PD-BAW-376

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: ____

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: MADAGASCAR

3. PROJECT NUMBER: 687-0101

4. BUREAU/OFFICE: AFR — 06

5. PROJECT TITLE (maximum 40 characters): AGRICULTURAL REHABILITATION SUPPORT

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 11 DD 30 YY 86

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 85 B. Quarter ____ C. Final FY 85

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 85 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	5,000		5,000	5,000		5,000
(Grant)	( )	( )	( )	( )	( )	( )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country		1,153	1,153		1,153	1,153
Other Donor(s)						
TOTALS	5,000	1,153	6,153	5,000	1,153	6,153

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) FN	180B	052				2,000		2,000	
(2) ES	180B	821				3,000		3,000	
(3)									
(4)									
TOTALS						5,000		5,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 050 | 054 | 053

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BF						
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

A. Increased foreign exchange allocations for imports of key agricultural and rural transportation inputs required for rehabilitation effort.
B. Support for better data processing and policy analysis leading toward better analysis of projects to be funded under the PIP rehabilitation efforts.

14. SCHEDULED EVALUATIONS
Interim MM YY MM YY Final MM 03 YY 86

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☒ 000 ☐ 941 ☒ Local ☐ Other (Specify) ____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY — Signature: ____ Title: ____ Date Signed MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY

AID 1330-4 (8-79)

AUTHORIZED 3/15/85

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GLOSSARY

AIRD	Associates for International Resources and Development
APAP	Agricultural Policy Analysis Project
BUCEN	U.S. Bureau of Census
CDSS	Country Development Strategy Statement
CG	Consultative Group
CGIAR	Consultative Group for International Agricultural Research
CIMMYT	International Center for Corn and Wheat
CIP	International Potato Center
DA	Development Assistance
DGP	Director General of Plan
ESF	Economic Support Fund
FIFABE	Rice Production Parastatal (Maravoay)
FMG	Malagasy Franc
FOFIFA	National Agricultural Research Office
GDRM	Government of the Democratic Republic of Madagascar
IARC	International Agricultural Research Center
ICRAF	International Center for research in Agro-Forestry
IEE	Initial Environmental Examination
IITA	International Institute of Tropical Agriculture
INSRE	National Statistical Office
INTSOY	International Soy Center
IRRI	International Rice Research Institute
ISNAR	International Service for National Agricultural Research
LTC	Land Tenure Center
MARS	Madagascar Agricultural Rehabilitation Support
MPAEF	Ministry of Livestock, Water and Forestry
MPARA	Ministry of Agricultural Production and Agrarian Reform
MPW	Ministry of Public Works
PID	Project Identification Document
PIO/P	Project Implementation Order/Participant
PIO/T	Project Implementation Order/Technician
PIP	Public Investment Program
PP	Project Paper
REDSO/ESA	Regional Economic Development Services Office/East and Southern Africa
RFMC	Regional Finance Management Center
SIRAMA	Parastatal Sugar Plantation
SOMALAC	Lake Alaotra Rice Production Parastatal
TA	Technical Assistance
TOR	Terms of Reference
USDA	U.S. Department of Agriculture

I. SUMMARY

The MARS project is the first AID bilateral project in Madagascar since the 1960's. This project is of a quick-disbursing nature which could best help to meet Madagascar's immediate needs. As explained in the CDSS, recovery of agricultural production in both food and cash crops is crucial to alleviating the current severe balance of payments difficulties. At the same time, advisory consultancies and training needs are also addressed. In view of the fact that Madagascar has already begun a program of economic restructuring that will lay the basis for future development, carefully targeted consultancies accompanied by appropriate macro and sector policy adjustments can be of great value in speeding up the recovery effort.

The CDSS provides some detail on the economic developments in Madagascar since the early 1970s: the GDRM's "socialist experiment" which led to stagnating output, a reaction in the form of massive and ill-advised investment expenditures, and the consequent internal and external financial imbalances. In 1982, the government began to design a significant reorientation of economic and social priorities in order to reduce these imbalances and address the problem of severe resource constraints. The new Public Investment Program (PIP), presented to donors during the 1983 Consultative Group meeting, emphasizes selective rehabilitation, maintenance, and higher capacity utilization, rather than capacity expansion; and its views the fundamental role of industry as supporting agriculture. The program includes progressive policy reforms to eliminate administrative obstacles to the functioning of the economy and encourage a more significant and consistent role for the private sector. This Public Investment Program is in place from 1983-1985 and will be followed by a second PIP during 1986-1988.

The MARS project supports the PIP efforts, if only in the short-term, as the MARS project is viewed as a sounding board regarding the GDRM's continuation of the "liberalization" policies associated with the PIP. As one of the most critical current needs of the GDRM is for foreign exchange, 90% of the $5.0 million MARS project will be quick-disbursing commodity import support for spare parts and tractors and bridge deck components affecting the agriculture and rural transport sectors. The remaining 10% constitutes a series of consultancies (18 person months) and short-term training initiatives (approximately 170 person months) which address rehabilitation efforts within the context of the PIP. Some of these consultancies/training affect current policies supporting the PIP, while other activities commence laying the groundwork for the next PIP.

The success of the MARS project will be measured in two ways;

1. has the GDRM continued its liberalization policies which provision of MARS funding was intended as a gesture to stimulate, and

2. has the project actually provided the assistance intended in the project, and has had a role in supporting the PIP initiatives.

The combination of these two factors will provide the indication of project success and will lay the basis for futur bilateral AID activities in Madagascar.

II. PROJECT RATIONALE AND DESCRIPTION

A. BACKGROUND

1. General:

Madagascar is predominantly rural, with only 19 percent of its 9.5 million people residing in urban areas and 88 percent of all workers employed in the agricultural sector. Only 1.5 percent have jobs in manufacturing, 9 percent in the entire services sector, including government. Its 1981 per capita GN of U.S. $330 placed it among the poorest 25 percent of all countries. It is the world's fourth largest island, with a total land area about the size of Texas, of which a little ove half is pastureland and only 5 percent, or 2.8 million hectares, is presently under cultivation (another 5.5 million ha. are considered cultivable but are not cultivated).*

2. Responsiveness to CDSS and GDRM Development Priorities:

The FY 86 CDSS identifies the following key objectives for the AID program:

a. An easing of the foreign exchange constraint

b. Improved Malagasy technical and institutional capability t analyze the effects of policy alternatives and to design effective development programs.

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* For further general background information on Madagascar, the reader is referred to FY 1986 CDSS and related documents.

c. Improved Malagasy capability to conduct and utilize agricultural research.

d. Rehabilitation and sustained maintenance of rice irrigation systems.

e. Rehabilitation and sustained maintenance of selected rural roads.

f. Increasing GDRM awareness of the need for family planning activities (to reduce the growth rate of the denominator of per capita income).

The CDSS was approved by AID/Washington with the caveats that any U.S. assistance program be linked with continued progress in market and private-sector oriented economic policy reforms.

The proposed MARS Project addresses four of these key objectives: a, b, d and e. It will focus on the short-term priority of rehabilitating the agricultural sector, its supporting services and related activities. Immediate balance of payments support in the form of commodity imports will be provided to ease the urgent foreign exchange constraint. These imports will consist of items critical to the rehabilitation effort: spare parts for road maintenance equipment and tractors, new tractors, and bridge decking components.

The project will provide consultancies and short-term training to assist the GDRM to analyze development problems within the context of the PIP, design corrective programs and projects, and compare policy alternatives, particularly those affecting agricultural investment and production incentives. It will also provide consultancies and training to support the rehabilitation of selected roads and assure better, sustained maintenance, thus complementing counterpart local currency allocations (as well as other donor contributions) for rehabilitation.

The present Public Investment Program (PIP) is the Malagasy government's first systematic attempt to program all public sector investments. It responds to the need to:

i) set priorities among future investment projects;

ii) coordinate various sources of financing, both domestic and external, and

iii) contribute to the assessment of overall capital requirements.

As such, the PIP can be considered as a very positive step towards meeting the above objectives.

The present PIP follows considerable efforts since 1981 to restore order into the confused state of public sector investments. Heavy expenditures beginning in 1978 had not been adequately controlled and had resulted in an accumulation of external and domestic obligations whose number and total amounts were not known. Similarly there was no overview of the projects that had proliferation in this period. It was, however, apparent that resources were too scarce to implement more than a part of the on-going investments and that the scarcity would last several years. Despite the efforts in some sectors, there were difficulties in preparing a PIP due to the absence of an adequate institutional framework for managing public sector resources. Precisely this deficiency was one of the main reasons for the ill-advised policies and investments of the previous years. In preparing the investment program a number of temporary and ad hoc arrangements and procedures had to be resorted to. Moreover a considerable learning process was involved, since much of the work was unfamiliar.

More permanent arrangements for managing public sector resources are being gradually put in place. Three broad types of issues need to be addressed. The first is the need for some coordination mechanism for establishing consensus on the main features of the investment program. The second is the absence in certain sector ministries of adequate arrangements and procedures for sectoral plannning and project preparation. Third come improvements in project implementation and monitoring which would be indispensable to the proposed preparation of rolling plans.

Government intends to prepare, during 1985, a PIP for 1986-90. For that and subsequent PIPs certain actions would be needed to continue the process of improving management of public sector resources. The first would be to ensure closer correspondence between PIP priorities and resource availabilities. This would be achieved partly by better financial projections, especially 2-3 year projections of government finances, and closer coordination by Government of external assistance, particularly the initial contacts with potential donors. It would be useful to define a core program or some other means of deciding where cuts would be made in case of unexpected shortfalls in resources.

Secondly, the process of project review would need to continue in order to improve the projects content of the next PIP. A number of studies being done would contribute substantially to this. Thirdly, there is a need to strengthen project identification and preparation, since the drop in scheduled outlays and project starts in 1987 indicates that viable new projects may be in short supply.

Finally, Government would need to review the issue of the size of the next PIP and its implications for recurrent government expenditures and private sector investment. It would be appropriate to consider beginning reviews of recurrent expenditures and to establish better data on public and private capital formation.

The main tenets of the program are to complete on-going projects and to rehabilitate existing productive capacity. The social sectors take a small share of the investment while there are relatively few projects in other sectors for creating new capacity, though some of these are large. The agricultural program accounts for 32 percent, transport and communications for 23 percent and industry, comprising manufacturing, mining, energy and water, for 41 percent of investment.

3. Program Factors:

Since 1982, the Government of Madagascar has pursued a rigorous economic policy resulting in major changes in agricultural sector and public investment priorities from those undertaken in the previous decade.

Corrective measures have been aimed at reducing financial imbalances and introducing important legislation to liberalize marketing and pricing - especially in the rice sector - and concentrating resources on the rehabilitation of existing production capacity. Significant changes over the past 18 months include: elimination of producer and consumer subsidies for several crops, reduction of civil service roles, successive and significant exchange rate devaluations, liberalization of pricing and marketing for some food and export crops, substantial reduction of parastatal and administrative monopolies in agriculture, and encouragement for small-scale private sector initiatives.1/

Many of the economic reforms formulated with a strong dose of technical assistance from the World Bank are directly linked to negotiations and conditions required by the IMF in their four successive stand-by agreements dating from 1980. The GDRM's initial efforts focussed on bringing the budget deficit of 1980 under control and improving the balance of payments situation. The IMF projects that in 1984, the budget deficit will be completely wiped out; in fact, it will have gone from a deficit of 18% of GDP in 1980 to a surplus of 5% of GDP in 1984. The current account deficit excluding interest payments shows a decrease from 428 million SDRs in 1980 to 141 million SDRs projected for 1984.

1/ For a more detailed discussion of recent economic changes, see Recent Economic Developments, IMF, September 24, 1984.

Three fourths of the SDR 94 million difference between the projected 1984 import bill and 1982 imports is accounted for by a decrease in imported rice.

These improvements in the external sector were accompanied by significant increases in external debt service payments, the result of the wild investment spree of the late 1970's. Before debt reschedulings obtained from commercial banks, the Paris Club and other official creditors, debt service payments rose from SDR 188 million in 1982 to SDR 268 million in 1982 and to an estimated SDR 289 million in 1984. The debt service ratio before rescheduling jumped from 55 percent in 1982 to 80% in 1983. This year's debt service ratio, expected to reach 86%, was a major topic for discussion at the November 1984 Consultative Group meeting. The GDRM requested a multi-year plan for debt rescheduling.

In an effort to restore the competitiveness of the Malagasy economy and to underpin the other elements of its adjustment program, Madagascar has followed a flexible exchange rate policy since early 1984. The Malagasy franc is now pegged to a basket of currencies consisting of its 10 principal trading partners. Prior to 1982, the Malagasy franc had enjoyed a fixed link relationship with the French franc. Under this new exchange rate policy, the franc is adjusted quarterly in keeping with the consumer price index. In addition, the FMG was depreciated, in foreign currency terms and in relation to the currency basket to which it is pegged, by 9.5% in October, 1983, and by 13% in March 1984. Since May 1982 the Malagasy franc has depreciated by 29.7% in nominal terms and by 14.7% in real terms.

Table 1. Madagascar: Balance of Payments, 1980-84
(In millions of SDRs)

	1980	1981	1982	1983	1984	
				Rev. prog.	Proj.	
Exports, f.o.b.	335.3	281.5	302.8	286.9	312.6	314.7
Imports, f.o.b.	-587.3	-433.2	-409.0	-364.7	-344.1	-340.1
Trade balance	-252-0	-151.7	-106-2	-77.8	-31.5	-25.4
Service receipts	62.9	55.6	49.7	45.0	45.0	47.0
Service payments	-274.2	267.5	-272.0	-262.4	-273.0	-282.2
Freight	-113.5	-66.2	-68.1	-49.6	-47.6	-47.8
Transport & Travel	58.2	-59.3	-55.7	-54.6	-54.6	-54.6
Investment income	-35.6	-78.3	-90.7	-101.0	-120.1	-122.2
Other	-66.9	-63.7	-57.5	-57.2	-50.7	-57.6
Services (net)	-211.3	-211.9	-222.3	217.4	-228.0	-235.2
Private unrequited transfers	2.9	3.4	-1.3	-1.1	-1.1	-1.1
Current account	-460.4	-360.2	-329.8	-296.3	260.6	-261.7
(Excluding interest)	(-428.4)	(-292.9)	(-241.6)	(197.5)	(-142.4)	(141.4)
Public transfers	32.7	33.1	65.5	56.9	56.7	68.8
Nonmonetary capital (net)	-288.0	210.4	90.0	11.8	6.3	10.6
Drawings	320.7	277.2	190.1	181.1	155.5	179.5
Amortization	-32.7	-66.8	-100.1	-169.3	-149.2	-168.9
Banks (net)	5.1	-18.1	-23.8	20.4	—	-4.7
Other 1/	-41.6	5.9	75.2	-40.3	-2.9	-10.5
Overall balance	-176.2	-108.9	-122.9	-247.5	-200.5	-197.5
Financing	176.2	108.9	122.9	247.5	..	197.5
Debt rescheduled (net)	0.0	64.4	81.1	156.0	..	199.4
Principal, incl. arrears	—)	64.4	58.4	146.5	..	151.4
Interest	—)		-24.0	-25.4	..	-74.4
Amortization on rescheduled maturities	—	..	-0.6	-3.1	..	7.4
Interest charges on rescheduling and consolidation	—	..	-0.7	-2.4	..	-16.6
Repayment of consolidated arreas	—	..	—	-10.4	..	-2.7
IMF (net)	37.7	31.6	47.0	6.5	-22.7	17.9
Purchases	41.4	35.3	52.4	10.2	3.5	41.4
Repurchases	-3.7	-3.7	-5.4	-3.7	27.0	-23.5
Net cash cahnge in arrears (decrease -)	219.2	21.3	2.6	69.6	..	-7.3
Net central bank reserves (increase -)	-80.7	-8.4	-7.8	15.4	..	-12.5
Memorandum items:						
Current account deficit as percent of DGP	-18.3	-14.6	-12.8	-11.2	-9.5	-10.8
(Excluding interest)	-17.0	-11.9	-9.4	-7.4	-5.2	-5.8
Arrears (end of period)	..	..	213.5	95.5 2/	..	88.2

Sources: Central Bank of Madagascar; staff estimates.

1/ Include valuation adjustment, short-term capital, errors and omissions, and, in 1980 and 1981, SDR 3.5 million in SDR allocations.

2/ After London Club rescheduling and Paris Club III consolidation.

Agricultural Sector

The most far reaching changes undertaken by the government have undoubtedly been inacted in the agriculture sector. These include far-reaching reforms in pricing and marketing for both rice and export crops, input delivery systems, and parastatal reform, as well as improvements in the Ministry of Agriculture's management capacities.

Agriculture employs over 85% of the population, produces most of the country's food, supplies the bulk of the raw materials for the country's manufacturing sector, and constitutes over 40% of GDP. Agricultural exports are the largest earner of foreign exchange, accounting for 85% in 1983-84.

Agricultural production has stagnated and farmer income has declined in real terms since 1972. According to the World Bank's 1983 Agriculture Sector Memorandum, several factors are responsible for the sector's poor performance, including government pricing and marketing policies, shortages of imported inputs, especially of intermediate goods such as spare parts (due to the foreign exchange crises), lack of new research, and deterioration of the transport system.

The importance of rice in Madagascar's economy cannot be overestimated. Malagasy claims to have the highest per capita rice consumption in the world. Approximately 50% of the total land under cultivation is planted in rice - approximately 1.2 million hectares. About 75% of rice fields are cultivated by smallholders; and approximately 70% of the population grows paddy.

The dramatic decision to liberalize the rice sector, taken in May 1983, was based on recommendations made by a World Bank/USAID-funded study. The A.I.R.D. rice study, done in very close collaboration with the Ministry of Agriculture's Rice Section, analyzed a broad range of alternatives. The Government's policy reform had 4 aspects.

1) elimination of the state marketing monopoly for paddy and rice, except in the Lac Alaotra and Marovoay basin irrigation scheme.

2) allowing market-determined consumer prices within a specified range (with floor prices set for producers and ceiling prices set to protect consumers)

3) pricing of imported rice at a level sufficient to avoid consumer subsidies.

4) reduction of rice imports.

For a detailed analysis of progress towards liberalization, see Annex F.1. Rice.

