaches

Early in the development of the ISP, the Mission considered pursuing agriculture and trade development as part of the Environment/Rural Development Strategic Objective. This approach was rejected because: a) the economic growth orientation of this SO, while it contributes to biodiversity conservation, represents a separate objective; b) results of economic growth (especially agriculture, and trade and investment) funding will be more directly observable; and c) the skills required to manage this SO differ from those of the Environment/Rural Development Strategic Objective.

The Mission also considered a tighter focus of this SO, either on a geographic basis or on agriculture. While it is expected that agricultural production activities will tend to coincide geographically with the Env/RD SO's eco-regions, the market-based orientation of this SO argues for not being overly restrictive. Similarly, best practice suggests that it is not desirable to pre-select the commodity or product lines for intervention at the strategic planning stage. This is better done in consultation with implementing partners and taking into account market conditions at the implementation stage. This ISP sets out broad criteria for identification of "critical markets," for further refinement during implementation. Indeed, some flexibility is required to respond to the short-term economic recovery emphasis of the GOM and the Mission Performance Plan, and to adapt to changing conditions over the life of the strategy.

The Mission also considered including a credit component, e.g., microcredit. Given the additional management implications and the efforts—albeit imperfect—of other donors, USAID-financed lending operations are not proposed at this time.

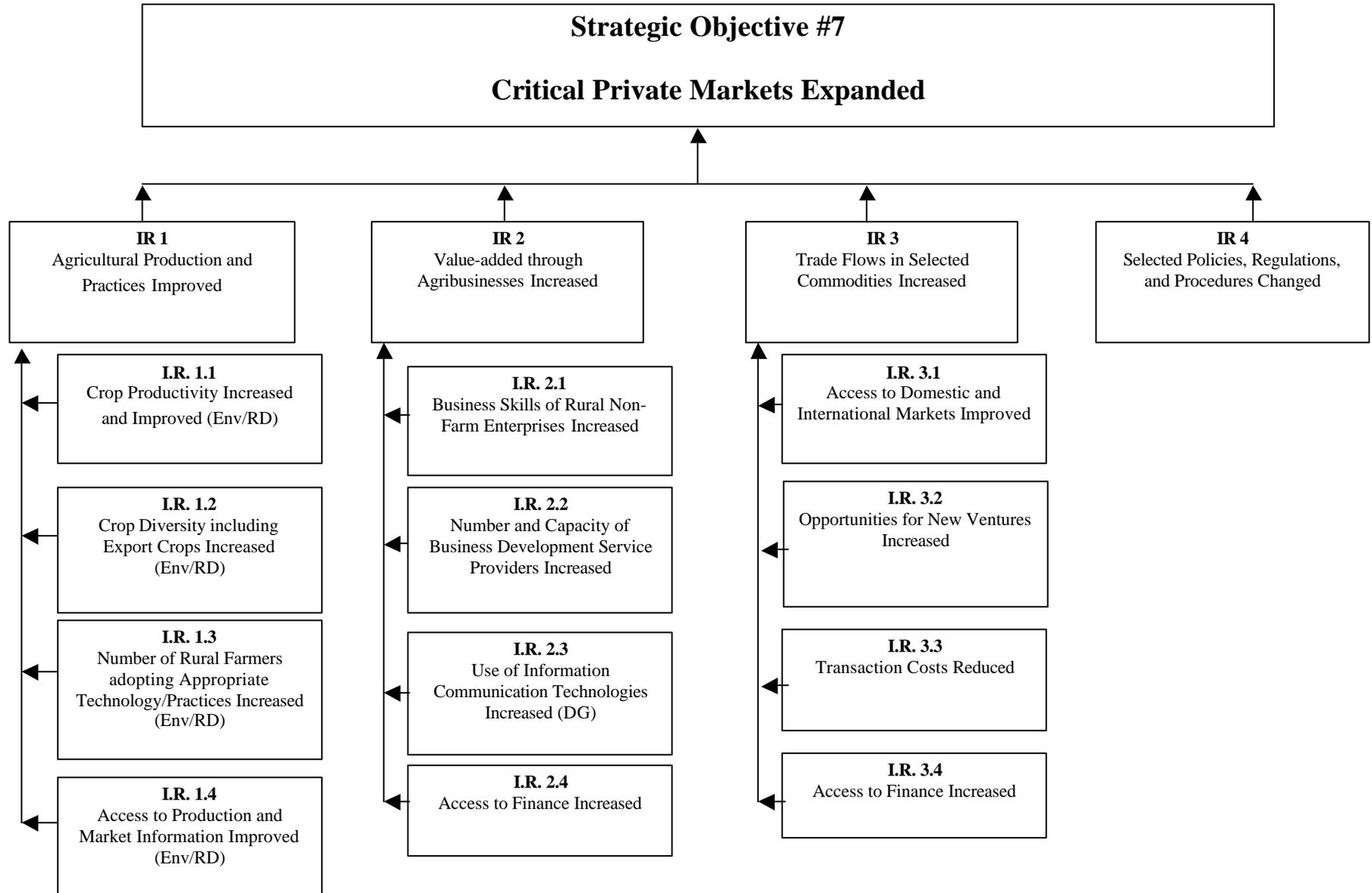
At the mid-level funding scenario, the Mission will pursue selected interventions along several high priority commodity chains. At the high-level scenario, the Mission would be better placed to reinforce the private-sector orientation of the GOM, engage more aggressively in policy dialogue, and provide more active support for Madagascar's participation in regional and global trade initiatives. In addition, the range of commodities and the numbers of beneficiaries would be increased, and USAID's contribution to economic growth would be more substantial. Under the low-level scenario, agricultural production interventions (IR 1) will be fully dependent on the Env/RD SO, PL-480, Title II agriculture activities, and GOM and other donors' investments. This would still enable USAID to concentrate on its comparative advantage on market development issues, but it would constrain efforts to link farmers groups with buyers. The choice of commodity chains would be limited as well in the first two years of implementation, with a likely focus on only three or four commodity groups.

