

USAID/Madagascar

Annual Report

FY 2005

June 16, 2005

Please Note:

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Madagascar

Performance:

The Government of Madagascar (GOM), led by President Marc Ravalomanana, is engaged in an ambitious effort to address the country's immense development challenges. Stricken with widespread poverty and endemic corruption, Madagascar has an average per capita income of only \$255; 70% of its population lives below the poverty line; 49% of children under five years of age malnourished; infant, child and maternal mortality rates are unacceptably high and life expectancy is only 55 years; HIV prevalence is 1.1%; the annual population growth rate is high at 2.8%; and, 46% of the population is illiterate. The projected real GDP growth rate in 2004 of 5.3% is considerably less than the 9.6% rate of real growth achieved last year. Overall macroeconomic management has been sound, but the economy was buffeted by a rapid depreciation of the currency in early 2004, and rising world prices for rice and petroleum products, resulting a projected inflation rate of 24.3%. In mid-2004, Madagascar reached the Completion Point under the Highly Indebted Poor Countries Initiative, resulting in extensive cancellation of sovereign debt (\$1.9 billion USD). Based on sound economic, governance, and social investment indicators, Madagascar was selected as one of the first of 16 countries worldwide eligible to receive Millennium Challenge Corporation (MCC) funding.

Under the country's Poverty Reduction Strategic Plan (PRSP), GOM development priorities emphasize good governance; economic growth, and social welfare. To promote good governance, the GOM has established an Anti-Corruption Commission in the Presidency, as well as an independent anti-corruption agency, both of which are supported by USAID under the Presidential Anti-Corruption Initiative. The GOM also requires public disclosure of assets by state officials; is introducing public finance and customs sector reforms; is working to reduce the illicit trade of precious and semi-precious gemstones; and, has canceled illegal forestry permits and banned exports of endangered species. To stimulate economic growth, the GOM has strengthened partnerships with the private sector, and with donor support will have invested \$1 billion in roads and other transportation infrastructure by 2005. The GOM has also declared a two-year tax holiday on investment and limited consumer imports, and has opened the sale of land to foreign investors. Recognizing the importance of its unique environment to the long-term health of the Malagasy economy and the welfare of its people, and building upon support of USAID and other donors, the GOM has dramatically increased planned conservation areas from 1.7 million to 7 million hectares. In the social sector, the GOM is committed to preventing the spread of HIV/AIDS; fighting malaria; strengthening health care at the community level; and increasing access to and quality of primary education through its "Education for All" program.

Installed in 2002, the Ravalomanana government maintains considerable public support for its ambitious programs. However, it faces a number of risks: that a weak and poorly equipped bureaucracy will be unable to accomplish many of the planned reforms and results; that ambitious social programs will overwhelm Madagascar's limited human capital reserves and outstrip government revenues; that the public will grow impatient with the pace of reform under the weigh of grinding poverty and rising food prices; that vested interests will retard the reform agenda; that foreign investment will fail to materialize at the rate necessary to met economic growth objectives; or, that natural disasters -- the country is vulnerable to annual cyclones -- will undermine GOM progress. USG development assistance mitigates these risks.

U.S. Interests and Goals: The United States and Madagascar enjoy close relations, and Madagascar is an ally in the global fight against terrorism. The top three U.S. foreign policy objectives with respect to Madagascar, as articulated in the Mission Performance Plan are: promotion of democracy; broad-based economic development, including health; and environmental protection. U.S. development assistance is motivated by Madagascar's unique biodiversity, its growing importance as a bilateral commercial partner

under the African Growth and Opportunity Act (AGOA), and its deep poverty, which is exacerbated by natural disasters, food insecurity and weak social services. Complementary interests include the nascent HIV/AIDS epidemic, the country's democratic transition, and combating Trafficking in Persons. USAID works closely with the Department of State in Madagascar across all programs. The U.S. Peace Corps (health and environment/rural development), U.S. Geological Survey (environment, rural development), U.S. Forest Service (environment and rural development), U.S. Department of Defense (HIV/AIDS), and the Center for Disease Control (polio, HIV/AIDS, cholera and diarrheal diseases), are all working with USAID in the achievement of U.S. development objectives.