Future Developments in the Agricultural Sector

According to GDRM officials, the Government fully expects to continue the economic reforms began 18 months ago. Specific actions and a timetable for implementing changes constitute the policy reform package of the World Bank's $30 million Agriculture Sector Loan. Although the specific elements remain to be negotiated between the Bank and the GDRM in March 1985, preliminary discussions have focussed on the following:

1. Pricing and marketing liberalization, including elimination of price control on agricultural products, except for a selected list;

2. Improving the distribution and sale of imports, including targeting cheaper rice to the poorest by distributing 100% brokens only through official channels;

3. Commercial procurement and distribution of inputs, including chemical inputs, vehicles, equipment and veterinary products;

4. modification of quarantine laws to assure improved quality seed production;

5. More efficient resource management with the Ministry of Agriculture, including personnel reductions and a reduction in the ratio of personnel/investment expenditures;

6. Continued parastatal reform to render them efficient, if not profitable.

In accordance with AID/W guidance and Consultative Group consensus, other donors are supporting the World Bank/IMF lead in pressing for continued economic reforms.

B. STRATEGY:

This project attempts to support the rehabilitation of the agriculture sector as presented in the PIP by providing appropriate commodity support, short-term consultancies and short-term training over the twelve-month period starting April 1985.

Commodities

Given the emphasis on agricultural rehabilitation, with due regard for balance of payments considerations and AID procurement requirements, the commodities financed by this project will consist of spare parts for selected road maintenance equipment and agricultural tractors, a limited number of new agricultural tractors and bridge decking components. The logic for this selection (which excludes the trucks mentioned in the PID) is that rehabilitation of agricultural production requires three important factors (aside from pricing and marketing arrangements) for success. First, well-maintained agricultural roads are essential for the provision of inputs and the marketing of outputs; and the rehabilition of earth road maintenance equipment can begin to address this constraint. Second, effective agricultural production for the commercial market, whether domestic or export, requires tractor power and much of the tractor fleet is outdated and marginally repairable. (For example, no IH tractor has been imported since 1979). Provision of American brand tractors compatible with the existing fleet will reinforce the capability of commercial agriculture to cope with more extensive acreages in rehabilitating overall agricultural production levels. Third, that despite the extremely great need for road transport, current funding in the approved PID is simply insufficient to support purchase of both tractors and trucks. While trucks are indeed critical they will have to be supplied by another source or by inclusion of a greater amount of funding in this project at a later date. It should be noted, however, that tractors can serve, in a limited way, as a transport mode; in fact the roads in some productive areas are so bad that only tractors can be used for evacuation of agricultural production. The inclusion of bridge decking components was not foreseen in the PID but is entirely consistent with rehabilitating key rural transportation linkages. The bridge in question is the Namakia bridge over the Mahavavy River in north-western Madagascar. A further elaboration of this activity is located in Section II C below.

Consultancies/training:

The PID proposed focussing technical consultancies/training on strengthening the institutional capabilities of selected GDRM institutions to analyze agriculture related policies, although subsequent guidance recommended that AID undertake only short-term interventions. The PID focus remains consistent in the context of the PIP. Consequently, the PP team, in consultation with appropriate GDRM and other donor contacts, proposed the following:

a) initial review of the processing analysis and printing requirements for the 1978 household budget survey (BUCEN) and follow-on assistance;

b) assistance to INSRE for preliminary analysis of same survey for application to food policy analysis (USDA);

c) follow-up to consultancy on synthesis of existing data on land tenure systems (LTC/GDRM);

d) provision of technical consultancies for preparation of IBRD-led international symposium (June 1986) on national agriculture research strategy;

e) initial substantive contacts with selected CGIAR institutions to review selected crop production policies and possible GDRM/CGIAR institutional relationship (CIMMYT, ICRAF, INTSOY - the latter possibly undertaking a study of price policy for soy production on small/medium commercial farms);

f) short-term management and project socio-economic data systems assistance in the DGP and

g) short-term consultancies to the MPW on operations/maintenance techniques on earth roads and on labor intensive road maintenance.

In each case of the provision of a consultancy, it is anticipated that there will be an opportunity for short-term training associated with the consultancy. This training may be formal, may consist of informal visits to the U.S. or CGIAR site, or may be in the nature of locally arranged seminars. In a few cases, the short-term training outside of Madagascar will not be linked directly with specific consultancies. These cases will be associated with improvement of the data base for agricultural and related policies. Limited consultancy/training commodity support is also proposed in the project, which consists of 4 PC computers and associated supplies and equipment, and a project vehicle for local logistics.

C. PROJECT DESCRIPTION:

1. Project Goal and Purpose

The project goal is to increase agricultural production, productive employment, and real income. The purpose of the MARS Project will be to support the rehabilitation and mid-term recovery of the agriculture sector in Madagascar as described in the Public Investment Programme (PIP, 1984) through:

a) Increased foreign exchange allocations for imports of key agricultural and rural transportation inputs required for the rehabilitation effort.

b) Short-term technical consultancies supporting better information systems and analysis leading toward better policy determination and selection of project priorities to be funded under the PIP, and assisting physical and agricultural rehabilitation.

This project will provide valuable training, consultancies and commodities toward the achievement of the project purposes, and should AID assistance be discontinued after the proposed project, it would still have provided a useful set of positive contributions toward effective analysis of investment under the PIP. If, however, similar AID assistance should continue over several years, longer term benefits could be expected to include:

1. improved analysis of projects to be funded under the PIP and subsequent plans,

2. improved operations and effective maintenance of rehabilitated irrigation and rural transportation infrastructure and improved economic policies affecting agricultural production, particularly for rice and export crops, as well as,

3. an increased availability of key agricultural and transportation inputs in rural areas.

Project outputs include the following:

1. Imported equipment and spare parts disseminated to distributors and maintenance agencies.

2. Agricultural investments intended to be financed under the PIP analyzed and reviewed for effectiveness.

3. Participants trained and returned to assigned jobs.

4. Economic analysis completed or underway (on a continuing basis) on specified problem or policy areas.

5. Improved data series needed for the analysis of key economic problems and policy alternatives being developed.

6. rural infrastructure having been rehabilitated with a mix of foreign exchange and local currency funds.

Project inputs will include the following:

1. Commodity import support for spare parts, tractors and bridge decking components.

2. Short-term participant training courses, both those held in-country and those offered in the US or 3rd country sites.

3. Short-term consultancies to address critical skill gaps identified by the GDRM in the context of the PIP agricultural investments. Such consultancies will likely address "gaps" found in other donor assistance programs such as the World Bank and UNDP during CY 1985.

4. Necessary equipment and supplies to complement the consultancies and training in information systems management (data collection and processing), such as computer hardware and software office equipment and supplies, filing and storage cabinets, and reproduction equipment and supplies.

5. Local currency counterpart funds generated from the sale of PL480 commodities will be allocated to support

   (a) the reconstruction of a major bridge/road link in northwest Madagascar,

   (b) selected data collection, processing and publication activities and associated in-country training programs,

   (c) in-country analysis of key agricultural economic problems in the context of the PIP, and

   (d) provide for a variety of project logistic support costs. Local currency generated during the project by sale of commodities will be programmed toward related objectives.

6. GDRM regular budget which will pay the normal salaries and allowances for personnel associated with the project whether as counterparts to consultants or as participants.

2. Narrative Description of Activities:

In order to provide a clearer understanding of the relationship of the selected consultancies/training as project inputs to the overall project objective, each consultancy/training activity will be described in a brief narrative. These narratives will serve as points of departure for the development of terms of reference for the various activities.

Short-term consultancies and short-term training are focused on strengthening the capabilities of the GDRM to perform vigorous socio-economic analysis of agriculture policies and projects.

A) Agriculture Policy Analysis

Malagasy policy makers will be invited to participate in an African regional workshop on agriculture policy analysis. The one-week training, to be held this winter in East Africa, will stress the role of information in making policy decisions, and will instruct in methods and concepts appropriate to policy analysis. If the Malagasy participants deem such a course useful, the Agriculture Policy Analysis Project (APAP) is prepared to conduct an in-country workshop on specific topics and analysis methodology tailored to meet Madagascar's needs. The workshop agenda will be developed in close collaboration between the DGP, MPARA, MPAEF, agricultural parastatal personnel and the APAP consultant.

B) Economic and Financial Analysis of Agriculture Projects

A two-week in-country workshop in project appraisal - the first week concentrating on financial analysis and the second on economic analysis - will help participants from the DGP to better perform project appraisals. The DGP Sector Planning Division and the Project Monitoring and Evaluation Division will receive training and practical experience on the use of micro-computers for project appraisal. The DGP Sector Planning Unit is responsible for verifying the technical, economic and social analysis of projects performed by the sector ministries and presented for consideration for the next PIP.
The Project Monitoring Division, supported by technical assistance in data management by the World Bank is primarily responsible for project monitoring.

C) Special Studies, Agriculture Sector

A short-term consultant from the APAP Project will assist the DGP's Sector Planning Division to identify problem areas in the agriculture sector that need in-depth study, will help draft the scope of work for such studies, and will return periodically to assist the Malagasy consultants in preparing the analysis and recommendations. These agriculture sub-sector studies will be used by the DGP to identify bottlenecks and to define priority areas and projects for sector rehabilitation. The DGP will formulate the preliminary list of issues by January, 1985. The APAP consultant should arrive as soon afterward as possible so that the studies can be completed well in advance of the PIP update, scheduled for late summer, 1985.

The government has requested assistance in performing an economic and technical feasibility study of soybean production in the Antsirabe area. INTSOY, in collaboration with APAP will undertake the study, in collaboration with MAMISOA, the Malagasy parastatal involved in soybean production and processing.

D) Agricultural Research Policy

After ten years of relative isolation from the international agricultural research community, Madagascar is establishing links to the international centers. Concomitantly, the government is pursuing a two-pronged research strategy aimed at increasing agricultural productivity; it hopes to increase export crop production as a means of reducing its balance of payments problems while not neglecting the country's basic food crops. To accomplish these two objectives, the government is examining the usefulness of a farming systems approach to agricultural research. Background papers from several international centers, including ISNAR (the IARC responsible for research management), CIMMYT, IRRI are being written, over the next year, culminating in an Agricultural Research Symposium to be held in January 1986.

MARS will assist the government define its research priorities and methodologies in two ways:

- by funding the preparation of three of the background papers written by the IARCs to be presented at the Symposium. Although the principal investigator will be a research scientist from one of the centers, he/she will work closely with the Ministry of Scientific Research counterparts.

- by sponsoring observational visits by Minister of Scientific Research scientists to the IARCs most appropriate to Madagascar's agriculture. Malagasy scientists will visit both CIMMYT head-quarters in Mexico and the CIMMYT Economics Program in Nairobi to learn about their on-farm research approach, and will visit ICRAF in Nairobi to discuss possible collaboration in overcoming the serious erosion problems.

E) Social Analysis

The Government's capability to undertake social analysis of projects and hence to contribute a valuable perspective when choosing among several possible investment alternatives or rehabilitation priorities is severely limited. The data base upon which to formulate policies is extremely weak. The last census was undertaken in 1975; but received only cursory analysis. A household survey done in 1978/79 is still unanalyzed, while little or no information exists on land tenure, income distribution, systems of agricultural production, etc, since the early 1970's.

The government, with assistance from the U.N. through FAO, is undertaking an agricultural statistics survey which should provide sorely needed information on size distribution of plots, production systems, agricultural inputs and labor.

MARS will assist the government to improve its socio-economic data base and analytical capabilities in three ways:

- Two social analysts from the DGP's Sector Planning division will attend a 4-6 week intensive training course in social analysis for rural development. Possibilities include the University of Michigan and Michigan State's summer programs.

- The U.S. Bureau of Census (BUCEN) will continue their assistance to the National Institute of Statistics and Economic Reform (INSRE) in analyzing the 1978 Household and Expenditure Survey. BUCEN will help identify major gaps in the data base to evaluate income distribution and the poverty incidence among different regional, ethnic and occupational groups.

- INSRE census analysts will be trained in the use of two of the micro-computers provided for under the project. In addition, census analysts will visit similar data gathering projects in Rwanda and Kenya to share experiences in survey design, interviewing techniques, and survey monitoring.

INSRE/USDA review of 1978 household budget survey for application of food policy analysis. Subsequent to a determination by INSRE/BUCEN that the data from the 1978 household budget survey is utilizable and is put into a usable form, USDA will be asked to provide a short term consultant to work in Madagascar with INSRE to undertake preliminary analysis of that data from a food policy perspective. (The usefulness of the data to analyze food consumption patterns has been questioned by the Director of Statistics, INSRE, given that the data was collected in different parts of the country at different times over two cropping seasons.) If it can be done, such analysis would be useful to decision makers by providing statistical data regarding food consumption patterns of various income groups, both rural and urban, as well as for projections of food requirements of various food types, including elasticities of demand related to income level. Availability of such analyses could be useful in confirming continued investment in rice culture or promoting investment in other grains or food crops. On-the-job training of counterpart personnel from both INSRE and MPARA would be an integral part of the consultants' task and should provide a limited capability to continue such analyses. Should a requirement be identified for a more exhaustive analysis to be done, such an activity could be incorporated into an appropriate AID- funded activity at a later date.

F) Short-term consultancy on operations/maintenance of earth roads.

As a result of the MPW experience with a Louis Berger Int. Inc. (LBII) a pair of consultant/trainees who visited in Sept./Oct. 1984, the MPW requested an additional visit of a similarly qualified team to address operations/maintenance activities related to earth roads. The scope of consultant activities as well as the type of on-the-job training to be provided would be similar to the earlier task.

G) Labor intensive road maintenance techniques.

The LBII team also recommended the MPW investigate the possibility of performing more road maintenance on a labor intensive basis, given the chronic lack of sufficient equipment. As Kenya has an ongoing program of using labor intensive techniques for road construction and maintenance, the project will fund a combination of a month-long observation visit for four MTP engineers to the Kenya project followed by a one month consultancy by an expert in using labor intensive road maintenance techniques to assist the returning Malagasy engineers in applying techniques they had observed. Ideally the consultant would be secured on loan from the Kenya project.

H) Consultant to DGP on computer applications to project monitoring.

The DGP has requested assistance in devising a system for monitoring project status which can utilize computer capabilities. A prime responsibility of the DGP is to track all publicly financed development projects in Madagascar and identify coordiation problems as well as investment opportunities for donor agencies. Its current system relies on hand tabulation and fiche techniques of widely disparate quality. A consultant knowlegeable on computer applications related to project monitoring will be required to devise an appropriate system which can be used and maintained by the DGP staff who will be provided on-the-job training simultaneously with the development of the system. The same consultant will also be required to return after a period of 4 to 6 months to make any necessary adjustments to the project monitoring system. The availability of information from such a system will enable DGP to play a more effective role in interacting with interested donors regarding the status of various public investment opportunities.

I) Commodities:

Commodity support forms the major component of this project. It addresses the shortage of vital spare parts necessary to rehabilitate both agriculture and road maintenance and construction equipment, it provides for a quantity of critically needed small and medium sized farm tractors and it provides bridge decking components for a key bridge link. To meet these immediate needs, a quick disbursement program has been designed which works directly with the representatives and distributors of those commodities who will be the importers.

This program will provide $4.46 million to import farm tractors, spare parts for those tractors, spare parts for farm and road equipment and bridge decking components. In addition, a very small amount of project support commodities valued at $60,000 and consisting of a project vehicle, computer equipment, office equipment, supplies and storage cabinets will be procured either directly by AID or by the GDRM.

Apart from the small amount of project support commodities and the bridge decking components to be procured by AID and the GDRM, private sector importers exist and have been identified to import and distribute the total amount of commodities financed under this project. Considering the limited availability of AID management staff in Madagascar at this time the commodity mix and procurement actions have been streamlined and minimized to simplify the program and ease the implementation burden.

Although Madagascar is not traditionally an important market for U.S. products, a few U.S. firms are well represented in Madagascar. Among these are firms in the field of agricultural equipment such as John Deere, Ford, and Caterpillar. The existence of such representation makes it feasible for A.I.D. to consider a program based on the rehabilitation of equipment already in Madagascar.During project design, all Malagasy representatives of U.S. manufactured equipment were requested to submit their spare parts requirements for the period, January through December, 1985. The request was limited to spare parts needs for agriculture equipment and earth roads maintenance and repair equipment which could be satisfied with spare parts of U.S. source and origin. The needs, as anticipated, were significant. Caterpillar, John Deere, and Massey Ferguson each provided assessments of their requirements which they based on the number of vehicles in country, current sales trends in spare parts, and the age and repairability of the vehicles. Based upon those needs assessments, the design team was able to estimate the foreign exchange requirements which will be necessary once implementation begins.

Of the U.S. farm tractor manufacturers, only two, John Deere and Ford, maintain viable operations, dealerships and adequately staffed repair facilities in Madagascar. Massey Ferguson does not manufacture tractors in the U.S., but does produce spare parts of U.S. origin. It should be noted that the project team's market survey also included contacts with International Harvester in Madagascar and in Kenya. IH is represented in Madagascar by a parastatal distributor, however operations appeared to have ended with the last imports which arrived in 1979 and 1981, depending upon who is questioned. Given the age of those imports and the lack of support facilities available today for IH products in Madagascar, it was felt by the design team that no new IH equipment should be imported at this time, and that importation of spare parts for aged (5 and 15 years) equipment would not be economically feasible.

Discussions held with both John Deere and Ford representatives in Madagascar verified a strong demand for both spares and new farm tractors. Likewise, Massey Ferguson has requested an allocation of foreign exchange to import spare parts. Both John Deere and Ford have indicated that their demand for new tractors easily exceed the amount of foreign exchange which could be made available to them under this project. Each of these dealers maintain comparable service and maintenance facilities, suggesting that an equitable distribution of foreign exchange made available for tractor imports under this project would be most appropriate.

Efforts were made in discussions with dealers to determine the size range of farm tractors most appropriate for small to medium size private farmers. The result of those interviews indicated that farmers would be most inclined to import tractors of the 40 to 75 HP range, depending upon the location of the farmer in Madagascar and upon the farmer's cropping mix. In order to limit imports to those farmers without directing resources to large-scale, commercial farm enterprises, the design team feels that imports should be limited to tractors of 75 HP or less. Furthermore, the design team wished to address the issue of the cost effectiveness of repairing aging equipment. Realizing that individual farmers, or road maintenance supervisors, are in the best position to make that determination, and given that standard commercial procedures will be followed, the judgment regarding the efficiency of rehabilitating any given piece of equipment will be left to the final purchaser. In the same vein, the importers/distributors will determine the volume of spare parts inventories which they will require and will be willing to purchase in order to satisfy the demands of their clients.