G. Measuring Results

This SO requires measurement of agricultural output, commodity sales, and exports, as well as monitoring of policy changes. The primary responsibility for performance measurement will be placed on the lead implementing partner, under the supervision of the SO Team. It is expected that data collected will be closely integrated with the efforts of the GOM (notably INSTAT), the World Bank, and producers' and business associations.



USAID/Madagascar Agriculture and Trade (MAT) Results Framework



PART VIII RESOURCE REQUIREMENTS AND PROGRAM MANAGEMENT

A. Funding Scenarios

Madagascar's importance as a biodiversity hotspot, its economic potential, its extreme poverty, its need for assistance in recovery from the recent political crisis, the development foundations set before the crisis, and the promise of the new government—particularly its commitment to good governance—provide sound reasons for sustaining and increasing U.S. foreign assistance. Program funding scenarios are derived from the January 2002 Parameters Guidance for Madagascar 01 STATE 02926 (See Annex 3).

Development Assistance/Child Survival and Health: The Parameters Guidance identified three funding scenarios. Under the low-level scenario, DA and CSH resources total \$16.25 million. The mid- and high-level scenarios are for \$23 million and \$30 million, respectively. The funding would be distributed as follows:

Scenario	Low	Mid	High
Total Funding (DA/CSH), o/w	\$16.25	\$23.0	\$30.0
Democracy & Governance	\$0.75	\$1.0	\$2.0
Health, Population, Nutrition	\$6.5	\$9.0	\$11.0
Environment/Rural Development	\$7.5	\$10	\$12
Agriculture/Trade	\$1.5	\$3.0	\$5.0
P.L. 480- Title II	\$6.5	\$8.5	\$9.0
<i>USDH Staff</i>	3	5	8

Source: Parameters Guidance, 01 STATE 02926

The mid-level scenario of \$23 million per year (\$115 million over five years) corresponds most closely to the Mission's initial estimate of requirements to fund the proposed program, as presented in the November 2001 Concept Paper. This level begins to send a signal that the USG values the commitment that the GOM is making to good governance, economic growth, HIV prevention, and investing in the health and well being of its people. At this level, economies of scale would be realized in reaching households and communities through core implementation mechanisms. The Mission would be assured of resources necessary to support policy dialogue and change.