Donor Relations: USAID/Madagascar places strong emphasis on donor coordination and enjoys productive collaboration with all major donors. The World Bank, United Nations and European Union are Madagascar's largest multilateral donors, followed by France, the United States and Japan at the bilateral level. Donor coverage and priorities by sector are as follows: World Bank (governance, institutional development, public finance, judicial reform, gemstone trade, Maternal/Child Health, HIV/AIDS, environment, education, privatization, agriculture, food security, rural development, micro-credit), European Union (public finance, judicial reform, environment, agriculture, rural development, food security, transportation infrastructure), United Nations System (Maternal/Child Health, family planning, environment, rural development, food security, disaster mitigation), France (judicial reform, public finance, Maternal/Child Health, family planning, environment, rural development, food security, micro-credit, agriculture, urban development), the United States and Japan (health and behavior change). Governance and institutional development are the central themes of World Bank and IMF support. The World Bank is the lead HIV/AIDS and education sector donor in Madagascar. Madagascar also receives funding from the Global Fund for AIDS, Tuberculosis and Malaria, and the Global Alliance for Vaccinations and Immunizations.

Challenges: Madagascar's acute poverty and endemic corruption continue to pose formidable challenges to government and donor community efforts to transform the country. Human and financial resources, and the institutional capacity to implement programs, especially in the public and NGO sectors, remain weak, undermining the overall ability of the Malagasy government to deliver results. Although the Malagasy government appears committed to reform at the senior level, the consolidation of improvements is uneven. Capable GOM staff are consistently over-extended, and government donor coordination efforts are often confused. The USAID program directly addresses these problems through strengthening local NGOs and selected government institutions, promoting public-private dialogue, supporting the implementation of a national anti-corruption agenda, increasing access to quality health services and products, improving natural resource management, promoting private investment, and increasing rural incomes.

Key Achievements: During FY2004, USAID/Madagascar completed the transition to its FY2003-2008 country strategy, and successfully closed Strategic/Special Objectives in Health (SO2) and Democracy and Economic Growth (SPO). Long-term USG development assistance investments in Madagascar continue to bear fruit. The Democracy and Economic Growth Special Objective made significant contributions to increasing economic opportunity and improving governance. This progress was not adequately captured by the principal end of program target, though planned intermediate results were met. The former Health program demonstrated considerable achievement during FY 2004, meeting or exceeding EOP targets. Procurement for the current USAID/Madagascar program was completed by August 2004, and activity implementation is on track in all sectors (Democracy and Governance; Health, Population and Nutrition; Environment and Rural Development, and Economic Growth).

1. Democracy and Governance: despite falling short of targets for the SPO level indicator "number of new firms created each year", significant progress was made under the former Democracy and Economic Growth Program which ended March 31, 2004. As a result of SPO interventions at both the public and private level, there is a greater knowledge about economic investment and trade, government is more receptive to input from civil society actors, and there is increased participation in public sector decision-making in targeted sectors and regions. Three new business laws, passed in the final days of the SPO strategy, are set to strengthen a legal framework that encourages investment in the coming years.

Under the current program, USAID democracy and governance activities serve as the foundation of all other Mission programs (environment, health, and economic growth). Launched by the President of Madagascar on May 28, 2004, the USAID good governance program achieved a number of important successes during the fiscal year despite limited implementation time. USAID support was instrumental in enabling the GOM to develop and launch its first national anti-corruption strategy. USAID funding and technical assistance was also pivotal in establishment of a national coalition of civil society organizations, and the creation of Madagascar's first women mayors' association. USAID technical support in the Malagasy Information and Communication Technology (ICT) sector played a leading role in modernization of Madagascar's national ICT policy and legal framework. In response to the political and ethnic tensions inflamed by the 2002 political crisis, USAID implemented a new program, "Fihavanana" (solidarity), to address some of the underlying causes of conflict in Madagascar. Reconciliation activities included support to the country's first Christian-Muslim platform for dialogue in the northern province of Antsiranana, one of the most religiously and ethnically diverse areas in the country. Under the Education for Development and Democracy Initiative (EDDI), the Madagascar, Media, and Message program exceeded expectations. The program has provided participatory civic education courses to over 30,000 students in more than 170 middle schools. As a result of USAID assistance in this area, twenty Ministry of Education instructors and pedagogical counselors have gained the capacity to organize training-of-trainer sessions and conduct all necessary in-service training in civic education. Over 220 teachers have received in-depth training on how to use a new participatory methodology to teach civic education.