Finally, in judging the requirements of the commodity mix, U.S. Government Excess Property Division resources were analyzed in the course of planning. Inasmuch as future development assistance might be aimed at directing foreign exchange at imports of assembled pieces of road construction equipment, and not simply replacement parts, the Excess Property Resource Division would be an excellent source of supply. However, excess property was not viewed as the appropriate source for private sector imports of spares and farm tractors under this project at this time.

The Namakia Bridge spans the Mahavavy River in northwest Madagascar on provincial road #12. The 300+ meter bridge was built in 1949 with a removable traffic deck which was demounted each rainy season and refitted each dry season. In December 1983 a very heavy early rainy period resulted in early flooding which swept away almost all the decking and destroyed a number of piers. During the normal use period of 1984 (May/November) the GDRM military drove a series of temporary piles and fixed a temporary crossing. This temporary bridge was dislocated and damaged in the rainy season 1984/85. The GDRM military will again attempt to set up a temporary structure in 1985 but each attempt is only a tenuous solution. What is needed is a new bridge (see Engineers report in Annex F-4).

The significance of the Namakia Bridge is clear when one understands that the SIRAMA sugar plantation and factory lies astride the Mahavavy River. Approximately 50% of the cane is located accross the river from the factory and must cross the bridge for processing. Given that this tonnage exceeds 100,000 tons (yielding approximately 12,000 tons of sugar valued at $3.3 million) the existence of the bridge is critical to SIRAMA's viability. The proposed solution to the crossing is to install a new set of piers immediately adjacent to the existing alignment (no assurance is given regarding the suitability of using any of the remaining existing piers) and mounting a demountable bridge deck on the new piers. Substructures would be installed by the GDRM (working with SIRAMA) using approximately $1 million equivalent of FMG. Bridge decking components (valued at $1 million) would be procured in the US for installation on the new piers in May 1986.

III. COST ESTIMATE AND FINANCING PLAN

Financing for the MARS project is drawn from three sources:

1) AID grants from DA and ESF appropriations ($5.0 million);

2) GDRM regular budget resources ($36,270 equivalent) and;

3) local currency made available from sale of PL480 commodities ($1,120,000 equivalent).

All funding calculations are for the period of twelve months, which is the proposed life of project, with the consequence that no inflation factor is included. Use of funding in the project will be for procurement of commodities, consultants, and training, as well as associated costs of these activities. Simultaneously with these direct project costs is a substantial amount of funding ($1,120,000 equivalent) being channeled from local currency available from PL480 generations (FY 1983) to the rehabilitation of the structure of the Namakia bridge which is consistent with the PIP. It is intended that all direct project funds will be committed within twelve months of signature of the Grant Agreement.

Table II indicates the use of $540,000 DA funds and $153,025 of GDRM financing for the technical assistance and training components of the project. The proposed expenditure of the remaining $4,460,000 from AID is shown in Table III. It should be noted that a contingency item was included for the training/consultancies component. No contingency item is to be applied to the commodity procurement component as the intention is to apply the available funding to bridge decking components and to as many spare parts and tractors as can be procured, not procure any set number. As all funding is expected to be disbursed in one calendar year, no inflation factor has been included.

It should be noted that the commodity import component will generate local currency equivalent to $3,460,000. As these funds will only be available in the latter part of the project, it was determined that they would not be considered an element of the project financing plan. Programming of these counterpart funds will be in accordance with established procedures for existing local currency utilization under PL480. Criteria for the selection of projects are to be found in the self help provisions of the annual PL480 agreements. Both PL480.local currency and the counterpart generated by this project will be programmed in support of rehabilitation activities associated with the PIP.

A small portion of the local currency generated by this project will be reserved as a USAID trust fund (approximately $165,000). Management and utilization of the trust fund will be in accordance with standard AID procedures affecting trust funds.

Table IV shows the costing of project outputs and inputs.

TABLE II

MARS

UNIT	AID FX	GDRM PL480 LC	Req. Budget LC	
I. Consultancies	PM			
Bucen	(2)	30,000		
Land tenure Center	(1)	15,000		
Intsoy	(1)	17,500		
ICRAF	(1)	14,000		
DGP Sector planning Unit	(2)	31,000	9,000	
Labor intensive roads	(1)	11,000	3,000	
MTP-O/M earth roads	(2)	30,000		
Ag. Res. Symposium	(3)	45,000		
APAP Management	(1.5)	27,500		
Monitoring Evaluation	(1)	30,000		
Local support		15,000	20,000	
Contingency = 10%		29,600		
		295,000	32,000	
II. Training				
Bucen (Rwanda/Kenya)	(1)	4,000		300
Bucen (local)			3,000	1,800
Land tenure Ctr. (obs)	(1)	5,000		300
Land tenure Ctr. (local)	(1)		3,000	1,800
Intsoy (obs)	(1)	6,000		300
Intscy (local)			1,500	1,800
CIMMYT (obs) Mexico	(2)	10,000		600
CIMMYT (local)			1,500	1,800
ICRAF (obs)	(2)	6,000		600
ICRAF (local)			1,500	1,800
IITA short course	(2)	6,000		600
CIP (obs) Rwanda	(2)	6,000		600
CIMMYT (Kenya) short-course)	(2)	6,000		600
DGP Management			6,000	1,500
DGP Sectoral Planning			2,000	1,500
Labor intensive Road management (obs)	(4)	12,000		1,200

MARS

	UNIT	AID FX	GDRM PL480 LC	Req. Budget LC
II. Training (cont.)				
MTP-o/m earth roads			6,000	2,400
Ag. Res. Symposium			6,000	1,350
USDA Food Policy (obs)	(1)	5,000		300
USDA Food Policy (local)			3,000	1,200
APAP (Ag. Pol. Wkshop (local)		20,000	5,000	2,475
Ag. Proj. Appraisal (local)	(1)	40,000	10,000	4,500
Soc. Analysis	(3.0)	15,000		900
		140,000	54,500	30,225
Contingency = 10% FX		14,000	10,500	6,045
20% LC		154,000	65,000	36,270
III Commodities-Support for C/T				
IBM-PC	(4)	36,000	6,000	
Cabinets etc.		10,000	4,000	
Vehicle	(2)	35,000	7,000	
Training supplies and contingency		10,000	6,000	
		91,000	23,000	
TOTAL		540,000	120,000	36,270
IV. Commodity Imports				
a. Farm Tractors (Qty. 80-115 depending on HP selected)		710,000		
b. Spare parts				
-Caterpillar Tractors		1,700,000		
-Caterpillar Graders		500,000		
-John Deere Equipment		500,000		
-Massey Ferguson Equipment		50,000		
c. Namakia Bridge elements		1,000,000	500,000	
GRAND TOTAL		$5,000,000	620,000	36,270

TABLE III

Commodity	DA Funding	ESF Funding	Total
a. Farm Tractors (Qty. 80-115 depending on HP selected)		$ 710,000	$ 710,000
b. Bridge decking components		1,000,000	1,000,000
c. Spare Parts			
- Caterpillar Tractors	$900,000	800,000	1,700,000
- Caterpillar Graders	260,000	240,000	500,000
- John Deere Equipment	260,000	240,000	500,000
- Massey Ferguson Equip.	40,000	10,000	50,000
d. Project Support			
- Project vehicle	15,000		15,000
- Computer equipment	30,000		30,000
- Office related items	15,000		15,000
Total Commodities	1,520,000	3,000,000	$4,520,000

TABLE IV

COSTING OF PROJECT OUTPUTS/INPUTS
(In $000 or equivalent)

Project # 687-0101 Title MARS

Project Inputs	Project Outputs				
	# 1	#2	#3	#4	TOTAL
AID DA	1520	326	154	--	2000
AID ESF	2000	---	---	1000	3000
GDRM regular budget	--	---	36	*	36
PL 480 counterpart	17	38	65	1000	1120
TOTAL	3537	364	255	2000	6156

#1 - commodities procured
#2 - consultancies provided
#3 - trained personnel
#4 - Agricultural infrastructure rehabilitated
* - GDRM regular budget not calculated, but substantial in terms of management

IV. IMPLEMENTATION PLAN

A. Implementation of the Commodity procurement component

1. Responsibilities and allocation of funds:

A.I.D. will act as the financing agent for all foreign exchange cost financed commodities procured under this project. Apart from a quantity of technical project support commodities, project vehicles, and bridge decking, to be purchased directly by AID and GDRM, procurement will be the responsibility of the Malagasy private sector importers. In no case will the use of Procurement Service Agents (PSAs) be required to import commodities financed under the grant.

Although this activity is a project, the procedures of AID Regulation One, normally used for Commodity Import Programs, will be used for all commodities other than those required to support the technical assistance component of the project. Thus Commodity Procurement Instructions (CPI's) and Financing Requests (FR's) will be used in place of PIO/C's. The justification for using AID Regulation One is that all of the imports will be effected by the private sector, and AID Regulation One offers more flexibility than Chapter 3 of Handbook 11 when this is the case.

A preliminary determination will be made on whether or not the particular transaction is eligible for A.I.D. financing by the AID Office in Madagascar prior to each issuance of an import license. That determination will be based upon the criteria laid down for project imports in this project paper, and will be certified by a letter to that effect from the AID Office to the Ministry of Commerce.

While these requests must be submitted officially to AID, the Ministry of Commerce, and the Central Bank, it is not anticipated that they would vary significantly from those used to compile funding requirements in this paper. Once private sector importers have received their allocations and licenses, procurement and distribution can follow normally established commercial channels currently used by the importer.

As noted in the table describing the commodity mix, spare parts would account for approximately $2.75 million of the total amount of foreign exchange available for project imports. The remaining $1.71 million would be used to import farm tractors and bridge decking. The GDRM will be given 12 months from the date of signing the Project Agreement to complete disbursement for commodities financed under this grant.

In anticipation that each tractor importer would request allocations greater than the amount available, the Central Bank will be expected to equally divide allocations between John Deere and Ford. In the event that either of these importers is unable to produce the local currency equivalency of their allocation, that foreign exchange would be made available to the other importer.

It is envisioned that importers will request allocations for purchases of spare parts in two tranches, according to their six month needs, while foreign exchange for tractor imports would be requested in one single allocation. Once private sector importers have been granted their allocations of foreign exchange from the Central Bank, they may import directly from the U.S. supplier with whom they maintain an exclusive distributorship agreement in Madagascar.

One of the conditions precedent to disbursement will be the submission by the Ministry of Commerce of a procurement plan, although importers have already submitted information/ foreign exchange requirements as described above. This procurement plan will, among other things require that:

a. Each application for financing will be supported by documentary evidence as to the numbers, types, and location of the equipment, previously imported by the applicant, for which the spares are intended. This will enable the Ministry to allocate the available funds on an equitable basis.

b. As the applications are approved, importers will be required to deposit into the special account 50% of the local currency equivalent of the amount to be financed. (Note: to the extent that freight can be financed in local currency, AID should not undertake to finance it under the project). The remaining 50% of the local currency equivalency will be deposited before the importer may take possession of the final licenses and shipping documents required to clear and take title to the goods.

c. The Ministry will also give in its procurement plan assurances that with the approval of an application and the total deposits by the importer of the local currency, all documents required for the import of the commodity will be forthcoming immediately. Similarly, assurances will be given that AID-financed commodities will be expeditiously cleared by Customs.

B. Implementation of the Consultancy/Training Component:

For those activities identified in the following implementation schedule as APAP actions, the implementation procedures will be described below.

S&T/AGR/EPP is prepared to finance start-up technical assistance activities -- for example, intial TDYs -- to Madagascar. Subsequent to the APAP TDY to define Terms of Reference, AID/Madagascar will forward to S&T/AGR/EPP a proposed scope of work for APAP activities. The APAP Project Manager will review the scope of work for its conformity with the overall scope of work for the APAP project. If the two are in conformity and if funds and appropriate personnel are available, the AID APAP Project Manager will then approve the request and instruct the Abt Associates Project Director to make arrangements to fulfil it.

Madagascar will be expected to finance follow-on technical assistance activities. Since the APAP project makes provision for mission contributions, mission-funded activities will require a simple modification of S&T/AGR/EPP's contract with Abt Associates. Once a scope of work is agreed upon, mission contributions can be expedited through the straightforward mechanisms of a face-sheet PIO/T. Upon approval of the funding arrangements by the AID Contracts Office, work will proceed.

For those activities identified in the following implementation schedule as USAID activities, USAID/Madagascar will be responsible for developing Terms of Reference for such consultancies and training. In most cases the technical content of the TOR will be developed by the cognisant technical officer from REDSO/ESA with USAID/Madagascar's responsibility reduced to completing the PIO/T or PIO/P and providing the in-country logistic support. While USAID/Madagascar's operational constraints are further analysed in Section VI. C below, it is believed that the implementation workload placed on USAID/Madagascar is supportable.

Regarding the methods of financing implementation, the following chart provides a brief summary.

Method of Implementation	Method of Financing	Approx. Amount (US $000)
Consultancies:		
PASA	Direct Pay	30
Contract	Direct Pay	42
PSC	Direct Pay	208
Training:		
PASA	Direct Pay	5
Contract	Direct Pay	135
Commodities:		
Trg/consult. support	Direct Pay	60
CIP	L/Comm	4460

Regarding the requirements for adequate auditing procedures, this project makes no special provision for funding audits. In view of the fact that the large majority of actions are direct pay by AID special audit provisions should not be necessary.

Commodity procurement procedures as provided for in AID Regulation 1 also provide adequate safeguards to preclude requirements for special audits. Finally, the procedures for the utilization of local currency derived from PL480 were reviewed in November 1984 by AID and found to be adequate for audit purposes.

C. Implementation Schedule

Following the signing of the Project Agreement, an implementation letter will be sent enclosing Commodity Procurement Instructions and sample Financing Requests. With no prior experience in Madagascar it is difficult to tell how long it will take before the Financing Requests and Conditions Precedent will be returned. The FR's will serve as the earmarking documents. RFMC will islsue letters of commitment against the importer's request for pro formas and the supplier's response. A formal contract will not be necessary as the procurements will all take place under the special supplier - importer relationship described in Section 201.23(e) of AID Regulation One. At present, it is anticipated that there will be 3 FR's and 3 Letters of Commitment, although additional letters of commitment may be required if the importers do not have the local currency resources to cover their entire allocation all at once. Given that time frame, the first shipment of commodities could arrive by early June. Regarding implementation of the consultancy/training component the following schedule is set forth:

IMPLEMENTATION SCHEDULE

Project Month	Task	Action Agent
0	Grant Agreement	USAID/GDRM
0	APAP TOR TDY	APAP
1/2	Conditions Precedent	GDRM
1/2	Commence procurement computers & vehicles	USAID
1	APAP Regional Seminar	APAP
1	DGP Sector Planning TDY	APAP
2	Computers arrive	USAID
2-5	Intsoy ICRAF CIMMYT TDY	USAID/GDRM
2-5	Observation visits Intsoy ICRAF CIMMYT	
2-5	Land Tenure Center TDY	USAID
3-6	DGP Management TDY	USAID
3,6,9	Ag Res. Symposium TDYs	USAID
4	Kenya Labor Intensive Observation visit	USAID
4	APAP monitoring TDY	APAP
4	BUCEN TDY	USAID
5	TDY Kenya Labor intensive	USAID
5	Social Analysis Training Course	USAID
6	Kenya/Rwanda TDY	USAID
6-7	MTP O/M on earth roads TDY	USAID
7	Ag Proj Assessment	USDA
7	APAP Economic Appraisal	USDA
8	USDA Food Policy TDY	USAID
9	USDA Food Policy Obs Visit	USAID
12	Evaluation APAP and other TDY	APAP

V. MONITORING PLAN

Project monitoring will require the special attention of the prime GDRM implementing agency, DGP, and of USAID/Madagascar. The DGP's role within the GDRM is to plan, coordinate and follow-up. To that extent, monitoring of this project is integral to their overall task. Nevertheless, an element of this project is to assist the DGP in improving systems of monitoring and coordination. Consequently, DGP monitoring of this project will provide a model opportunity to test and refine their monitoring system.

USAID/Madagascar's role in monitoring will be to complement and support DGP activities in order to assure that project activities are expeditiously carried out. It may be necessary, given the constellation of USAID/Madagascar's responsibilities in other areas, to secure the services of a part-time local contract individual to work under the supervision of the USDH-AID representative. Specific monitoring tasks include the following:

A) assuring that the documentation flow for commodity procurement is smooth;

B) recording the end-users of those commodities procured;

C) recording the trainees who participate in in-country training programs including a list of those invited/selected showing institution, sex, job position, etc.

D) assuring that participants returning from observational visits provide a written record of their observations, contacts, etc.

E) assuring that short-term consultants to Madagascar provide written reports on accomplishments during their consultancies, persons contacted, etc., to assure continuity and provide DGP/USAID with a "memory".

Such monitoring tasks are essential to assure that all project tasks are accomplished with the brief time period of the project. Simultaneously, the record of such monitoring activities will provide a useful basis for part of the project evaluation to de done at the end of the project. (See Section VIII below.)

VI. SUMMARIES OF ANALYSES/OR COMPLETE ANALYSES

A. Economic analysis

1. Expected Economic Impact.

The project has two distinct components:

1) a commodity import program which will provide $4.46 million in U.S. dollars to import farm tractors, spare parts for these tractors and for farm and road equipment, and for vehicles of U.S. and third country manufacture already in country, as well as bridge decking components;

2) short-term consultancies and training and limited project support commodities totalling $540,000 in support of the GDRM's objective of agriculture sector rehabilitation.

The project is expected to result in increased agricultural production, increased economic activity in the rural areas, more rational use of scarce financial resources through better investment decisions, and in reduced balance of payments deficits.

(a) Increases in agricultural production will follow from the removal of key constraints to growth of the agriculture sector. Present foreign exchange restrictions severely limit importing of spare parts and of new small tractors, both of which are deemed essential to rehabilitating existing but underutilized agricultural land. Spare parts and other road maintenance equipment will help rehabilitate farm to market access roads, lowering transport costs and increasing the quantity of marketed output.