The high-level scenario of \$30 million per year (\$150 million over five years) would capitalize on Mission expertise and the integrated nature of USAID/Madagascar's portfolio, and increase overall program impacts. The Health, Population and Nutrition SO could provide significantly more support to greater numbers of NGOs, broaden the access to and use of health information services and technology, and appreciably strengthen national management of drug, vaccine, and contraceptive logistics systems. The Environment and Rural Development SO could expand activities to the north of Tamatave, into the largest remaining forest block in the country—an area in which the Mission was actively involved in the early 1990s. The Agriculture and Trade

SO would be better placed to address specific bottlenecks in agricultural production, reach significant numbers of farmers' groups, broaden the range of commodities assisted, reinforce the private-sector orientation of the GOM, engage more aggressively in policy dialogue, and provide more active support for Madagascar's participation in regional and global trade initiatives. The Democracy and Governance SO would be in a better position to provide targeted support to decentralization efforts, expand the number of issue-areas pursued by civil society, and increase the number of targeted government units receiving information and technical assistance.

The low-level scenario of \$16.25 million per year (\$81.25 million over five years) would enable the Mission to make substantial contributions in the environment and health sectors, and targeted, yet influential interventions to support good governance and economic growth. Even at these funding amounts, the Mission would be in a position to leverage private resources and influence the course of GOM and other donor investments in Madagascar. Maintenance of this minimum level of funding is important to the mutually reinforcing nature of the four SOs. Given the low level of funding for the DG SO in this scenario, and its planned contributions to other SOs, some DG activities would likely be funded by more than one SO. It would be limited in its capacity to support anti-corruption efforts. Similarly, the MAT SO would be dependent on other interventions (Env/RD and P.L. 480, Title II) for agricultural production and farmer association activities. Under the low scenario, the HPN SO would be constrained in the number of communities and target groups it could reach. This in turn would have a negative effect on key health indicators such as vaccination rates, quality of STI services, and improvements in nutritional status. And the Env/RD SO would be constrained in its capacity to provide further assistance to its public-private alliance in the southern Madagascar Anosy eco-region.

The DG SO could be financed using Democracy and Governance funding and, for some activities, either Conflict or Education funding. The HPN SO could be financed through DA or CSH funds, including Child Survival, HIV/AIDS, Infectious Disease and Micro-nutrient funds. The Env/RD SO could be financed through Environment (including Biodiversity), Agriculture, and Other Economic Growth Funds. The Agriculture and Trade SO could be financed using Agriculture, Trade, or Other Economic Growth Funds. The majority of Mission activities will be implemented through bilateral instruments, except that approximately one-third (to one-half) of the HPN activities will be implemented through Global Field Support mechanisms.

PL-480, Title II Assistance: The Parameters Guidance provides for between \$6.5 million and \$9 million in PL-480, Title II resources. In July 2002, USAID/Madagascar issued guidelines to potential Cooperating Sponsors based on the Parameters Guidance and indicating avenues for Title II programs to reinforce the ISP. Title II Development Assistance Program Proposals for FY 2004 – 2008 were submitted to the Mission in November 2002. Direct feeding and Food-for-Work programs may support STI/HIV/AIDS prevention, maternal and child health and nutrition, and agricultural development. Monetization proceeds may be directed to health, environment, agriculture and rural development, and disaster preparedness activities. Before proceeding with monetization under a new ISP, the Mission will commission independent analyses of the market impacts of monetization. Currently, Title II imports are managed through a consortium of Cooperating Sponsors.

B. Staffing and OE

Staffing: The low-level scenario would require USAID/Madagascar to reduce USDH staffing from six positions at the end of FY 2002 to three, whereas the high scenario would restore staffing to the FY 01 level of eight. It is the Mission's assessment that a reduction in USDH positions to as few as three would increase Mission vulnerabilities and is not advisable. Higher USDH staff levels also increase Mission capacity to engage in policy dialogue with senior Government officials, and to better coordinate with other donors. The Mission recommends that, under the low- and mid-level funding scenarios, USDH staffing be maintained at no less than five positions, and that the full complement of eight positions be considered in the context of the mid- and high-level funding scenarios.

If reduced to five under the mid-level scenario, USDH positions would be allocated for a Mission Director, Supervisory Project Development Officer (S/PDO), Supervisory General Development Officer (S/GDO), Controller, and Executive Officer (EXO). Four internationally recruited Personal Service Contractors (PSC) SO Team Leaders and the PSC Food For Peace Officer would each report to either the S/PDO or S/GDO. A resident-hire USPSC would serve as Deputy Team Leader in the Env/RD office. Note: The Mission proposes that the GDO (Democracy and Governance Officer) return to post after Home Leave and serve until July 2005, at which point the DG Team would be shifted to USPSC leadership. The current Third Country National PSC Food for Peace Officer would be retained until the end of his contract in FY 2004.