2. Health, Population and Nutrition: SO2 was completed during FY 2004, meeting or exceeding EOP targets. The 2003 Demographic and Health Survey (DHSIII) documents a number of dramatic improvements in a key national health indicators, and data from USAID focus districts demonstrate even greater improvements. The DHSIII information reflects the important contribution of USAID health program activities to improved child, maternal and reproductive health in Madagascar. One of the Mission's most significant achievements in this area is the increase in use of modern contraceptives among women in union. Contraceptive prevalence increased from 10% in 1997 to 18% in 2003, compared to an EOP national target of 14%. According the DHSIII data, DPT3 vaccination rates steadily improved, from 48% in 1997 to 61% in 2003 - slightly above the 60% EOP target. The strength of USAID's essential nutrition actions can be seen in the improvements in exclusive breastfeeding rates which was 67% in the DHSIII compared to 22% in DHSII. USAID's socially marketed safe water solution, "Sur Eau", is helping to improve access to potable water. The Mission surpassed its 450,000 annual target for units of solution sold, providing 529,009 people with one year's supply of safe water in the process. Innovative behavior change activities to reduce transmission of HIV are also showing good results. The DHSIII shows condom use with last non-regular partner increased from 0.3% in 2000 to 8% in 2003 among women and from 2.3% to 9.7% among men.

In addition to completing closeout of SO2 during FY2004, USAID/Madagascar awarded the prime contract for its new bilateral integrated Child and Maternal and Reproductive Health activity, started its phase-two PL480 Title II program (DAPII), and awarded a bridging Cooperative Agreement to ensure continuity of successful social marketing activities. Finally, USAID successfully responded to the two of the most devastating cyclones to hit Madagascar in 50 years: Elita and Gafilo, using PL 480 Operational Reserves and emergency OFDA funding. Over 264,000 people were reached as a result of the emergency response effort.

3. Environment and Rural Development: USAID continued its leadership role in the development and implementation of the Government of Madagascar's National Environmental Action Plan (GOM/NEAP), the third phase of which (EP3) was launched in September 2004. All but one of the implementation mechanisms under the SO3 Biodiversity Program (1997-2003) were completed during FY 2004. The last-resulting in the repair of three bridges damaged during the 2002 political crisis was completed on October 31, 2004. SO3 results met overall expectations for the SO-level indicator, "decreasing rate of annual forest loss in conservation priority zones." In the two forest corridors where USAID is concentrating its activities, the rate of forest loss is one-third to one-half that of areas where USAID is not present. Conversely, the control corridor showed an annual deforestation increase from 1.54% to 2.48%. This demonstrates SO3 overall achievement in impacting positive change at the field level in the two priority corridors.

SO6 results also met expectations in FY 2004. The GOM took an important step in creating new protected areas and conservation sites by delineating, under inter-ministerial order, a total of 7.7 million hectares as critical biodiversity habitats/potential protected areas. The country's first strategic forest zoning framework was also developed, and a pilot zoning plan finalized. The program continued to show, through an approach that relates development interventions to conservation, that it is possible to help farmers significantly increase production and become responsible stewards of the environment; 68% of targeted households (approximately 20,000 farmers in total) adopted two or more elements of a more sustainable "farming systems" approach (compared to a target of 63%).

4. Agriculture and Trade: The USAID/Madagascar economic growth program promotes expansion of critical private markets, poverty reduction, and sustainable private sector-led economic growth. During FY2004, USAID improved private enterprise efficiency and access to financial services, exceeding the annual program target for number of businesses assisted by providing 24 enterprises with technical and financial assistance during the fiscal year (target: 17). USAID was also successful in strengthening linkages between natural products enterprises and farmers' cooperatives, meeting the annual target of 12 linkages supported. Finally, USAID made considerable progress in promoting export market development by sending two Malagasy textile and embroidery sector firms to the Las Vegas Apparel Sourcing Association Pavilion (ASAP) show in February 2004; \$1 million in sales were reported from the event. Using ESF funds in support of improved governance and professionalism in the mining sector, support was provided for two senior officials of the Ministry of Energy and Mines to complete training with the Gemological Institute of America.

PL480: Title II resources strengthen the overall impact of the USAID/Madagascar program. These resources support Mission Strategic Objectives in Health, Population and Nutrition as well as Environment and Rural Development. The Madagascar PL480 program has existed since 1962 and benefits thousands of people in the country each year. Approximately 40% of PL480 Title II resources are monetized, and the remainder distributed under Food for Work and Social Safety Net initiatives. Combined, monetization and distribution commodities improve the lives of Madagascar's poorest and most vulnerable communities through funding such activities as farm to market roads, strengthening disaster management capabilities in rural areas, improving infrastructure in poor areas and promoting household nutrition. During FY2004, over 800,000 people were reached by the USAID/Madagascar PL480 program, covering 14 of 22 regions of the country.