Continued policy changes are desired which will give producers added incentives, such as continued price and marketing liberalization. PL480 local currency associated with the MARS project will be used to study and monitor the changes in producer behavior and to assess the impact of further liberalizations. On the technological side of agricultural production, increases will result from the establishment of longterm relationships with the international agricultural research centers, such as CIMMYT, ICRAF, and IRRI.

(b) Increased economic activity in rural areas. The deplorable condition of most major and virtually all access roads in the countryside (5,000 km of the 50,000 km are earmarked for rehabilitation in the 1984-87 investment program) has been identified by the Government as the major bottleneck to increasing agricultural production and to regional development. The provision of spare parts for road improvement, to the more remote parts of the country will encourage greater economic activity in agriculture and in agro-based industries. Operating costs for traders will be reduced, and if these savings are passed on to the consumer, they will lead to lower food prices in urban areas.

(c) More rational use of scarce financial resources will result from training of Malagasy economists and social scientists responsible for preparation of the GDRM's Public Investment Plan (PIP). More informed decision-making regarding agricultural pricing and marketing and exchange rate policies will result from participation in regional agricultural policy analysis workshops, short-term consultancies in ag sector policy analysis. Information systems management equipment, computer software, and in-country training in project economic and financial appraisal will enable the Government to establish firm economic criteria upon which to select among alternative investment possibilities and to formulate medium-range development priorities. An improved data base and data analysis capability will enable policy makers to target development interventions at specific groups.

(d) Reduced balance of payments deficits will result directly from the provision of sorely needed foreign exchange to purchase spare parts and farm

equipment. Increased production of rice will result in a decrease in rice imports, which accounted in 1982 for 19.4% of total merchandise imports (down to 12.5 % in 1983). Better investment decisions on the scope and priority of rehabilitation projects, many of which are agro-based, and import-substituting industries will also lead to a reduction of the import bill.

2. Cost Effectiveness

The purpose of the MARS project is to help rehabilitate the agriculture sector by easing the foreign exchange constraint and by improving the GDRM's capability to make rational decisions. This is consistent with the GDRM's objectives reiterated in the PIP. Economic justification for rehabilitation rather than new investments is based on the combination of IMF restrictions and on economic feasibility studies for a number of investments. Economic analysis of certain agricultural sector projects undertaken by the World Bank and of industrial sector investments undertaken by UNIDO show quite conclusively that rates of return on rehabilitation of existing projects are far greater than for new investments. These same studies discuss the enormous potential for export and food crop production attainable if certain key constraints are removed, namely, transport problems, producer incentives, input delivery, and availability of farm machinery.

In selecting specific project activities, the PP team was constrained by two factors: activities had to be short-term, fast-disbursing, complementary to other donor efforts, and they had to have the highest potential for immediate short-term impact on agricultural sector policy and ag sector investment decisions.

The PID discusses at length the various options considered that would to achieve the dual project objectives. Given that the relative mix of CIP and DA funding was agreed upon by AID/W, this economic analysis examined the most cost-effective ways of rationalizing agriculture sector investments. There are at least three possibilities:

a) Long-term technical assistance to help the GDRM analyze projects, conduct feasibility analysis and draft the next PIP. This option is extremely expensive (4 p/y at $120,000/year is greater than the budget allows), and will not necessarily result in trained Malagasy capable of continuing the economic analysis in future years.

b) Long-term (one year) U.S.-training for 10 Malagasy. Although the cost is slightly less than what is proposed in this PP ($40,000 year x 10), there are two problems: The Malagasy Government will not allow its civil servants paid leaves of absence for periods longer than 6 months; and secondly, to deplete the DGP of 10 of its best analysts for one year is unacceptable to the Government.

c) Short-term consultancies to help conduct studies on specific ag-policy related topics coupled with short-term training on economic project appraisal and agricultural policy decision-making. This option has not only the lowest price tag, but also has the greatest in-country content of all options. Although some informational visits to the U.S., to the IARCs, and to other African countries with similar experiences are included, the largest share of project funds will be spent for in-country training and to assist the DGP to conduct ag sector feasibility studies. In addition, this option takes advantage of the centrally-funded Agricultural Policy Analysis Project, S&T/Agriculture, whose expertise is precisely what is called for in this project.

B. Social Analysis

Sociocultural Context

The people of Madagascar are a mixture of Asians, African and Arabs whose ancestors arrived in successive waves of immigration. There are twenty main tribes; the four largest of which are the Merina, mainly located in the Highlands around Antananarivo, the Betsileo in the mid-south central highlands, the Betoimisaraka on the east coast and the Tsimihety in the northwest. Communities of Indians, Chinese and Arabs are situated primarily in the coastal cities of the north and east. The Malagasy are united by a single language, although dialects differ between the coastal areas and the highlands.

Approximately 45% of the population of 9.5 million are Christian, of which Roman Catholics comprise about 53 percent and Protestants 47 percent. Christianity was introduced in Madagascar in the early 19th century and has been combined with traditional beliefs. The most significant traditional belief centers on respect links with family ancestors. Ceremonies honoring the dead often involve sizeable cash expenditures.

Another traditional heritage observed by most Malagasy centers on taboos or "fady". Fady cover a wide spectrum of human

activity and may apply to a family, clan or tribe. Fady include foods which should not be eaten and when work should be done in the paddy. Because of fady approximately 25 percent of the population cannot eat pork (although pig raising is a growing commercial enterprise in some areas). Goats, fish, eggs, even the color of permitted foods such as tomatoes, may be forbidden on certain days or altogether. While fady do affect the nutritional status of Malagasy, so do the insufficient amounts of food eaten and kinds of food consumed. Rice is the staple food, and an average of 154kg. of rice per person is consumed annually. Cassava is an important food when rice is scarce, in the semi-arid areas, and elsewhere. Vegetables and meat are eaten but in smaller proportions and less frequently among most families. According to a UNICEF report, in 1979 it was found that 26 percent of Malagasy families suffered from protein deficiencies, 20 percent obtained only 80 percent of the required calories and 25 percent had a diet deficient in the minimum requirements of vitamin A and iron. Rickets was found in 25 percent of the children examined. Preliminary results of a 1984 nutritional survey by UNICEF in collaboration with the IFAD-sponsored Highlands Rice Project reveal very high rates of malnutrition among the 0-60 months old children examined. The results from the total sample of 1,153 children from 651 households in Ambositra and Antsirabe rural areas will be analyzed in conjunction with baseline socio-economic and agricultural data. The analyses should highlight important household factors related to malnutrition among the children in these densely populated areas. Although death from starvation is virtually unheard of in Madagascar, the current nutritional data indicate that a greater understanding of nutritional status in various parts of the country is needed and should be reflected in agricultural policies and programs.

Eighty percent of the Malagasy live in rural areas. Some 1.5 million families are engaged in agriculture, although many supplement this with other sources of income to meet their basic needs. The kind of agriculture is influenced by the climatic conditions. There are four general zones:

- The eastern zone with a humid climate and year round rainfall.
- The highlands which receive some rain during a 6-month period and has a 6-month dry period.
- The western region which has over 1,500mm of rain annually in the north, while the southern half has a long dry season.

The south which is dry, has a 8-9 month dry season and low level of annual rainfall.

The riverine system permits vast areas to be cultivated through irrigation. The World Bank Agricultural and Rural Development Sector Memorandum (1983) stresses that soil erosion occurs in vast areas, thus destroying the valuable land resources and affecting the level of agricultural production.

The extremely poor data base on critical factors at the household level and on a national scale prevents description of various socioeconomic strata in the agricultural sector. More importantly it impedes making well-informed analyses of the effects of policy alternatives and devising effective programs and projects. Hence it is difficult to determine the sociocultural factors that affect agricultural investment and production incentives at the household level. The annual agricultural production statistics are based on estimations made by extension agents (of which there is one per Fivondronana - district - and more in higher density areas). The last agricultural census was undertaken in 1961, and a national rice survey was conducted in 1974.
A household budget survey was carried out in 1978, but the data have not been processed, analyzed and published. MPARA, with UNDP assistance, is currently conducting an agricultural census. In conjunction with the census, data are being collected on post harvest losses, and production costs and yields of principal crops among farmers. A related survey is also being conducted on the large scale farms.

The current socioeconomic situation tends to reflect the historical situation in which certain groups obtained socioeconomic and political power. Two hierarchical systems have operated: a regional one and one within the central highlands. The central highlands, the seat of the numerically dominant Merina and Betsileo, has received more development resources than the coastal areas. Human resource development has also been focused more on people from the central highlands, although educational endeavors outside the highlands by missionaries and other non-governmental organizations have helped to offset this imbalance. Further, educational reforms of the past decade have opened up greater opportunities in the coastal areas. However, the road and transport system is in such need of rehabilitation that it hinders government and private efforts to provide more resources and economic outlets to coastal inhabitants. Some areas are entirely cut off from markets and inputs and even where areas are served, producers

and customers bear the brunt of the relatively high transport charges, since transport owners have high operating costs due to the short life span of the vehicles. The World Bank (June 1983) estimates that 50 percent of Madagascar's vehicle fleet is inoperative due primarily to lack of spare parts. It estimates that 57 percent of the total fleet are commercial vehicles: 11,000 utility trucks, 1,000 buses and 5,000 heavy trucks.

Within the highlands, socioeconomic stratification tends to mirror the old caste system, abolished in 1975. The highlands contain the highest population densities in Madagascar, as well as relatively good soils and climatic conditions for crop production. In localities where a rigid feudal system existed, the amount of land, especially for rice production, currently controlled and owned by a household reflects in most cases the caste of the male's family lineage. Metayage or sharecropping still operates in spite of being outlawed in 1975. Through sharecropping and, to a lesser extent leasing arrangements, farmers with small parcels of land for rice and dryland crop production gain access to more land. Households without agricultural land also engage in sharecropping, but this category of household appears to be only a small proportion of the total sharecroppers. Sharecropping arrangements are made by verbal agreement; the property owner normally receives 1/4 to 1/3 of the rice harvest and 1/4 of the dryland crop. The landowner makes no investment in the production process. Although sharecropping seems to be common in the highlands, its extent does not appear to be documented or even estimated, nor is empirical information available regarding the effects of sharecropping on investments in production and watershed management.

Sociocultural Feasibility

The project provides support for the rehabilitation and mid-term recovery of the agricultural sector through:

a) foreign exchange allocations for spare parts for tractors and road equipment, new tractors, bridge decking, and

b) short-term consultants and training and some commodities to support data processing and policy analysis.

The strategy for use of short-term consultants includes use of a cadre of experts with Madagascar experience. The consultants will be required to deposit with AID/Madagascar notes of meetings and a debriefing report so that other consultants can benefit from knowledge of previous discussions held and work done. This will be important since Malagasy are unaccustomed to a flow of short term consultants and assume an institutional memory in AID. Also, it will permit more efficient use of Malagasy and consultants' time. These components of the strategy are aimed at increasing effectiveness, rather than toward any lack of receptivity on the part of Malagasy, since they are a courteous and gracious people.

The consultants will be used to carry out specific tasks, most of which have been specified during the PP design. Also consultants, in collaboration with Malagasy, will identify, develop and give in-country short-term training, in the form of seminars, courses and workshops. While some of these will involve task-oriented training, such as the management training requested by DGP, others will be based on a problem-solving approach and on increasing awareness and collaboration using a trainee participation strategy based on principles of adult learning. By taking into account the trainee's experience and concerns, the short-term training should have a positive effect.

The short-term training overseas, in the U.S. and third world countries, will be focussed on particular subjects. For example, trainees may be sent to CIMMYT and ICRAF courses. A member of MPARA's agricultural statistics division may be sent to Rwanda to learn about their agricultural questionnaires and data collection system. En route a visit to the Central Bureau of Statistics in Nairobi would be useful to learn about their system of household data collection which centers on agricultural data, but uses the same sample for complementary surveys, e.g. employment nutrition. This short-term training would be in preparation for the permanent household level data collection system which is expected to be established in MPARA. Since it would not be efficient for the GDRM to establish parallel systems for other ministries to collect household data, the Kenyan example could provide ideas on ways to use agricultural data collection as a base for some complementary surveys. The Rwanda visit would acquaint the Malagasy with the effectiveness of a system of collecting crop output statistics, on which crop forecasting can be based.

Those selected for the short-term training offered under MARS will hold jobs related to the specific subject. The majority of the participants will be drawn from MPARA and DGP. When appropriate, people from FOFIFA, other ministries, the university and the private sector as well as technical personnel on other donor projects will be eligible to

participate in the in-country training. The PID raised the concern of mixing ethnic groups in courses and insuring that women have the same opportunity as men to be selected for training. Investigations during PP design have revealed that selective mechanisms have already operated to determine those who are in positions eligible to be selected for trianing. Further, mixing of ethnic groups does occur at the University of Madagascar, the Superior Polytechnical school, and other educational institutions. While it is impossible to determine the percent of different ethnic groups in the higher educational institutions, as well as the nuances when groups are mixed, there is no explicit discrimination. Women, a more visible category, are found in mid-level professional positions and some in higher positions, although in a smaller proportion than men. Currently, approximately 40 percent of the University students are female, although males tend to dominate in the "hard sciences". Project monitoring will include a record of all those selected for training, their sex, job position, and institutional affiliation. This record will serve as a basis to determine ethnic mix and female participation. If the record indicates preferential treatment given to men and to certain ethnic groups out of the cadre of possible trainees, future AID assistance involving training opportunities should contain a special covenant. At this stage, however, the PP team has concluded that there is no reason to suspect that the GDRM will discriminate against women and those from disadvantaged ethnic groups in offering training opportunities.

The PID also raises the issue of the effect of the national policy of cutting off salaries or family allowances to government employees who are out of the country on training for more than six months. The PP design however does not include long-term training, since this is a one year project. Thus, the issue is no longer applicable to this project.

MARS will assist in the rehabilitation of the transport sector through making available foreign currency for spare parts for existing equipment for road works as well as local currency through PL480. It is expected that these funds will be used to rehabilitate roads of top economic priority. The initial identification of roads needing rehabilitation involved MPARA, the Ministry of Industry, and the Ministry of Transport. Out of an initially identified 11,875 km, 4,574 were eventually determined to be of top economic priority. This consists of 2,791 km of nonclassified roads. These categories cover paved, graveled and earthen roads which fall under the responsibility

of the Ministry of Works. The spare parts which will be brought into Madagascar will be applicable to the graveled and earthen roads. It is not expected that the assistance under MARS will result in an increase in employment opportunities, rather existing staff and employees will be used on the road work.

While the Ministry of Works is responsible for the main road system, the tertiary roads and tracks are the responsibility of the local people to maintain, using hand labor. For these rural roads, difficulties are often experienced because of the scarcity of funds to the local community for maintenance and the lack of experienced people to supervise the organization of the work. Because of these problems it is not foreseen at this stage that the AID funds will be used to assist in rehabilitation of the tertiary network. If, however, AID is assured that the requisite organization and supervision does exist, such roads will not be excluded from access to PL480 funds.

Local currency funds from PL480 will be used to rehabilitate medium and small classified irrigation schemes, including the rehabilitation of roads and tracks within these schemes. Overall, medium scale irrigation schemes number about 130, and average 1500 ha. These schemes include those irrigation works taken over from French settlers by GDRM and allocated to small scale farmers and those designed and constructed by Irrigation Services, MPARA. The smaller schemes were developed by GDRM, but are operated and generally maintained by the farmers. The small schemes number between 300-900, depending on the classification system used. The smaller classified schemes cover about 200 hectares. In 1981 and 1982 GDRM passed legislation providing for taxation of users of irrigation schemes and the organization of users into water management committees. The aim is for users to repay for investments in the schemes and to contribute to operation and maintenance. The complexity of applying these ordinances has prevented them from becoming operational, except on the large Lac Alaotra scheme, financed by the World Bank. The World Bank will be providing a long-term technical assistant to assist in the establishment of a system for implementation of these laws. The viability of these laws remains to be proven, especially on schemes where sharecropping, leasing and such modes of land use operate.

Currently the Irrigation Division is carrying out an inventory of existing classified medium and small scale irrigation schemes referred to as "petits périmètres". The inventory

includes questions on the mode of land use and ownership, organization of the maintenance of the scheme and traditional organizations which exist among the farmers. The information is obtained from key informants. Based on the inventory data, the Irrigation Division selects a few potential sites for further technical, economic and social study. In the process of carrying out a study, the team is responsible for assessing the motivation of the farmers in regards to maintenance and repayment for the work done. This system has been initiated with assistance from the World Bank and other donors. To help ensure use of PL480 funds is complementary to and compatible with the institutional system supported by other donors, AID will require that a socio-economic and technical study and cost/benefit analysis on "petit périmètres" schemes for which 1985 PL480 funds are requested. Local currency may be used to carry out the inventories and subsequent studies. Thus land tenure, peasant rights and access to land and the viability of existing local community level institutions will be addressed in regards to the irrigation schemes to be rehabilitated with PL480 funds. Further AID assistance will be complementary to and compatible with that of other donors.

It is not feasible to expect that new national level surveys will be undertaken during the one-year MARS project. Rather, MARS will assist the INSRE to process, analyze and print the results of the household budget survey that was undertaken in 1978. The US Bureau of Census as part of a larger assessment will work in collaboration with INSRE to develop a plan for completing the work on this survey and, in the process, identify short-term training and consultancies required.

It is anticipated that MARS short-term consultants will work in collaboration with DGP to increase awareness of the types of social questions that ought to be raised in regard to specific types of projects. Since DGP is in the process of establishing a project review, monitoring and evaluation system, it is deemed feasible to work with them to address social issues and strengthen and streamline the questionnaires which will be used

Beneficiaries and Benefit Incidence

The direct beneficiaries of the MARS project will be

a) owners and operators, primarily in the private sector, who purchase the equipment and spare parts available under the project, and

b) a cadre of official personnel, mainly in government, who receive short term training.

The indirect beneficiaries will be users or end-clients of th rehabilitated road network and farmers on the irrigation schemes rehabilitated. At another level, improvements in the data base and management as a result of MARS inputs should ha a general impact upon the Malagasy population.