Under the high-level scenario, eight USDH positions would be allocated: Mission Director, S/PDO, Controller, Health Officer, Environment Officer, Private Enterprise Officer, GDO (Democracy and Governance), and EXO. Three US and TCN PSCs will provide additional technical leadership.

Under the low-level scenario, three USDH positions would be retained: Mission Director, S/PDO, and Controller. This scenario would require an OE-Funded USPSC Executive Officer. After a period of transition, each of four strategic objective teams would be headed by internationally recruited, program-funded PSCs, reporting to the Mission Director or S/PDO. Locally recruited PSC's would serve as Deputy Team leaders for the health and environment SOs.

A qualified staff of Foreign Service Nationals makes each of these scenarios viable. At the end of FY 2002, the Mission had 63 FSN positions (37 OE-funded, of which two were vacant but deemed essential, and 26 Program-funded). There is only limited scope for reducing these numbers, as FSN staffing requirements are not highly sensitive to changes in program funding or USDH staffing levels. Under the low-level scenario, FSN staffing would be reduced to 57 (30 OE/27 Program), while under the high-level scenario it would reduce to 60 (35 OE/25 Program). A net reduction in OE-funded FSN positions can be realized if up to two financial analyst and two procurement specialist positions are shifted to Program Funding, and, with fewer USDH, up to three secretarial positions are shifted from OE to Program.

Illustrative Workforce by Scenario, FY 2004 – 2008

Low-level Scenario Estimate	GDO	D&G	Health	Env.	Agric. Trade	Total SO/SPO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Total Mgmt.	Total Staff
OE Funded: 1/												
U.S. Direct Hire	1					1	1	1			2	3
Other U.S. Citizens						0			1		1	1
FSN/TCN Direct Hire						0					0	0
Other FSN/TCN	1					1	5	10	12	2	29	30
Subtotal	2	0	0	0	0	2	6	11	13 *	2	32	34
Program Funded 1/												
U.S. Citizens			1	2	2	1					0	6
FSNs/TCNs			4	10	5	4		2		2	4	27
Subtotal	0	5	12	7	5	29	0	2	0	2	4	33
Total Direct Workforce	2	5	12	7	5	31	6	13	13 *	4	36	67
TAACS/Fellows						0					0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	5	12	7	5	29	8	13	13 *	4	38	67

* Excludes 31 Manpower Contract personnel

Not shown: The USDH GDO (DG Officer) position would also be retained until July 2005; the DG Team secretary would not shift to program funding until FY 05.

Mid-level Scenario Estimate	GDO	D&G	Health	Env.	Agric. Trade	Total SO/SPO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Total Mgmt.	Total Staff
OE Funded: 1/												
U.S. Direct Hire	1					1	2	1	1		4	5
Other U.S. Citizens						0					0	0
FSN/TCN Direct Hire						0					0	0
Other FSN/TCN	1					1	6	10	12	2	30	31
Subtotal	2	0	0	0	0	2	8	11	13 *	2	34	36
Program Funded 1/												
U.S. Citizens			1	1	2	1					0	5
FSNs/TCNs			5	10	6	4		2		2	4	29
Subtotal	0	6	11	8	5	30	0	2	0	2	4	34
Total Direct Workforce	2	6	11	8	5	32	8	13	13 *	4	38	70
TAACS/Fellows						0					0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	2	6	11	8	5	32	8	13	13 *	4	38	70