Gender: Gender considerations are fully integrated throughout the USAID/Madagascar activity portfolio. Specifically, USAID addresses gender by: increasing the participation of women in politics and civil society; promoting women's legal advocacy, and implementation of HIV/AIDS, family planning and reproductive health programs. USAID/Madagascar is a leading participant in the Malagasy National Gender Network (MGN) - a group of CSOs, private individuals, GOM and donor community representatives working to promote gender equity and better coordinate gender sector activities. During FY2004, USAID provided technical assistance for preparation of the MGN results framework, and drafting of the MGN Manual of Procedures. Madagascar is also a focus country under the USAID Women's Legal Rights Initiative, under which the country's first-ever survey on women's rights was conducted. The survey provided insight on the rarely discussed problem of violence against women in Madagascar, and helped increase knowledge about the constraints women face in Malagasy society. Mission health sector activities focus on increasing women's access to quality services and products, especially for maternal, child and reproductive health. Health sector evaluation and assessment data is disaggregated by gender to better analyze overall trends, and because women are most often the primary household caregiver in Madagascar, primary health messages are targeted to women and developed in accordance to the educational level of rural women and men in the country.

For further information on the USAID/Madagascar program, please see www.usmission.mg/usaidd.

Results Framework

687-001 Improved environment for private initiative

SO Level Indicator(s):

Issues addressed through an open, informed and participatory process
Number of clients of Savings Bank of Madagascar
Number of new firms created each year

- 1.1 Improved legal, policy, and financial conditions for trade and investment
- 1.2 More informed public participation in economic and legal issues

687-002 Smaller, healthier families

SO Level Indicator(s):

Condom sales through social marketing
Percentage of children 12-23 months receiving three DPT doses before 1 year of age
Percentage of women age 15-49 currently using modern methods

- 2.1 Family level: Increased use of services and healthy behaviors
- 2.2 Community level: Increased community participation leading to improved health and food security
- 2.3 Health center level: Increased access to quality health services
- 2.4 Institutional level: Increased capacity to plan and manage programs
- 2.5 Policy level: Improved Policies, Program Advocacy, and Decision-Making

687-003 Biologically diverse ecosystems conserved in priority conservation zones

SO Level Indicator(s):

Number of investment projects passed through environmental review
Number of villages in priority zones participating in community-based conservation
Percent of natural ecosystems represented in National Park system

- 3.1 Improved Management of Critical Biodiversity Habitats
- 3.2 Sustainable use of natural resources in broader landscapes
- 3.3 Sustainable financing mechanisms mobilized
- 3.4 Development and application of environmental policies, legislation and procedures
- 3.5 Productive Infrastructure and Systems Rehabilitated

687-004 Governance in Targeted Areas Improved

SO Level Indicator(s):

Percentage of citizens showing confidence in their government
Transparency International Corruption Perceptions Index

- 4.1 Deeper and Stronger Civil Society
- 4.2 Information Flow Increased
- 4.3 Government Responsiveness Increased

687-005 Use of Selected Health Services and Products Increased and Practices Improved

SO Level Indicator(s):

Condom use
Contraceptive prevalence rates
exclusive breastfeeding rate
Percentage of children 12 - 23 months receiving three DPT doses before 1 year of age
Vitamin A supplementation

- 5.1 Demand for Selected Health Services and Products Increased
- 5.2 Availability of Selected Health Services and Products Increased
- 5.3 Quality of Selected Health Services Improved
- 5.4 Institutional Capacity to Implement and Evaluate Health Programs Improved

687-006 Biologically Diverse Forest Ecosystems Conserved

SO Level Indicator(s):

Change in natural forest cover

6.1 Forest Management System Improved

6.2 Biological Integrity of Critical Biodiversity Habitats Maintained

6.3 Alternatives Adopted to Reduce Slash and Burn Practices

6.4 Investment Initiatives and Partnerships in Natural Resource Management Increased

6.5 Environmental Governance Improved

687-007 Critical Private Markets Expanded and Strengthened

SO Level Indicator(s):

Gross domestic product from selected products

Value of selected goods and services exports

7.1 Agricultural Production and Practices Improved

7.2 Efficiency of Ag and non-Ag Enterprises Increased

7.3 Access to Markets Improved

7.4 Enabling Environment Improved