The direct beneficiaries include a cadre of government personnel and others who receive training related to their jobs. Approximately 170 people, of whom 35 percent are expected to be women, will be trained under the project. While the training will be mainly task-oriented, some will be problem oriented and focussed on participation of the trainees. Most of the training is expected to be directed especially to helping the trainees address job related difficulties. It is anticipated that the participants will increase their individual knowledge and skill base. A result will be increased capability and greater job satisfaction.
A second group of direct beneficiaries will be private sector firms and individuals who purchase the commodities brought in under MARS. Since there are already waiting lists for the commodities to be imported, it is assumed that these are people and firms already commercially established in the end-use function. The tractors and spare parts will probably be purchased by those in the top half of the private commercial sector. These people and firms will benefit from access to imported commodities that have constrained their operations. It is also anticipated that some of the tractors may be purchased for use on the large irrigation schemes, hence indirectly benefiting small scale farmers. This increased access to tractors and spare parts will permit individuals, private firms and parastatals to increase their efficiency and profit margins. The project monitoring system will permit identification and analyses of these direct beneficiaries.

Rehabilitation of roads of economic priority through importation of roads building and maintenance equipment and use of PL480 funds will indirectly affect a large number of people. Producers and consumers are expected to indirectly benefit from reduced transport costs since freight tariffs, while in principle are regulated by GDRM, are in practice set by competition. Agricultural producers will have increased access to markets and inputs. In addition, better roads will facilitate improved access to other services and commodities in areas where roads are rehabilitated. Overall, the road rehabilitation will increase access to the coastal regions. Indirectly Malagasy farmers stand to benefit from the short-term training consultancies and commodities (in support

of data processing and analyses). If the current GDRM policy of assisting small farmers continues, then the small farming sector which contains some two-thirds of the Malagasy, may indirectly be affected.

C. Administrative Considerations

As the perspective of the MARS project is restricted in terms of time (twelve months), as well as in terms of institutionalization, consideration of administrative capabilities will be limited.

1. GDRM

The GDRM institutions involved in this project are the DGP, MPARA, MPAEF, MPW, FOFIFA and INSRE. The inputs being provided by the project are described in Section III above. This section will briefly examine the capability of each institution to adequately receive and utilize the inputs provided.

(a) DGP - The DGP is situated in the Presidency and consists of approximately 300 employees, many of whom are located in the district sub-offices. Senior DGP officials who will interact as counterparts to assigned consultants have university educations and considerable experience within the GDRM bureaucracy. On-the-job training by analysts and managers in the use of the two microcomputers should easily be accomplished. The PP team was assured that trainable personnel would be made available, and based on AID experience with the DGP on PL480 counterpart activities, such assurances can be accepted. Introduction of the two microcomputers should enhance the DGP's capabilities in analysis and management, as there is presently only one Apple computer in the building.

(b) MPARA - Subsequent to the division of the Ministry of Agriculture in mid-1983, MPARA was endowed with the majority of trained and experienced personnel, the existing building and many of the existing operational procedures. Nonetheless, MPARA was targetted by the IBRD as a prime recipient of their $5 million agricultural institutional support project which terminates in 1985. FAO is also providing support with the new agricultural census. Given that MPARA benefits from these other donor support activities, it is considered that they will have no difficulty providing participants to MARS funded courses and appropriate counterparts for agriculturally oriented consultancies. Both IBRD and FAO are providing

mini-computers; consequently, a reasonable level of analytical capability can be assumed without further AID input.

(c) MPAEF - This ministry, newly created in 1983, is responsible for livestock production, soil and water management activities, forestry and fisheries. As the junior partner in the split of the Ministry of Agriculture, it has received a lesser portion of many of the resources of that Ministry in terms of trained personnel, equipment, vehicles, etc. Nevertheless, in the context of this project, in which it will receive primarily training, it is certainly capable of nominating qualified participants to selected short term courses held in-country.

(d) MPW - Based on the experience of a recent (Sept.-Oct. 1984) LBII training team on vehicle and road maintenance procedures, it can be assumed that MPW has qualified staff to interact with proposed consultancies and training programs. While the initiative in labor-intensive rural roads maintenance is new to the MPW, observational visits to Kenya as well as a consultancy should be easily supported by the MPW.

(e) FOFIFA - As an element of the newly created Ministry of Scientific Research and Development Technology (Nov. 1983), FOFIFA is also a recipient of the IBRD agricultural institutional support project which provides consultants and two mini-computers. The proposed consultancies and associated on-the-job training are intended to supplement, not compete with, the IBRD project.

(f) INSRE - The national statistics office has reasonably well trained staff as well as an IMB 3060 computer. Unfortunately, it lacks control over the computer time which is largely taken up with GDRM personnel financial matters. However, staff familiarity with computer applications will assure that the two mini-computers to be provided will be readily used in INSRE's top priority project, the processing of the 1978 Household Budget Survey. Associated consultancies and training courses should strengthen the computer processing of that survey.

In summary, given the limited scope of proposed project inputs and the existing associated support of other donor projects in several instances, it seems reasonable to assume that the GDRM institutions will make good use of the proffered inputs.

2. USAID

USAID/Madagascar's capability to manage the project will stretch the single USAID officer and local staff. While this project uses every technique in implementation to limit the extent of involvement of USAID/Madagascar, there will nevertheless be hectic periods of activity from time to time (especially when local training seminars are being held). USAID/Madagascar will rely heavily on REDSO/ESA for procurement assistance and will utilize S&T Bureau's APAP project to coordinate provision of many consultant and training activities. With the full commitment of both of these offices, which is feasible and has been assured, it will be possible for USAID/Madagascar to manage this project.

D. Environmental Analysis

The IEE submitted with the PID requested a Categorical Exclusion. This was not approved by the Bureau Environmental Officer and a revised IEE was developed requesting a Negative Determination. (See Annex F-3). The revised IEE was approved per State 375989. No further environmental analysis is intended.

VII. CONDITIONS PRECEDENT AND COVENANTS

The conditions precedent to disbursement in this project include those normal in a grant agreement i.e. designation of official signatories, etc. In addition, prior to any disbursement for procurement under the commodity import component, the GDRM will be required to:

a) submit a procurement plan including those elements described in Section IV.A. above, and

b) establish a special account for the deposit of the FMG equivalent of the proceeds of sale of the commodities procured under the Commodity Import Component. Uses of this special account will be mutually determined by AID and the GDRM and will include the provision of a Trust Fund to assist USAID to defray local costs. No other conditions precedent nor covenants will be included in the grant.

Finally, prior to any disbursement for procurement of bridge decking components, the GDRM will provide written assurances satisfactory to AID that the bridge substructure will be completed.

OK

VIII. EVALUATION

Evaluation in this project will take place on two levels:

1) the extent to which the project accomplished the project purpose by providing the proposed inputs and

2) the extent to which the GDRM is perceived to have continued its recent policies of "liberalization" and adherence to the PIP and consultative group objectives. Funding for evaluation is provided in the project, although the latter level of evaluation is more likely to take place in the context of a CDSS update.

Regarding the first level of evaluation, the materials developed by monitoring activities will provide useful data regarding inputs. Trainees will be required to complete a training evaluation questionnaire. This questionnaire will be devised by the short-term consultants responsible for the training, whether on-the-job or specific seminars or workshops. For those sent overseas, a questionnaire will be developed by a local short-term consultant.

In regards to the direct beneficiaries of the spare parts and tractors imported under the Project, the distributors will be required to keep a record on each purchaser. The record will include name and address, region in which equipment is based, expected end-use function(s) to be performed (for tractors, specifying the crops) and whether end-use function is for:

a) self

b) parastatals

c) government

d) hire-out to private sector or

e) some specified combination of the above.

Some subjective interviewing will be necessary to ascertain the extent to which the trained participant and/or consultant has been able to influence given decision making process to better rationalize a given investment decision. The procedures and content of such interviewing will be developed during implementation as the intervention of trainees/consultants unfolds.

Regarding the second level of evaluation, an assessment of the GDRM's continued market liberalization will be made, and especially that related to rice will be followed closely at periodic intervals throughout the project's year. This evaluation should be held just prior to the design of MARS II, and should be a critical factor in deciding the direction and funding levels of future AID involvement.

As has been noted under program factors, in the economic analysis, and in the annexes on policy framework and agriculture sector reforms, the government has undertaken and expects to continue a broad range of policy reforms, including pricing policies for most crops. Market liberalization and parastatal reform aimed at better financial and human resource management and private commercialization of input supply and delivery.

The PP team has focussed specifically on the rice sector as a litmus test of the Government's committment to economic reforms. Although it is premature, given AID's lack of experience in Madagascar, for AID to identify specific actions that Government should undertake in the next months, the following general trends should be monitored and analyzed:

1) Producer prices for the 1985 rice harvest:

2) Public information and early announcement of producer prices:

3) Monitoring of reform: Data collection and monitoring of 1985 harvest including producer prices, local authority activities, transaction costs and production responses.

4) SOMALAC: 1985 auction experience and progress towards replacement of SOMALAC monopoly by a tax system;

5) Market development: Is the government promoting and encouraging private trader involvement by providing them better information on size of imports and credit for rice marketing and by removing the remaining legal constraints, especially with regard to impediments placed by local authorities.

6) Rice import pricing policy: Price structure and use of PL 480 rice.

ANNEX B. STATE 225044/01

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TAGS:
SUBJECT: ECPR GUIDANCE FOR MADAGASCAR AGRICULTURAL REHABILITATION SUPPORT PID

1. SUMMARY: AN ECPR WAS HELD FOR THE SUBJECT PROJECT ON JULY 11, 1984 UNDER THE CHAIRMANSHIP OF DAA/AFR P. BINNEBAUM. THE PROJECT WAS APPROVED AT THE PID LEVEL TO BE DESIGNED FOR A FUNDING LEVEL OF DOLS. 5 MILLION. IN GENERAL, THE ECPR RECOMMENDED THAT THE PP ESTABLISH A CLEAR RELATIONSHIP BETWEEN PROJECT ASSISTANCE AND ECONOMIC POLICY REFORM ACTIVITIES OF GDRM AND SUGGESTED THAT MEASURES BY WHICH GDRM PROGRESS IN REFORM EFFORTS CAN BE EVALUATED BE DEVELOPED AND INCORPORATED IN FINAL DESIGN. ISSUES AND DESIGN RECOMMENDATIONS FOLLOW.

2. ISSUES:

A. POLICY REFORM: THE METHODS OF SUPPORTING GDRM'S POLICY REFORM EFFORTS, AS DESCRIBED IN THE PID, ATTRACTED CONSIDERABLE DEBATE. IN ESSENCE, THE INTENTION OF

INSTITUTION BUILDING WAS QUESTIONED, GIVEN THE FLUID GDRM PLANNING ENVIRONMENT WHERE THE IBRD IS ALREADY ENGAGED IN IS DIRECTLY LINKED TO ANALYSIS OF POLICY ISSUES. FURTHER, IT WAS NOTED THAT THE PID DID NOT INDICATE IF THERE WAS TO BE ANY CONDITIONING OR, AT LEAST, LINKING OF PROJECT ASSISTANCE AND POLICY REFORM. PROJECT WILL SUPPORT THE ON-GOING REFORMS WHICH THE GDRM IS PURSUING AS PART OF THE IMF/WORLD BANK PROGRAM. ALSO, GIVEN THE AGENCY'S INTEREST IN PROJECTS WHICH REFLECT APPROPRIATE DESIGN RELATIVE TO POLICY REFORM, THE ECPR RECOMMENDED THAT PPC BE REPRESENTED ON THE PP DESIGN TEAM.

[illegible] PRESENT TO AND INDEPENDENT FROM THE ECPR MEETING, PPC [illegible] THAT THE MISSION CONSIDER AN INTERIM DESIGN [illegible] CONSISTING OF REDSO/ESA FUNDING OF A THREE/FOUR [illegible] BY FRENCH-TRAINED PPC EXPERT IN PRIVATIZATION IN [illegible] COMM. PPC'S PURPOSE IS TWOFOLD: (A) [illegible] OF PROGRESS/PLANS IN PRIVATIZATION OF [illegible] ECONOMY AND (B) ANALYSIS OF OPPORTUNITIES TO [illegible] PROJECT TA TO POLICY REFORM AND ECONOMIC

REHABILITATION EFFORTS.
BUDGET ONE MILLION; DOLS 2 MILLION OF DA FUNDS, AND BUDGET OF DOLS 5 MILLION; DOL POSSIBLE, BUT UNLIKELY DOLS 3 MILLION OF ESF. IT IS POSSIBLE, BUT UNLIKEL THAT ONLY DA FUNDING WOULD BE AVAILABLE.

2. DA FUNDS AND CIP ACTIVITIES: THE ECPR AGREED THAT THE PP SHOULD CLEARLY SHOW THAT THE BALANCE OF PAYMENTS ASSISTANCE IS ONLY INCIDENTAL TO POLICY REFORM SUPPORT AND AGRICULTURAL SYSTEM REHABILITATION. FURTHERMORE, THE PP SHOULD MAKE CLEAR THAT BUDGET SUPPORT (PAGE 1 OF PID) IS NOT AN ACTIVITY THAT AID IS SUPPORTING, BUT RATHER THAT GORM IS CONTRIBUTING TO PROJECT COSTS FROM ITS OWN BUDGET RESOURCES (P. 23 OF PID).

3. TECHNICAL AND DESIGN RECOMMENDATIONS:

A. INPUTS: THE PP SHOULD DESCRIBE EXPLICITLY THE RELATIVE BENEFITS TO BE DERIVED FROM SHORT-TERM RATHER THAN LONG-TERM ADVISORS.

B. OUTPUTS: CLARIFICATION IS NEEDED REGARDING WHICH ACTIVITIES REFERRED IN THE PID WILL COMPRISE THE PROPOSED PROJECT AND WHICH ACTIVITIES ARE RELATED TO IT BUT ARE INDEPENDENT AND ALREADY IN PROGRESS.

C. TRACTOR USE: THE PP NEEDS TO THOROUGHLY ANALYZE THE QUESTION OF PRACTICAL APPLICATION OF TRACTOR EQUIPMENT ON SMALL MADAGASCAR FARMS.

D. SOCIAL ISSUES: THE PID PROPERLY IDENTIFIED SEVERAL IMPORTANT SOCIAL AND CULTURAL INFLUENCES FOR POSSIBLE ANALYSIS DURING THE FINAL DESIGN PHASE. IF A SHORTAGE OF DATA PREVENTS THE INVESTIGATION OF ALL ISSUES, AT A MINIMUM, THE PROBLEMS POSED BY MIXING ETHNIC GROUPS FOR TRAINING PURPOSES MUST BE ADDRESSED.

E. PROCUREMENT: AN ARRIVAL ACCOUNTING SYSTEM SHOULD BE INCLUDED IN THE PP AND THE FINAL DESIGN TEAM SHOULD INCLUDE AN INDIVIDUAL WITH SUFFICIENT ENGINEERING/MECHANICAL EXPERIENCE TO ASSIST IN SELECTING AND COSTING THE NECESSARY SPARE PARTS FOR IMPORTATION. SER/COM SUGGESTS THE PROJECT DESIGN TEAM CONSIDER THE USE OF USG REHABILITATED EQUIPMENT, IF APPROPRIATE, IN THE CIP PROGRAM.

F. CONTRACTING: IF THE USE OF PASAS IS CONTEMPLATED, THE MISSION IS REMINDED OF THE NEED TO COMPLY CAREFULLY WITH THE REQUIREMENTS OF CIRCULAR A-76 AND FAA 281(A), INCLUDING CERTIFICATIONS THEREUNDER.

G. EVALUATION: THE PP SHOULD ESTABLISH CRITERIA AND

BENCHMARKS BY WHICH A DETERMINATION CAN BE MADE THAT THE GDRN IS CONTINUING SATIFACTORY MOVEMENT TOWARD A MARKET ECONOMY BY WAY OF POLICY REFORM.

4. SERIOUS DIFFERENCES OF OPINION REMAIN CONCERNING THE DEGREE OF POLICY REFORM PROGRESS AGAINST WHICH THE PROJECT SHOULD BE EVALUATED. ADDITIONAL CLARIFICATION OF THIS ISSUE WILL FOLLOW SEPTEL.
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MARS P.P. GUIDANCE CONCORDANCE — ANNEX A

I. STATE 225044 - August 1, 1984

Paragraph 2	A.1.	Establish a clear relationship between project assistance and economic policy reform activities and include suggested measures by which GDRM progress can be measured - See PP Section IIB and Annex F.1.
Paragraph 2	A.2.	Include an expert on privatization from PPC on PP team - NAIROBI 31886 (15 October, 1984) rejected offer.
Paragraph 2	B.	Budget availabilities - PP designed for $2 million DA, $ 3 million ESF.
Paragraph 2	C.	GDRM contributions - See Section III of PP.
Paragraph 3	A.	Benefits of short term rather than long term advisors - Subsequent guidance (STATE 290176) expressly de-emphasized long-term institution building and PP proposes only short-term consultancies.
Paragraph 3	B.	Outputs from project - See Section IIC.1 of PP.
Paragraph 3	C.	Tractor Use - PP Section IIC.2 shows demand for tractors, also See Annex F.
Paragraph 3	D.	Social issues - PP Section VB addresses problem of mixing ethnic groups for training purposes.
Paragraph 3	E.	Procurement - PP Section IIC.2 addresses spare parts mix and use of U.S. rehabilitated equipment.
Paragraph 3	F.	Contracting - PASAs - Certifications to be included in PIO/Ts.
Paragraph 3	G.	See Section VIII of PP.

II - STATE 290176

Paragraph 4	De-emphasize long-term institution building efforts - PP provides only short-term consultancies and training over a 12 month period of implementation.
Paragraph 4a	Policy assessment - PP reviews rice sector as most important - See PP Annex F.
Paragraph 4b	Commodities - See PP Section IIC.2
Paragraph 4c	Policy reform in conjunction with other donors - All consultancies/training which may have an impact on policy reform have been coordinated with IBRD, UNDP, France.
Paragraph 4d	Use of local currency, should incorporate FY85 PL480 as part of project - Generations of PL480 local currency from FY85 PL480 agreement occur midway in implementation of MARS project. Nevertheless, use of the local currency from both FY84 and FY85 PL480 agreements will be affected by recommendations and actions of Project funded consultancies and training.
Paragraph 5	Policy analysis to offer and support judgements about reforms by GDRM - See PP evaluation Section as well as Annex F.1.

DRAFT PROJECT AUTHORIZATION

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Madagascar Agricultural Support Project (687-0101) grant funds, subject to the availability of funds in accordance with the A.I.D OYB/Allotment process, to help in financing foreign exchange costs for the Project. The planned life of the Project is twenty months from the date of initial obligation.