* Excludes 31 Manpower Contract personnel

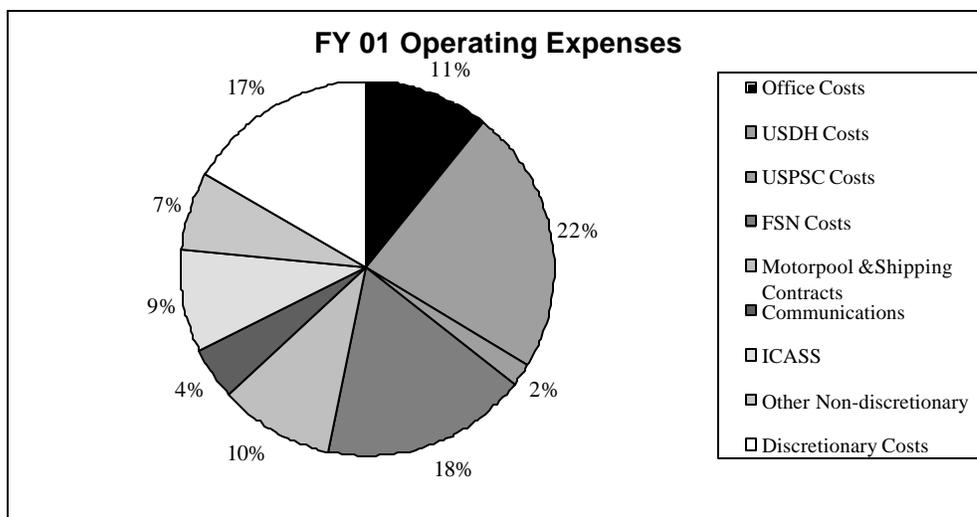
Not shown: The USDH GDO (DG Officer) position would also be retained until July 2005; the DG Team secretary would not shift to program funding until FY 05.

High-level Scenario Estimate	GDO	D&G	Health	Env.	Agric. Trade	Total SO/SPO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Total Mgmt.	Total Staff
OE Funded: 1/												
U.S. Direct Hire		1	1	1	1	4	2	1	1		4	8
Other U.S. Citizens						0					0	0
FSN/TCN Direct Hire						0					0	0
Other FSN/TCN		1	1	1	1	4	6	11	12	2	31	35
Subtotal	0	2	2	2	2	8	8	12	13	2	35	43
Program Funded 1/												
U.S. Citizens			1	2	0	3					0	3
FSNs/TCNs			4	9	5	3		2		2	4	25
Subtotal	0	4	10	7	3	24	0	2	0	2	4	28
Total Direct Workforce	0	6	12	9	5	32	8	14	13	4	39	71
TAACS/Fellows						0					0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	6	12	9	5	32	8	14	13	4	39	71

* Excludes 36 Manpower Contract personnel

Mission Motorpool and Shipping and Property Management Services are provided under two local contracts, which provide employment for an additional 38 persons (31 OE/7 Program). Under the low- and mid-level scenarios, only limited reductions in staffing under these contracts are deemed feasible.

Operating Expenses: The Parameters Guidance instructs the Mission to straight-line the FY 2001 OE Budget, i.e., \$2,570,000 for the high-level scenario, and indicate how lower OE levels could be accommodated under the low- and mid-level scenarios. The chart below indicates the distribution of FY 2001 OE according to major expenditure groupings. The two largest cost elements are local Personnel (Foreign Service National salaries and benefits, and Motorpool and Shipping and Property Management Contracts, 28%), and US Direct Hire support costs (22%).



Actual OE requirements for FY 2003 and beyond will be determined by a number of factors, including: size and complexity of the assistance program; numbers of OE-funded US PSCs (e.g., EXO); timing of USDH transfers; FSN and service contract cost increases; staff training; relocation of USAID offices; and, in the event of Mission restructuring, FSN termination costs and changes in ICASS costs.

The table below presents OE requirements under the high-level scenario based on conservative projections of personnel, facilities and administrative costs, inflation, and exchange rate changes. Under this scenario, OE requirements exceed the FY 2001 straight-lined level, beginning in FY 2004. In FY 2008, projected requirements exceed the baseline by \$876,000, or 34.1%. During the life of the ISP, the cuts in personnel, support contracts, and discretionary costs necessary to conform to the Parameters Guidance would become so severe as to be unsustainable.

Illustrative Operating Expense Budget Projections, by Scenario FY 2003 – 2008

	FY 2001 Actuals	FY 2003 Budget	FY 2004 Budget	FY 2005 Budget	FY 2006 Budget	FY 2007 Budget	FY 2008 Budget
Low-level Scenario							
Office Rent – maint. – util.	273,832	271,862	281,499	281,699	291,710	294,310	295,710
USDHs	591,383	422,639	392,872	335,716	387,674	367,974	383,174
USPSCs	47,338	152,653	175,925	169,900	167,885	170,423	209,525
FSNs Salary & Benefits	459,768	578,506	609,325	668,712	722,544	779,687	841,488
Motorpool & Shipping/ Property Mgmt. contracts	254,439	280,520	294,699	309,434	324,905	341,151	358,208
Communication & Courier	114,486	124,100	124,100	124,100	124,100	124,100	124,100
ICASS	231,871	210,990	147,333	154,667	162,400	170,520	179,046
Other Non-discretionary	168,467	175,880	159,945	157,428	157,088	174,408	174,338
Discretionary Costs	428,417	287,806	224,146	239,984	268,705	244,024	205,692
Total	2,570,000	2,504,956	2,409,844	2,441,639	2,607,011	2,666,597	2,771,281
FY 01 level		2,570,000	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000
Variance		(65,044)	(160,156)	(128,361)	37,011	96,597	201,281
Mid-level Scenario							
Office Rent – maint. – util.	273,832	271,862	281,499	281,699	291,710	294,310	295,710
USDHs	591,383	628,888	576,116	526,516	528,511	617,811	540,011
USPSCs	47,338	-	18,946	33,500	-	-	35,000
FSNs Salary & Benefits	459,768	578,506	619,379	679,975	734,725	792,861	855,736
Motorpool & Shipping/ Property Mgmt. contracts	254,439	280,520	294,699	309,434	324,905	341,151	358,208
Communication & Courier	114,486	124,100	124,100	124,100	124,100	124,100	124,100
ICASS	231,871	210,990	184,167	193,333	203,000	213,150	223,808
Other Non-discretionary	168,467	175,880	159,945	157,428	157,088	174,408	174,338
Discretionary Costs	428,417	290,566	234,906	239,984	272,105	247,424	209,092
Total	2,570,000	2,561,313	2,493,756	2,545,969	2,636,144	2,805,214	2,816,002
FY 01 level		2,570,000	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000
Variance		(8,687)	(76,244)	(24,031)	66,144	235,214	246,002
High-level Scenario							
Office Rent – maint. – util.	273,832	271,862	281,499	281,699	291,710	294,310	295,710
USDHs	591,383	544,638	853,096	799,746	851,992	870,792	962,492
USPSCs	47,338	-	18,946	33,500	-	-	35,000
FSNs Salary & Benefits	459,768	578,506	652,994	726,683	785,239	847,493	914,820
Motorpool & Shipping/ Property Mgmt. contracts	254,439	280,520	306,588	321,918	338,014	354,915	372,660
Communication & Courier	114,486	124,100	124,100	124,100	124,100	124,100	124,100
ICASS	231,871	210,990	184,167	309,333	324,800	341,040	358,092
Other Non-discretionary	168,467	175,880	159,945	157,428	157,088	174,408	174,338
Discretionary Costs	428,417	290,566	385,984	239,984	272,105	247,424	209,092
Total	2,570,000	2,477,063	2,966,741	2,994,391	3,145,048	3,254,481	3,446,304
FY 01 level		2,570,000	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000
Variance		(92,937)	396,741	424,391	575,048	684,481	876,304

Exchange rate	6,350	6,450	6,550	6,550	6,550	6,550
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Projected mid-level scenario requirements begin to exceed the FY 2001 straight-line by FY 2006. In FY 2008, projected requirements exceed the straight-line by \$246,000, or 9.6%. By limiting FSN salary increases at Post, containing ICASS costs, and reducing non-expendable property, training and related travel costs, the Mission could likely operate within the FY 2001 baseline budget level under the mid-level scenario. Scope for further budget reductions under this scenario are limited.

The projected OE requirements of the low-level program funding and staffing scenario also begin to exceed the FY 2001 OE funding level in FY 2006. By FY 2008, OE levels would be 7.1% higher than in FY 2001. As with the mid-level scenario, it is likely that the adjustments necessary to straight-line the FY 2001 OE level would be feasible.

Cost considerations with respect to the major expenditure groupings are explored below:

- Office rent, maintenance and facilities: The foregoing OE estimates are based on the assumption that USAID remains at its current location. For security reasons, however, the Mission is actively seeking to relocate. Negotiations over one site broke down in late 2001. One contributing factor was the Mission's inability to commit to what would have been increased recurrent costs at the new location. The Mission will seek to reduce office facilities costs in selecting new office space. However, renovating and relocating would entail additional, one-time costs that are not included in the Mission's OE budget scenarios.
- USDH and USPSC Staffing: Budget projections are sensitive to assumptions on USDH and USPSC staffing. Reducing USDH staff from eight to five yields estimated savings ranging from \$273,000 in FY 2005 to \$422,000 in FY 2008. However, USDH reductions from five to three would be fully offset by the costs in the Mission's budget of a USPSC Executive Officer.
- FSN salaries and benefits and manpower contracts (for motorpool, and shipping and property management services): FSN and manpower budget requirements are relatively insensitive to changes in the number of USDH—whether under the high- or low-level USDH and program funding scenarios. There is little scope for reducing the numbers of OE-funded support staff since essential program, controller, contracting, information system, and executive office functions would need to be performed under each of the scenarios.
- Communications: The Mission is implementing measures to contain communications costs, including installation of Voice over Internet Protocol telephony, switching to a lower-cost cellular telephone company, and using scanning and e-mailing in place of telefaxing to send important documents.
- ICASS: ICASS costs are sensitive to assumptions about USDH and USPSC staffing. USAID will continue to seek ways to contain costs through ICASS. However, it is unlikely that significant savings would occur by sourcing additional resources from

ICASS. USAID will also explore the cost implications of competitively outsourcing services now provided in-house or under ICASS.

- Discretionary Costs: Discretionary costs include non-expendable property, training and conferences, and related travel costs. Estimated budget requirements range between \$200,000 and \$300,000 per year. Only limited cuts could be sustained.

Conclusions:

- The eight USDH scenario is not viable without at least a 4.3% annual growth in OE (FY 2001 - 2008). However, program activities corresponding to the high-level scenario (\$30 million/year) could be sustained with the substitution of USPSCs (or PASAs or TAACS Advisors). This would involve trading off OE savings versus vulnerabilities, knowledge of USAID priorities and procedures, and influence in dealing with host country counterparts.
- The five USDH scenario is viable within a range of up to 10 percent above the FY 2001 straight-lined OE levels.
- The three USDH scenario is viable at or slightly below the FY 2001 straight-lined level, but it implies increased vulnerabilities and reduced effectiveness compared to the five USDH scenario.
- Requirements for USDH staff are not directly tied to program funding levels. USPSCs (and potentially PASA or TAACS employees), as well as professional FSN staff can, to some extent, offset reductions in USDH. However, a minimum of five USDH is recommended to limit vulnerabilities and maximize program effectiveness under the low- and mid-level scenarios. Eight USDH positions should be considered in the context of the mid- and high-level program funding scenarios.

C. Management Considerations

Implementation plans for the ISP will be developed at the onset to limit the number of management units. Proliferation of management units has been an outcome of the Mission's successful competition for additional resources under special initiatives and emergency response programs over the life the current strategy. New instruments will be designed with flexibility to adjust to changing circumstances, whether special initiatives or crisis response. Participant training will usually be integrated into these instruments, rather than being administered directly by the Mission.

The Mission expects to implement the DG SO through one to two primary contract or grant instruments, with buy-in from the HPN and Environment/Rural Development SOs likely. The HPN SO will rely on one major Mission-based contract and a limited number of field support instruments. The Env/RD SO requires a wide range of organizational competencies and will be best managed through four to five primary instruments: contracts, grants, and interagency agreements. The Agriculture/Trade SO will likely be implemented through one primary contract, with buy-in from the Env/RD SO under consideration. It is expected that three PL-480

Title II Cooperating Sponsors will be selected on the basis of the Development Assistance Proposals submitted for FY 2004 - 2008 programs. Provision will be made for contractors and grantees to enter into public-private alliances using program resources, with USAID concurrence. Resources permitting, the Mission expects to identify additional public-private alliance opportunities over the life of the strategy, which may result in an increase in the number of management units.

D. Field Support Requirements

USAID/Madagascar will continue to require Regional Contracting Officer and Legal Advisor support. Currently, the Mission is receiving excellent service from RCSA/Gaborone. The Mission will continue to rely on REDSO/Nairobi and RCSA/Gaborone for technical backstopping for disaster response, Food for Peace, and other programmatic areas. The Mission also plans to increase interaction with Regional Hubs on such issues as trade, anti-corruption, and HIV/AIDS to augment Mission-sponsored training and information exchange.

USAID/Washington technical support will also be needed. For instance, the Mission has enjoyed solid technical backstopping in the health, democracy, environment and economic growth sectors. This will continue to be important, as the health portfolio may become increasingly dependent on centrally funded projects. Bureau for Democracy, Conflict and Humanitarian Assistance support for P.L. 480, and disaster preparedness and mitigation will continue to be important.