2. The Project will assist the Government of Madagascar to implement its Public Investment Program for rehabilitation of the agriculture sector by providing foreign exchange for critically needed commodities as well as short-term consultancies and training. The commodity component will bring in spare parts for tractors and road maintenance equipment, bridge decking components, and some new tractors. The consultancies/training component is directed toward improving the GDRM capabilities in policy and project analysis in the agricultural sector.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and other major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

   a) Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in the Cooperating Country or A.I.D. Geographic Code 000, except as A.I.D. may otherwise agree in writing. The suppliers of commodities or services (including ocean shipping) shall have the Cooperating Country or in A.I.D. Geographic Code 000 as their place of nationality, except as A.I.D. may otherwise agree in writing. Commodity procurement for spare parts and tractors shall be governed by application of A.I.D. Regulation One.

b) Conditions Precedent

Prior to the disbursement of funds the GDRM will designate, satisfactory to A.I.D. official signatories with specimen signatures.

Prior to the disbursement of any funds for procurement within the commodity component of spare parts or tractors, the GDRM will be required to provide, satisfactory to A.I.D;

a) submit a procurement plan including those elements to be described, and in a subsequent Implementation Letter;

b) establish a special account for the deposit of the FMG equivalent of the value of these commodities for resale which are being procured. Uses of this special account will be mutually determined by A.I.D. and the GDRM and will include the provision of a Trust fund to assist USAID to defray local costs.

Approved_____

Disapproved_____

Date:_____

GOAL	Measures of Goal Achievement		Assumptions for Achieving Goal Targets:
To increase agricultural production, productive employment and real income)			The PIP is the most effective means available to the GORM to increase agricultural production.
Project Purpose	**End of Project Status**		**Assumptions for Achieving Purpose:**
Support the rehabilitation and mid-term recovery of the agricultural sector as described in the Public Investment Program (PIP) through (a) Increase foreign exchange allocations for imports rehabilitation of key agricultural and rural transportation input required for the rehabilitation effort; (b) short-term technical consultancies supporting better information systems and analysis leading toward better policy determination and selection of priorities.	(a) Increased availability of key agricultural and transportation inputs in rural areas; (b) (i) Improved rehabilitation of irrigation and rural transportation infrastructure. (ii) Improved economic policies affecting agricultural production, particularly for rice and export crops.	Evaluation	That the most feasible way for AID to support the PIP is provision of FX and consultancies/training.
Outputs	**Magnitude of Outputs**		**Assumptions for Achieving Outputs:**
1. Improved data series being published.	(2)	GORM financial reports controllers records	(a) That provision of foreign exchange can improve agricultural production; (b) That consultancies/training can have an impact on policy revisions in the agricultural sector; (c) Trainees are available for training; (d) Agricultural producers will buy tractors.
2. Economic analysis underway on and/or completed on.	(4)		
3. Irrigation perimeters rehabilitated.	(6)		
4. Rural access roads rehabilitated.	(200 km)		
5. Participants trained and returned to assigned jobs.	(90)		
6. Imported equipment and other inputs disseminated to rural markets and maintenance agencies.	(80 tractors spare parts)		
Inputs	**Implementation Target (Type & Quantity)**		**Assumptions for providing inputs:**
1. Months of consultancies (a) to advise on data collection, processing and dissemination needs; (b) to assist in analysis of key economic problems; (c) to assess policy-making institutions a,b,c, and advise on improvements; (d) to assist in improving rural road maintenance; (f) to assist with in-country training programs.	18 p.m.	Controllers records	Availability of counterpart GORM budget support.
2. Allocations of local currency counterpart funds to support (a) data collection, processing and publication activities; (b) analysis of key economic problems; (c) rehabilitation of irrigation perimeters; (d) rehabilitation of rural roads in conjunction with irrigation rehabilitation and training for local maintenance; (e) in-country traiing programs in data collection and processing, publication and analysis.	$1.1 million equivalent in EMG		
3. Participant training program to train selected staff in certain of the following: (a) statistics; (b) economics analysis; (c) public administration and management.	90 participants		
4. Equipment and supplies: (a) computer hardware and software; (b) office equipment and supplies; (c) filing and storage cabinets; (d) printing and duplicating equipment and supplies.	See budget		
5. Foreign exchange assistance provided for imports of (a) spare parts for tractors; (b) spare parts for road maintenance equipment; (c) new tractors.	See budget		

Listed below are statutory criteria applicable generally to FAA funds, an criteria applicable to individual fun sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1985 Continuing Resolution Sec. 528. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

2. FAA Sec. 620(c). If assistance is to a government is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? — No

4. FAA Sec. 620(a), 620(f), 620(D); FY 1985 Continuing Resolution Sec. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? — No

5. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? — No

6. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? — No

7. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? — No

(b) If so, has any deduction required by the Fishermen's Protective Act been made?

8. FAA Sec. 620(q); FY 1985 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds?

9. FAA SEC. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes, taken into account by the Administrator at the time of Approval of Agency OYB

10. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

11. FAA Sec. 620(u) What is the payment status of the country's U.N. obligations? If the country is in arrears were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)

Madagascar's UN payment status was taken into consideration in determining the AID FY 85 OYB: (Administrator's memo, dated 11/9/84).

12. FAA Sec. 620A; FY 1985 Continuing Resolution Sec. 521. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

13. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

14. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

15. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

Yes, the Administrator has taken this into account in programming funds for Madagascar.

15. FY 1985 Continuing Resolution. If assistance is from the population functional account, does the country (or organization) include as part of its population planning programs involuntary abortion?

N/A

16. FY 1985 Continuing Resolution Sec. 530. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

No.

FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No.

2. Economic Support fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

5C(2) PROJECT CHECKLIS

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the projct; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or nor more than $1 million over that amount)?

The Madagascar Agricultural REhabilitation Support project was included in the FY 85 CP. A further CN for the project was made and expired without objection on 3/7/85.

Yes

FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimte of the cost to the U.S. of the assistance?

Planning and cost estimates appear to be reasonably firm and are based on past experience with similar project elements.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	No further legislative action is required.
4. FAA Sec. 611(b); FY 1985 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973, or the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)	N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	The project is not susceptible of execution as a part of a regional or multi-lateral project. It will, however, be coordinated with other donors.

7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	The project will increase international trade by providing spare parts and tractors which will also foster private initiative as these items will be imported by private firms.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	US private firms will definitely be involved in the implementation of this project as suppliers to the private firms in Madagascar.
9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	The GDRM contribution will be in the form of personnel and support to the US consultants and training efforts.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	There is no U.S. owned foreign currency in Madagascar.

11.	FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes. AID regulations for procuring of services will be followed.
12.	FY 1985 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	No
13.	FAA 118(c) and (d). Does the project comply with the environomental procedures set forth in AID Regulation 16. Does the project or program taken into consideration the problem of the destruction of tropical forests?	Yes
14.	FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate sysem for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?	N/A

15. FY 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

No.

B. FUNDING CRITERIA FOR PROJECT

Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote

The objective of the project is to provide spare parts for road maintenance equipment and tractors as well as new tractors. These items will extend access to the economy at the local level to farm families in Madagascar.

the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes. Project funding will be used for tractors for agriculture needs, for consultants and training for agricultural policy and project analysis.

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)?

The GDRM will contribute about 15% of direct project costs as well as providing over 50% equivalent in costs of projects associated with this project.

Yes.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project for more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country

N/A

"relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than $100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

f.	FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes
g.	FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	The consultancy/training component will utilize the intellectual resources of the people of Madagascar to attempt to solve agricultural policy and project problems in the country.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

Yes. The project will provi badly needed foreign exchang for commdities necessary to rehabilitate agriculture production to better analyze and plan agriculture development.

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

c. FAA Sec. 534. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

d. FAA Sec. 60
commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

   Agency requirements for advising and involving small businesses in AID-financed procurements will be adhered to.

   FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him??

   FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

4.	FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A
5.	FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which are direct aid recipients and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?	All engineering services will be procured from the U.S. or Madagascar.
6.	FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?	

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Both private enterprise and U.S. government agencies will provide consultancy ervices. The relative merit f each for providing such ervices has been evaluated n the project paper.

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

9. FY 1985 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

uch provisions will be ncluded.

. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)?

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

4. Will arrangements preclude usen of financing:

a. FAA Sec. 104(f); FY 1985 ontinuing Resolution ec. 527. (1) To pay or performance of bortions as a method of amily planning or to otivate or coerce ersons to practice

abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

d. FAA Sec. 662. For CIA activities?

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty o the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

f. FY 1985 Continuing Resolution, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?

g. FY 1985 Continuing Resolution, Sec. 505. To pay U.N. assessments, arrearages or dues?

h. FY 1985 Continuing Resolution, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?

i. FY 1985 Continuing Resolution, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?

j. FY 1985 Continuing Resolution, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

k. FY 1985 Continuing Resolution, Sec. 516. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

REPUBLIQUE DEMOCRATIQUE DE MADAGASCAR
Tanindrazanantsoa Fanahiana
MINISTERE DES AFFAIRES ETRANGERES
Direction des Relations Bilatérales

OS/IR

ALD

ANNEXE

Antananarivo, le 22 NOV. 1984

24990 -AE/DRB/2b/Am.167

NOTE VERBALE

LE MINISTERE DES AFFAIRES ETRANGERES DE LA RI DEMOCRATIQUE DE MADAGASCAR présente ses compliments à : DES ETATS-UNIS d'AMERIQUE et, comme suite aux différentes seances de travail que la Direction Générale du Plan a eues avec la mission de l'USAID conduite par Monsieur GRAHAM, en vue de l'élaboration d'un programme d'assistance en faveur de Madagascar, a l'honneur de Lui demander de bien vouloir saisir le Représentant-Résident de l'USAID à Madagascar de la requête du Gouvernement Malgache pour la concrétisation dudit programme dont le montant s'élève à 5.000.000 dollars.

Ce programme d'assistance comprend les deux volets suivants

Acquisition de matériels et de pièces détachées dans le cadre d'un programme de soutien au développement rural, notamment en vue de l'augmentation de la production agricole;

Assistance technique et formation à court terme ainsi que les équipements nécessaires liés à ces activités.

LE MINISTERE DES AFFAIRES ETRANGERES DE LA REPUBLIQUE DEMOCRATIQUE DE MADAGASCAR remercie l'AMBASSADE DES ETATS-UNIS d'AMERIQUE de Son obligeante entremise et saisit cette occasion pour Lui renouveler les assurances de sa haute considération.

AMBASSADE DES ETATS-UNIS
d'AMERIQUE
ANTANANARIVO

Rice

Paddy is Madagascar's most important agricultural crop, accounting for about 50 percent of the total area under cultivation. Rice is the staple food item in the Malagasy diet: about 70 percent of the population grows paddy. Of the estimated 1.2 million hectares planted to paddy in 1983, about 75 percent represents smallholder fields and the remaining 25 percent represents government developed and supported irrigation schemes. Production has stagnated over the past decade, hovering around 2 million tons of paddy per year. Paddy production has fluctuated over the past five years, growing at an annual average rate of 1.25 percent between 1979 and 1983 (significantly less than the estimated population growth rate of 2.8 percent per Year). It is estimated that about 80 percent of production is consumed on the farm, leaving about 20 percent to enter marketing channels. As this level of marketed output has been insufficient to supply urban demand, the Government has imported increasing quantities of rice in recent years, reaching a peak of 356,000 tons in 1982 (about 20 percent of domestic consumption.)

Government policy prior to May 1983. Prior to May 1983 the Government exercised considerable control over the paddy and rice market through a variety of mechanisms:

a) establishing a state monopoly over the purchase and distribution of paddy and rice,

b) fixing nationwide prices for paddy and rice,

c) imposing severe restrictions (and sanctions) on private trade,

d) controlling rice imports, and

e) distributing domestically produced and imported rice through government outlets (at the fixed official price).

The Government's objectives in pursuing this policy were fourfold. It was hoped to:

1. increase domestic production,

2. reduce rice imports,

3. assure adequate supplies of rice to urban consumers at relatively low prices, and

4. assure adequate returns to producers.

However, the results tended in the opposite direction. Due to domestic inflation, producer prices declined in real terms despite periodic nominal increases. Not only did production stagnate, but output marketed through official channels declined, reducing quantities available for distribution through government outlets in major urban areas. Therefore, to satisfy urban consumption needs, the Government imported increasing amounts of rice. Even so, official sources proved inadequate, and a parallel market developed, with prices substantially higher than those offered through government outlets. These developments are summarized in Table 3. Even though the Government increased producer prices by 55 percent in nominal terms between 1979 and 1982, returns to the farmer decreased by 10 percent in real terms over this period, and production declined by about 4 percent. Collections by official marketing agencies declined by over 50 percent between 1979 and 1982, and accounted for only 5 percent of national production and 25 percent of estimated marketed production in 1982.

Rice imports more than doubled during this period, reaching a high of 356,000 tons in 1982, representing a 124 percent increase over the 1979 level. During this four-year period official rice supplies (both domestically collected and imported) supplied rice supplies (both domestically collected and imported) supplied about 20 percent of national consumption, increasing to 25 percent in 1982 with the big surge in imports.

However, this aggregate figure masks the importance of official supplies for urban areas, where the bulk of imported and official collections are released. It is estimated that in 1982 rice distributed through official channels in the capital and major ports accounted for between 80 and 99 percent of total rice consumption in those cities. Outside of these urban areas, the private sector was the major outlet for marketed paddy and rice. Prices on the private market fluctuated, reflecting seasonal variations in availability.

Government policy reform of May 1983

Recognizing that government marketing and pricing policy was not achieving its intended objectives, the Government announced and began implementing a major reform of rice policies in May and June of 1983. The major elements of this reform are:

1) elimination of the state marketing monopoly for paddy and rice except in the Lac Alaotra and Marovoay basin irrigation schemes 1/;

2) allowing fluctuation of domestic rice prices within due to the birtual collapse of government marketing operations in limits set by a bank (a floor price of 65 FMG/kg for paddy and a ceiling price of 300 FMG/kg for rice).

Progress to date

1. Market liberalization

The dramatic decision to relax rice marketing system to include private and public competition was taken in June, 1983. Prior to the decision a study had been undertaken by MPARA's Rice Programming Division in collaboration with an American consulting firm AIRD with financing under the World Bank's Support to Agricultural Institutions. Local currency costs were financed by AID. The MPARA/AIRD study listed a set of alternatives ranging from very gradual opening of the rice

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1/ These two schemes were excluded because the two parastatals that manage the irrigation networks and input distribution in the two areas are financially dependent on the marketing monopoly they have in the areas. The Lac Alaotra and Marovoay basins account for about 18 percent of national paddy production and, traditionally, for about 55 percent of official marketed production; this share rose to 85 percent in 1982 in other parts of the country. See Appendix Table V.

trade to the private sector to the drastic total liberalization alternative. With the notable exceptions of the SOMALAC and FIFADE areas, the government chose the most liberal policy alternative.

Floor prices were set in 1983 and 1984 based on estimated costs of production, yet allowing the farmer a reasonable profit margin as incentive to increase production.

Although precise data do not exist, it appears that the producer prices actually received were in fact much higher than the floor prices: the IMF estimates an average of 10 FMG/kg higher, though MPARA officials judge that producer prices varied from 100FMG/kg to double that during the hungry season (mid December-April).

However, it is not possible to judge whether or not producers reacted to the higher profit margin by increasing production, or more precisely, by increasing marketed production. What is clear is that whereas there was no rice to be found at the market during the "hungry season" before the liberalization and hence the government had to resort to imports, there is now rice sold on the market, albeit at a high price.

2. Imports

As per the GDRM's agreement with the IMF, rice imports were reduced in 1983 to 183,000 tons and in 1984 to 114,000 tons. (The IMF restricted imports to 90,000 tons of which 62,000 were to be purchased in foreign exchange. GDRM received an additional 24,000 tons disaster relief assistance in the wake of Cyclone Kamisy in April). This reduction should lead to a phase-out of rice imports by 1987.

Rice import policy is being co-ordinated with domestic availabilities. During the 1983 agricultural year, the price of imported rice remained at 140 FMG/kg, but was meant to be adjusted as needed to maintain parity with the market price of domestic rice. During 1984, the Government imported exclusively 100% broken rice with their foreign exchange. This consists mostly of Thai rice of quality considered inferior by the Malagasy, and has a lower world market price. The Government has allowed imported rice purchased in foreign exchange to sell at its true economic cost, so that 100% brokens sell at FMG180/kg, compared to FMG250/kg for local rice (August 1984 prices). The advantage of selling 100% brokens at the lower market price is that the more disadvantaged and nutritionally at-risk groups self-select.

The notable exception to the Government's import pricing policy is PL480 rice. The Government apparently stocks the bulk of the 38,000 tons and sells it at the official government price of 200FMG/kg to consumers in the rural areas with official ration coupons.

Table IV: Production and Imports of Rice: 1978-1984
(In '000 tons)

	1978	1979	1980	1981	1982	1983	1984
Domestic Production	1,285	1,370	1,413	1,348	1,337	1,438	
Imports	153	156	177	193	353	193	114
Total	1,438	1,526	1,590	1,541	1,690	1,631	

Issues Regarding Further Liberalization

1. Increased private/public sector competition

a) Although there were a greater number of private traders involved in 1984 than in 1983 rice marketing, there are several factors restricting private entrepreneurs from entering the market. The private sector's slower than expected (by Government officials) participation should be seen in light of historical precedent and present economic difficulties, namely:

i) high investment costs in transport vehicles and storage facilities associated with entering the trading sector;

ii) the deplorable condition of the road infrastructure;

iii) imposition of taxes and other restrictions on small traders by local authorities.

Because of the shortage of spare parts in the country and the tight foreign exchange controls, small private traders cannot easily purchase the necessary equipment to start a business. Secondly, given the abrupt state take-over of marketing and distribution in the early '70's, private traders are understandably wary and in need of strong government assurances.
Finally and most importantly, local authorities at the firondronam (sub-prefecture) and the faritany (province) levels have in some instances imposed needlessly complicated licensing requirements for paddy collectors, and apply exceptionally difficult criteria to qualify for credit.

b) There is a frequently voiced perception among Government officials in the capital city that private traders may be over-estimating their operating costs and deliberately hiking consumer prices.

Future Policy Developments

i) The government has agreed to encourage private traders by issuing a policy statement of support.

ii) The Government recognizes the problems surrounding local authority powers to influence, if not control rice marketing in their districts. However, actions to limit local jurisdiction implies changes in the legal and administrative codes and hence are political, not economic questions. The Government will carefully monitor and document instances of deliberate use of local authority to impede the implementation of its rice liberalization policy during the 1984-85 rice-growing season. The Service Rizicole in MPARA, through ts field extension agents, is responsible for monitoring and reporting rice operations during the 1985 year.

iii) The Government should closely observe and begin to document either through a study team, such as AIRD or other means, the actual transaction costs borne by traders. Although clearly difficult to obtain, this data is required to minimize impressionistic conclusions and to help make informed policy decisions.

2. Producer Incentives

Although no hard data exists, it is generally agreed that rice production increased in 1984 (netting out the effects of the cyclone). But production still falls far short of the agricultural potential output for most areas. Increasing producer prices is but one element of a complex formula for increasing production, which includes better information on prices, improved and lower transport costs, availability of agricultural inputs, higher yielding rice varieties and better quality seed, and availability of consumer goods.

Future Policy Developments

i) Announcing producer prices well in advance of planting dates, giving farmers the information they need early enough to make management decisions;

ii) Easing further restrictions on commercial sale of agricultural inputs. As a condition for their agriculture sector loan agreement, the World Bank proposed that agricultural input supply, including chemical inputs, vehicles, equipment and veterinary

products be accomplished by commercial imports through a system of quotas and import license allocations. Commercial importers would then be responsible for market prospection and distribution.

iii) Other complementary actions under way or being considered by the government include road rehabilitation, importing of spare parts as a priority category and importing a small quantity of consumer goods.

3. Floor Prices/Ceiling Prices

The recently completed AIRD study on rice marketing recommends that the floor price be maintained and that the ceiling price be indexed to inflation and revised accordingly every three months.

a) The government expects that the floor price this year will be a more carefully calculated weighted average of nation-wide costs of production. If the past two years are any indication, the floor price is simply "indicative"; average producer prices have been far above.

b) The issue of a ceiling price is extremely controversial, though perhaps needlessly so. Government bureaucrats whose salaries are fixed react poorly to the main dietary staple indexed to inflation which is likely to be revised upward frequently. The ceiling price was originally instituted to act as an indicator to the government that it should intervene, either by importing or by releasing its own stocks to regulate the market price. Yet the government's role is presently severely restricted since it cannot import rice at will but rather must conform to quotas agreed upon with the IMF. Since the government is nearly powerless to intervene, the ceiling price is impossible to enforce. For example, the market price for rice in Tana is presently 325 FMG/kg for local red rice, 25 FMG above the ceiling price. In the view of some high government officials, the ceiling price issue is academic. However, the existence of a legal ceiling price that is meaningless is potentially dangerous in two ways:

1) it gives critics of the rice reform policy a concrete example of how the reformed policy is NOT working;

2) arbitrary enforcement of the ceiling price by the Economic Police in the market could have serious political repercussions for the government.

Future Developments

i) Government would be wiser to change the terminology - and hence its legal implications - from "prix plafond" to "prix indicatif", and except in the areas which are the purchasing monopolies of FIFABE and SOMALAC, eliminate the prix planche and let the market dictate the producer prices.

4. Import Pricing

The government is attempting to restructure rice pricing in such a way to encourage domestic production and to reflect real economic costs of imports. PL480 rice imports may frustrate the government's efforts to integrate rice from different origins and of varied quality into a coherent price structure that avoids government subsidies. At the present exchange rate of 610 FMG/dollar (Nov. 1984), the 1984 official floor price for paddy is equivalent to $182/mt of milled rice, compared to a current U.S. export price of $287 and a c.i.f. Toamasina price of $380 (May 1984). August 1984 prices for PL480 rice sold by the Government were FMG170/kg for brokens and 200/kg for whole grain rice. This implies a consumer subsidy of at least 14 FMG/kg (excluding transport costs from the port city).

PL480 rice at present is not considered by the World Bank and the GDRM to be a disincentive to domestic production. Although rice prices would clearly be much higher without the infusion of PL480 the Government could not allow rice prices to climb above the reach of most urban dwellers and would consequently use more of its foreign exchange to import the staple food to cover the shortfall.

PL480 imports may become a problem shortly, however. U.S. agreements prohibit a recipient country from exporting any rice while receiving PL480. Madagascar expects to be in a position to resume exporting high quality luxury rice within the next few years, at which point PL480 agreements will need renegotiating.

Future Developments

The AIRD rice study recommends that the Government change its import pricing policy according to the following formula:

Sale price = import price c.i.f. (in $) x exchange rate + 10% of exchange rate (effective shadow price) + transport costs.

Further, the study recommends that only 100% broken Thai rice be sold through official circuits and that all other imported rice be auctioned at the port, or, as a second alternative, that the Government transport the rice and sell it at the "ceiling price".

(i) The Government's imported rice price structure, with the exception of PL480 reflects the true economic costs of importing. With further reductions in import quotas scheduled for 1985, it will be even more difficult, yet imperative for the government to continue pricing rice at cost.

(ii) PL480 negotiations for 1985 levels should discuss the minimum sales prices for PL 480 consistent with the AIRD recommendations.

5. Liberalization of Parastatal Areas

Beginning in 1984, private trading was extended to the region served by the state enterprise SOMALAC in the Lac Alaotra area. Competitive bidding was introduced for rice collected by SOMALAC which maintained its monopoly to purchase paddy from producers at market-determined prices. Three auction sales, involving both private traders - though less than expected - and state companies resulted in an average sales price of about FMG 100/kg of paddy equivalent or higher than the minimum sales price. The producer price in the area was set at 80% of the average price obtained in the auction, or 79 FMG/kg. This is slightly higher than the nationwide floor price of 75 FMG and the 65 FMG/kg paid to producers for the 1983 harvest. However even with its monopoly power, SOMALAC marketed at least 30,000 tons less than the 90,000 tons originally expected, resulting in higher average transaction costs.

For the other major rice growing area of Maravoay developed by the parastatal FIFABE, the government is moving more slowly towards liberalization. In 1983 and 1984, FIFABE maintained

its monopoly on rice. In 1984 the producer price was set at 76 FMG/kg, which, given the lower costs of production in the area, and the 15% higher operating costs of the parastatal, should both provide adequate incentives to producers and cover FIFABE's costs.

Based on lessons learned from the 1983-84 auctions, and in consultation with the French Caisse Centrale and the World Bank, the two principal donors working in the area, the government plans modifications in its marketing procedures. For the 1985 harvest SOMALAC will:

1) encourage more active bidding from private traders;

2) increase the number of auctions to four and will auction only milled rice, not paddy, thereby assuring that the value added remains in the area;

3) integrate the previously liberalized marketing zone within the area under SOMALAC monopoly (the apparent source of most of the 1984 SOMALAC shortfall).

After discussions with the German KFW, the donor involved in the Maravoay area, the government has decided to maintain FIFABE's marketing monopoly in the area. However, this year's auction price will be based on the auction price in the SOMALAC region.

Future Developments

The AIRD study recommends that a system of taxation replace the auction procedures in the SOMALAC area. However, the economic and management implications of instituting such a system are not yet carefully analyzed.

For the immediate short-term, it seems unwise to push the government too hard on total market liberalization in the SOMALAC and FIFABE areas. First, the implementation of alternative marketing procedures such as a tax system should be thoroughly studied to determine its financial costs and management requirements.

Secondly, the political consequences of the government's "losing control" over rice marketing in the major areas that feed Antananarivo have not been adequately considered. The political and emotional significance of the two areas which "feed Tana", should not be underestimated. The government should continue refining its auction system, while it examines other options and continues to insure that the producer price provides sufficient incentives to increase production.

PROCUREMENT UNDER COMMODITY IMPORT COMPONENT

APPLICABLE AID REGULATIONS

Inasmuch as this commodity support effort is essentially a Commodity Import Program (CIP), the procedures of AID Regulation One will be used for the importation of spare parts, bridge decking, and farm tractors. AID Regulation One sets forth, inter alia, the responsibilities of the importers and suppliers which are involved in commodity procurements. Copies of AID Regulation One will be made available to importers and suppliers upon request from AID. In particular, the "special supplier-importer relationship" described in Section 201.23e of Aid Regulation One will apply to the procurement of tractors and spare parts, but not bridge decking.

Regarding tractors and spare parts, without exception, the private sector importers participating in this program are the authorized distributors or dealers of a U.S. supplier's commodities which, under the terms of the distributorship or dealer agreement, the importer is precluded from buying from another supplier. Following the terms and conditions set forth in AID Regulation One regarding competition, when this relationship exists, solicition of offers (competition) from more than one supplier is not required. In the case of Madagascar, where there is limited local AID management capability, this simplification is highly desirable.

ELIGIBILITY OF COMMODITIES AND COMMODITY RELATED SERVICES

Only spare parts of U.S. source and origin which are directly related to the rehabilitation of agricultural and road maintenance and construction equipment may be eligible for financing under this project. In addition, spare parts for road maintenance equipment are further limited to those used for track-type tractors and graders of the kind used in the construction and rehabilitation of secondary roads. Large earth moving machinery and scrapers will not be eligible to receive allocations for spare parts importation. Likewise, only spares for equipment of U.S. firms with exclusive distributorship agreements in Madagascar would be financed.

On the Commodity Procurement Instruction (CPI) provided to the GOM, financing would be limited, by reference to the appropriate Schedule B numbers.

Furthermore, to qualify for A.I.D. financing, a commodity must satisfy all of the source, origin, and componetry requirements described in AID Regulation One.
Foreign exchange costs for transportation, marine insurance, and handling will be eligible for financing to the extent that they conform to the guidelines setforth in AID Regulation One.

Authorized sources of procurement are described further for the purpose of implementation guidance as follows:

a. Source - The source of procurement under the Project is A.I.D. Geographic Code 000 (United States Only) and Madagascar. "Source" means the country from which a commodity was shipped to Madagascar.

b. Origin - Additionally, commodities must be of Geographic Code 000 or Malagasy origin. The "origin" of a commodity is the country or area in which it is mined, grown, or produced. A commodity is produced when through manufacturing, processing, or substantial and major assembling of components, a commercially recognized new commodity results that is substantially different in basic characteristics or in purpose or utility from its components.

c. Componentry - "Components" are the goods that go directly into the production of a commodity in the U.S. A.I.D. componentry rules for commodities produced in Geographic Code 000 are as follows:

   i. If the commodity contains no imported componentry it is eligible for A.I.D. financing.

   ii. Components from Code 935 (Free World) countries and Madagascar are limited according to the following rules:

      (a) They are limited only if they are acquired by the producer in the form in which they were imported.

      (b) The total cost of such components to the producer of the commodity (delivered to the point of production of the commodity) may not exceed 50% of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export sale (whether or not financed by A.I.D.).

iii. Although the eligible source for the spare parts financed under this project would be 000, there is no restriction as to the source/origin of the original equipment for which the parts would be used. Thus, to the extent that U.S.-made parts are compatible with equipment manufactured in third countries, they could be used to rehabilitate or maintain such equipment.

iv. According to Appendix G of Handbook 15, Section A2a, componentry rules apply to spare parts as follows: Quote: In the case of spare parts shipped separately from the equipment to which they are applicable, the foreign componentry limitation is applied to each separate shipment as a whole and not to each individual spare or replacement parts. Unquote. Thus, up to 50% by value by shipment of the spare parts could have its origin in free world countries other than the U.S.

NOTICE TO SUPPLIERS AND IMPORTERS

The importer is responsible for advising the supplier of the following:

i. Notice that the transaction is to be financed by A.I.D. under part 201 of AID Regulation One;

ii. The identification number of the implementing document, which in this case is Project Number 687-0101;

iii. The eligible source of the goods (U.S. only);

iv. The required delivery period;

v. The requirement to include the U.S. Department of Commerce's Schedule B number on the commercial invoices;

vi. The eligible source of transportation services (U.S. flag unless a certificate of non-availability of U.S. shipping can be obtained); and,

vii. Documentation requirements (A.I.D. forms 11 and 282, commercial invoice, on board ocean bill of lading or air waybill, and inspection certificate (if desired by the importer).

The supplier shall fulfill his responsibilities under AID Regulation One by assuring that:

i. The commodity conforms to the description contained in the letter of commitment or letter of credit;

ii. That the source of the commodity complies with the authorized Geographic Code;

iii. That all provisions relating to the medium of transportation are met;

iv. That the purchase price of the commodity meets the requirements outlined in AID Regulation One;

v. That any delivery services obtained for either the supplier's or for the importer's account comply with the requirements of AID Regulation One; and,

vi. That all marking requirements are observed.

PAYMENT PROCEDURES TO SUPPLIERS

Payment to the suppliers can be either by A.I.D. direct letter of commitment or by an A.I.D. bank letter of commitment and letter of credit, with the Ministry as approved applicant. The latter form of payment may be more appropriate given the lack of A.I.D. presence in Madagascar. However, payment procedures under a direct AID letter of commitment are relatively straight forward. Using an AID direct letter of commitment, upon formal request by the Ministry, USAID would be instructed to open letters of commitment directly to the U.S. suppliers, thereby avoiding banking charges.

SHIPPING REQUIREMENTS

Per 84 State 18523, U.S. flag service is available. Unless SER/COM makes this determination, at least fifty percent of the gross tonnage of all goods must be transported to Madagascar on privately-owned, U.S. flag commercial vessels. The GOM would be responsible for assuring compliance with this cargo requirement and for imposing upon importers such requirements regarding shipping arrangements with suppliers, to assure that this responsibility is met.

Transport Company, U.S. Lines, offers regular liner service from U.S. East Coast ports to Tamatave every two weeks, via Durban, S.A., on a through bill of lading, with full container loads (20 and 40 feet) accepted. Lykes Lines also offers regualr service from U.S. Gulf ports to Tamatave, Main Port, as well as Mahajanga, Taliary and Diego Suarez, every two weeks.

The costs of transporting the goods financed under this project from the U.S. to the point of entry into Madagascar will be eligible for financing. Additionally, A.I.D. will finance the cost of transportation of cargo to a point of delivery beyond the point of entry into Madagascar, provided that the point of delivery, as stated on the carrier's bill of lading, is established in the carrier's tariff applicable to international shipment.

INSURANCE REQUIREMENTS

A.I.D. will finance premiums for marine insurance, including war risk, on commodities financed under this project, provided that the insurance is placed in the U.S., and the loss payments proceeds are payable in U.S. dollars. At a minimum, all procurements originating under this project will specify that insurance will be placed only with companies paying claims in U.S. dollars. In any case, marine insurance will comply with the requirements of the FAA, Section 604.D.

A.I.D. MARKING REQUIREMENTS

It is the policy of A.I.D. that all items under this commodity support program be suitably marked so as to identify them as having been financed under the U.S.A.I.D. program. The term "suitably marked" means marking with the A.I.D. red, and blue handclasp emblem. In addition, shipping containers should be marked with the A.I.D. financing document number, i.e. 687-0101. While it is the responsibility of the supplier to implement the marking requirements, the importer must advise the supplier that the export containers must be marked, and if the commodity is not shipped in a container, then the item itself should be marked.

INSPECTIONS

No physical inspection of the goods will take place unless the importer so desires. When the importers desire to have the goods inspected, the inspection requirement should be included on the Letter of Commitment or Letter of Credit. A.I.D. will finance the inspection, provided a U.S. inspection firm is used.

COMMODITY ARRIVAL AND DISPOSITION

An import license together with shipping documents and the commercial invoice, are required to clear goods from the port of Tamatave. Presenting these documents at the port will be the responsibility of the importer. Once cleared, goods are inspected by the importer and any claims for loss or damage are instituted.

No major problems are foreseen in the disposition of the commodities to be financed. Since all commodities are being imported by private sector dealers, distribution will be through their established network.
Given the extreme shortage in Madagascar of the commodities being financed, no major difficulties are foreseen in the ultimate disposition of these commodities within 12 months.

Importers should ensure that A.I.D. financed goods are promptly cleared from Customs upon entering Madagascar. In no event, however, shall goods remain in the port for a period of excess of 90 calendar days from date of their arrival.

Importers shall also ensure that goods imported under this project are put into use, or sold not later than eighteen months from the date they are removed from customs, unless a longer period can be justified to the satisfaction of U.S.A.I.D. by reasons of force majeure, special market conditions, or other circumstances.

Under the terms of the Project Agreement, the importer shall permit A.I.D. or any of its authorized representatives at all reasonable times during a three year period following the date of payment by A.I.D. for the commodities, to inspect the commodities to inspect the commodities at any point, including the point of use, and to inspect all records and documents pertaining to such commodities.

Likewise, the GOM will assure that commodities financed under this project will be effectively used for the purposes for which the assistance is made available. To this end, the GOM will be expected to use its best efforts to assure that accurate arrival and clearance records are maintained by customs authorities; that commodity imports are promptly processed through customs at ports of entry; that commodities are removed from customs and/or bonded warehouses within ninety days; and that the commodities are used or sold by the importer not later than 18 months from the date the commodities are removed from customs.

PG UNCLASSIFIED

IL-S /000 CHEC:-S

ZCZCNAC034:
P RUEHNR
P RUEAC 4898S 3572324
NR UUUUU ZZZ
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IDAC, NAIROBI FOR REDSO/ESA

.C. 12356: N/A
AGS:
UBJECT: MADAGASCAR - MARS (PP 687-0121)

EF: A. NAIROBI 38181 NAIROBI 39672

FC CONCURS/APPROVES NEGATIVE DETERMINATION FOR REVISED
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REDSO FILE

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Harris - Graham
Dougherty
FYI

RECEIVED
27 DEC 1984
REDSO/ESA

UNCLASSIFIED STATE 375989

DATE RECD: 12-26
DUE BY DATE: 12-27
ACTION TO: REDSO

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Action taken:

No action necessary: ✓

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FP UNCLASSIFIED NAIROBI 38181/01

REDSO FTC

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AIDAC

FOR AFR/TR/SIP BUREAU ENVIRONMENTAL OFFICE

E.O. 12356: N/A
SUBJECT: MADAGASCAR - MARS PP (689-0101) INITIAL ENVIRONMENTAL EXAMINATION

REF: STATE 351111

BASED ON COMMENTS ON REFTEL AND LATEST PROJECT DESIGN C, REGIONAL ENVIRONMENTAL OFFICER (REO) GAUDET, HAS PARED THE FOLLOWING REVISED IEE.

REVISED INITIAL ENVIRONMENTAL EXAMINATION:

A. PROJECT COUNTRY: MADAGASCAR
B. PROJECT TITLE: AGRICULTURE REHABILITATION SUPPORT
C. PROJECT NUMBER: 689-0101
D. PROJECT FUNDING: FY 85 - DOLLARS. 5.0 MILLION
E. REVISED IEE PREPARED BY: JOHN GAUDET, REGIONA VIRONMENTAL OFFICER
F. ENVIRONMENTAL ACTION RECOMMENDED: NEGATIVE TERMINATION (JUSTIFICATION FOLLOWS)
G. ACTION REQUESTED BY: JOHN W. KOEHRING, DIRECTOR, DSC/ESA (6 DECEMBER, 1984)
H. CONCURRENCE REQUESTED: BUREAU ENVIRONMENTAL OFFICE
I. CLEARANCE REQUESTED: GC/AFR

PROJECT DESCRIPTION:

HE PROJECT [illegible] AGRICULTURAL PRODUCTION RODUCTIVE EMPLOYMENT, AND REAL INCOME. THE PURPOSE OF HE MARS PROJECT WILL BE TO SUPPORT THE REHABILITATION ND MID-TERM RECOVERY OF THE AGRICULTURE SECTOR IN ADAGASCAR AS DESCRIBED IN THE PUBLIC INVESTMENT ROGRAMME (PIP, 1984) THROUGH:

A) INCREASED FOREIGN EXCHANGE ALLOCATIONS FOR IMPORTS F KEY AGRICULTURAL AND RURAL TRANSPORTATION INPUTS EQUIRED FOR THE REHABILITATION EFFORT.

B) SHORT-TERM CONSULTANCIES AND TRAINING, AND (IN PECIAL INSTANCES) COMMODITIES IN SUPPORT OF DATA ROCESSING AND POLICY ANALYSIS LEADING TOWARD BETTER NALYSIS OF PROJECTS TO BE FUNDED UNDER THE PIP, AS WE AS TO ASSIST PHYSICAL AND AGRICULTURAL REHABILITATION.

101.

4. PROJECT INPUTS WILL INCLUDE THE FOLLOWING:

- A) COMMODITY IMPORT SUPPORT FOR SPARE PARTS AND TRACTORS.

- B) SHORT PARTICIPANT TRAINING COURSES, BOTH THOSE HELD IN-COUNTRY AND THOSE OFFERED IN THE US OR 3RD COUNTRY SITES.

- C) SHORT-TERM CONSULTANCIES TO ADDRESS CRITICAL SKILL GAPS IDENTIFIED BY THE GOKM IN THE CONTEXT OF THE PIP AGRICULTURAL INVESTMENTS. SUCH CONSULTANCIES WILL LIKELY ADDRESS "GAPS" FOUND IN OTHER DONOR ASSISTANCE PROGRAMS SUCH AS THE WORLD BANK AND UNDP DURING CY 1985.

- D) NECESSARY EQUIPMENT AND SUPPLIES TO COMPLEMENT THE CONSULTANCIES AND TRAINING IN INFORMATION SYSTEMS MANAGEMENT (DATA COLLECTION AND PROCESSING), SUCH AS COMPUTER HARDWARE AND SOFTWARE OFFICE EQUIPMENT AND SUPPLIES, FILING AND STORAGE CABINITS, AND REPRODUCTION EQUIPMENT AND SUPPLIES.

- E) LOCAL CURRENCY COUNTERPART FUNDS GENERATED FROM THE SALE OF PL 480 COMMODITIES WILL BE ALLOCATED TO SUPPORT:

- - (1) THE REHABILITATION OF SELECTED IRRIGATION
- - PERIMETERS AND ASSOCIATED ACCESS ROADS,

- - (2) SELECTED DATA COLLECTION, PROCESSING AND
- - PUBLICATION ACTIVITIES AND ASSOCIATED
- - IN-COUNTRY TRAINING PROGRAMS,

- (3) IN-COUNTRY ANALYSIS OF KEY AGRICULTURAL
- ECONOMIC PROBLEMS IN THE CONTEXT OF THE PIP,
- - AND

- - (4) PROVIDE FOR A VARIETY OF PROJECT LOGISTIC
- - SUPPORT COSTS. LOCAL CURRENCY GENERATED
- - DURING THE PROJECT BY SALE OF COMMODITIES WILL
- - BE PROGRAMMED TOWARD RELATED OBJECTIVES.

SIGNIFICANT ADVERSE ENVIRONMENTAL IMPACTS:

(A) MOST OF THE PROJECT ACTIVITIES WILL NOT HAVE ANY ADVERSE EFFECT ON THE ENVIRONMENT

(B) ITEMS A, B, C, F, AND E2 IN PARA. 4 ABOVE WOULD FALL WITHIN THOSE CLASSES OF ACTION WHICH NORMALLY APPLY TO CATEGORICAL EXCLUSIONS (216.2(C)(1).

(C) ACTIVITY E1 ABOVE DOES INVOLVE REHABILITATION OF SELECTED IRRIGATION PERIMETERS AND ASSOCIATED ACCESS ROADS. HOWEVER, BECAUSE THESE PERIMETERS (I.E., WALKWAYS AND ROADWAYS BETWEEN PLOTS) AND ROADS ALREADY FOLLOW EXISTING TRACKS, IT IS EXPECTED THAT THEY WILL HAVE ONLY MINOR EFFECTS.

BASED ON THE ABOVE A NEGATIVE DETERMINATION FOR THIS VISED IEE IS REQUESTED. TRAIL

UNITED STATES GOVERNMENT

MEMORANDUM

DATE: 11 March 1985

REPLY TO
ATTN OF: J.F. Smith, Chief Engineer, REDSO/ES

SUBJECT: Madagascar - Namakia Bridge

TO: File

I. PURPOSE

1. This paper is intended as a general supplement to the 21 August 1984 report by Donald M. Cosgrove, U.S. Department of the Navy, entitled "Facilities Survey, Namakia Bridge, Madagascar". Specifically, it was intended that AID's role in a river-crossing rehabilitation program be examined vis-a-vis information contained in the Cosgrove report, options and any additional data.

II. SCOPE

1. Only technical implications and relative merits/costs regarding a crossing of the Mahavavy at Namakia, are addressed herein. Although there may be non-engineering references throughout the report, they are only in support of, or as related to, technical issues. In this context, for example, economical and operational impact upon, and by, the SIRMA Sugar Plantation is considered but only in conjuction with the need for, and use of, a rehabilitated crossing.

2. The scope of this report includes a review of the Cosgrove report, field observations, discussions and inquiries, and a subsequent briefing of the United States Ambassador Robert B. Keating, representatives of his staff, AAO Samuel Rea, REDSO EDO James Graham and others as appropriate. Essentials of such briefings are contained in this report. Subsequently, technical positions and policies were developed and adopted.

3. U.S. Government interests in general, and those of AID's in particular, received major attention during the technical assessment. Budget constraints, alternative assistance opportunities and option related problem/benefit ratios were examined during this exercise.

III. PERSONS CONTACTED

1. The following persons represented those contacted and accompanied, during the field trip to Namakia.

Samuel Rea	-	REDSO/FO/MAD
Robert Bovill	-	Econ/Comm Officer, U.S. Embassy
David Cromley	-	Deputy Econ/Comm Officer, U.S. Embassy
James Graham	-	AID/REDSO/Nairobi
Eugene Randria	-	Technical Director, SIRAMA
Captain Tsaranazy	-	Ministry of Defense

2. Subsequently, the following persons were contacted, consulted, and/or briefed:

Robert B. Keating	-	Ambassador of the United States
David P. Rawson	-	Deputy Chief of Mission
Victor Ramahatra	-	Minister of Public Works
Francois d'Assise Indrano	-	Director General/SIRAMA
Eugene Randria	-	Technical Director/SIRAMA

IV. GENERAL

1. Due to severe time constraints, the Cosgrove Report (copy attached) through para (6) was accepted without further attempt to cover the same background. Such acceptance was the consensus of the field group, and there were no subsequent disclosures which refuted that material.

2. Additionally, general acceptance of the Cosgrove Report, paras (7) and (8), is acknowledged regarding options and possible solutions. The latter, however, require further discussions, for Agency purposes, and will follow in this report.

3. Recommendations, as contained herein, are not in disagreement with para (9) of the Cosgrove Report but are more detailed and are to be taken in conjunction with the discussion which follows.

V. REVIEW AND DISCUSSION

1.a. It was established on-site that the following general conditions prevailed.

A. Any bridge/crossing works would have to be initiated during the dry season.

B. The dry season coincided with SIRAMA's sugar harvesting/refining season.

C. Pile supports at the old (existing) crossing must, for varying reasons, be considered highly suspect regarding current condition and load-bearing capability.

D. The Malagasy Army would install a temporary crossing again for the 1985 sugar season if a new crossing was not in that time.

E. SIRAMA had completed, through their A.E. consultant, a soil boring analysis report of Mahavavy river bottom at the existing crossing site.

F. SIRAMA had a pile/pier design completed by their consultant for use with a new crossing.

G. SIRAMA stated that they would do sub-structure work if AID would furnish the super structure.

1.b. It was concluded, therefore, that Agency efforts should not necessarily include any use of the old (existing) facility since:

A. Coincidence of the dry and sugar seasons preclude construction and harvesting operations simultaneously.

B. Agency investments should not depend upon questionable existing pile supports and seasonal conflictions. These negated any pile/pier rehabilitation action by AID.

C. The 1985 Sugar crop could be transported on a temporary Army structure, thereby allowing AID to consider non-emergency measures.

1.c. Recommendation:

A. That any Agency involvement consider a new site, adjacent to the old (existing) crossing.

2. Although a pontoon structure, such as the Uniflote/Bailey combination, is technically feasible, its use is not recommended due to the degree of technical sophistication involved and the myriad of installation, maintenance, and yearly removal problems inherent to such a system. Accordingly, AID's alternative shrink to four:

A. Do nothing

B. A Bailey Bridge at the elevation of the existing crossing (low level crossing).

C. A Bailey Bridge above flood-stage water levels with additional allowance for floating debris (high-level crossing).

D. A demountable crossing similar to that used by SIRAMA before the 1984 cyclone.

3. The "do-nothing" solution will not be discussed further. If other technical responses fail, it becomes the obvious answer. Otherwise, its merit comes about through in-puts by others, including those related to economics, political, strategic and CDSS compliance.

4. When discussing Bailey Bridge solutions, several negative positions must be noted at the outset.

A. Low level structure:

- Extremely vulnerable to high water
- Extremely vulnerable to floating debris
- High loss and damage probability of components during annual dismantling and re-assembling.
- Annual launching (erection) and dismantling techniques may require Army expertise.

B. High level structure:

Practicality of construction heights limit risk to flood waters and floating debris but do not negate such risk.

- Pier construction is difficult, requires close tolerances and is expensive.

- Annual launching (erection) and dismantling techniques may require Army expertise.

- Extremely vulnerable to eroding embankments.

5. Additional influencing factors when considering crossing alternatives:

A. Bank stability is a prime requisite for a permanent, high level structure in order that abuttments retain structural integrity and load-carrying capability. The East bank of the Mahavavy has reportedly eroded fifty meters (50 m) in six (6) years and gives evidence that this is a continuing process.

B. Until the unexpected high-water of 1984, the SIRAMA sugar harvest has been accomplished via a crossing utilizing only a deck, supported by a pile/straddle configuration, not a Bailey Bridge. The latter came into being, following the flood-destroyed original crossing, when the Army bridged a portion of the resulting gap with an emergency, and temporary, BB.

C. There is a fundamental difference between any BB and a simple deck-type structure and that difference lends itself to adaptation under varying circumstances.

- A BB attains varying load-carrying capabilities and span-length configurations through the coupling, both longitudinally and horizontally, of side panels which form load-carrying girders. The bridge deck transmits its own dead load plus imposed live loads to these girders which are supported on piers or abuttments.

- A deck-type structure, as formerly in use by SIRAMA, utilizes a deck, similar to that in a BB, but with that deck component supported directly by piers and abuttments, and therefore carrying all imposed loads.

4. Both systems have merit depending upon bridging circumstances. The deck-type requires more intermediate supports (piers), but each of less load-carrying capacity and simpler to construct, and can be easily dismounted. The BB offers greater gap-spanning capacity but, although intended as readily erectable, is prone to component loss if assembly and disassembly is undertaken at frequent intervals. Costs are traded off as lower for the superstructure of the deck-type due to far fewer components, and higher for sub-structure expenses due to increased number of piers.

VI. RECOMMENDATIONS

1. If the Agency is to participate in any rehabilitation or new construction of river crossing facilities at Namakia, it is recommended that:

-- Existing crossing facilities be utilized only if thoroughly checked for stability and load-carrying capability.

-- A site, immediately adjacent to the existing crossing, be considered for development.

-- A simple demountable deck-type structure be considered at approximately the same elevation as the old (existing) structure.

-- Either, AID finance the sub-structure out of LC generations, or SIRAMA take that responsibility entirely upon themselves, or MHW be contacted for possible contribution.

-- AID purchase and furnish to Namakia all super-structure components for a deck-type structure or a low-level BB.

— Coordination be accomplished by the user with the super-structure supplier re pier-deck connections and other technical issues. (Note: REDSO/ENG should assist).

-- Sub-structure design and specifications must be approved by AID before ordering deck components.

-- That the BB and/or decking be the extra-width (4,19 m) type for safety and to accommodate all SIRAMA vehicles.

-- Adequate storage/warehouse facilities are to be established for superstructure safe storage delivery to SIRAMA.

-- In lieu of complicated involvement (assuming project approved by all parties), consider simply furnishing all superstructure components, for either a complete BB or deck-type structure, following written assurances by GDRM that a satisfactory sub-structure will be provided by them.

2. The above recommendations should be reviewed for decision-making purposes by REDSO/Director, REDSO/EDO, and AID/M with details furnished by REDSO Chief Engineer.

VII. MISCELLANEOUS

1. Since SIRAMA and the Malagasy Army have experience in placing/dismounting the deck-type structure, and the Army has BB experience, no TA for these activities is foreseen. Periodic inspection of substructure construction will be required by the designer and, as felt necessary, REDSO/ENGR.

2. Superstructure costs can be developed by REDSO/ENGR following adoption of the recommended facility. It may be expected that AID costs should not exceed $1.0 million but, as in the case of all preliminary estimates, this should be accepted as a ± 25% figure.

3. If circumstances dictate that a BB be selected, participation by the manufacturer's representative will be required in addition to launching/de-launching training by the Army.

VIII. SUBSEQUENT EVENTS

1. On 20 February, a meeting was held with Colonel Victor Ramahatra, Minister of Public Works. The Minister concurred in either the proposed deck-type crossing or a BB and stated that MPW could do the following if AID financed the sub-structure in LC only:

— Review and correct the SIRAMA pile/pier design.
— Develop appropriate construction specifications.
— Contract locally for the works.
— Inspect the construction.
— Complete sub-structure works in one dry season.
— Procure all materials, labor and equipment in LC.

2. Also, on 20 February, a meeting was held with Sirama representatives (See para III-2) who also concurred in either a deck-type crossing, a BB, or a new site, and commented as follows re Sirama's participatory capability:

— Sirama could finance the sub-structure in LC, including cement, except for steel products such as piles and re-bar.

— Sirama could complete pile/pier design for AID's review/approval, contract for works and supervise through their consultant.

— Construction might extend into the 1986 dry season but the temporary Army crossing could be used as an interim measure.

3. Because of their experience in engineering, construction, and contracting, the MPW position is more desireable. Admittedly, their position is more expensive since they make no LC commitment, as does Sirama, but with AID's apparent surplus of LC, this is not a major deterrent. There is however, the possibility that MPW might, at a later date, find it impossible to acquire all materials with LC but these would probably be restricted to hollow-shell piles which could be managed within AID's budget.

IX. ACTIONS TO BE TAKEN:

1. By AID/M:

— Immediate letter to MPW, citing the 20 February meeting, repeating AID's proposal re furnishing the deck and mounting hardware, and requesting MPW's confirmation that they can design/develop specifications, contract, supervise and construct the facility within the discussed schedule.
(Note: IX-1 will not be done until cable traffic has reviewed the matter with REDSO/Director J.W. Koehring and received his approval. Also to be noted is that no letter is to be sent to Sirama at this time although contact will be maintained).

— Cable REDSO/Director Koehring with review of situation, recommendations and request early response to preclude delays.

-- Determine amount of available LC and, in coordination with REDSO's Smith and Graham, determine level of FX required and to be designated for this project.

-- Coordinate these actions with Smith/REDSO/EN

2. By REDSO/ENG:

-- Contact BB supplier re BB or deck/component availability, latest cost data and design (pier connection) details.

-- Obtain prices (FOB Majunga) for hollow-shell type piles.

-- Arrange TDY's as required.

-- Assist in assembling final package.

V. COMMENTS:

1. Discussions with Ambassador Keating establish this bridge project to be of high priority. It is to be noted, however, that any FX funding must necessarily (as of info available currently) come from funds initially directed toward other projects. Although every effort is being made to design a suitable crossing at least expense, a US dollar contribution of 1.25 M could be reached. Such a figure is not necessarily anticipated but experience dictates that real-world costs are usually higher than desired budgets.

2. Technical peculiarities surrounding this project suggest no absolute solution in the form of a no-risk guarantee. The object is to bring any risk down to an acceptable level. In order of risk-free, budgetable priority, the choices are:

-- Do nothing.

-- Deck-type crossing

-- Low-level BB.

--High-level BB.

3. Unless AID can undertake this project on its own terms, which include needed implementation safeguards, the long-term risk becomes technically unacceptable and, in that event, must be reviewed vis-a-vis political/strategic implications.

4. In any event, there is an element of risk remaining re possible loss of any new crossing. This must be factored into a go - no go decision. The recommendations in this report are abased upon minimized-risk/technically acceptable considerations if the project is to be undertaken.

cc: Director's Office
✓J. Graham
REDSO/ESA/ENGRS.

Mnemo — Madagascar

DEPARTMENT OF THE NAVY

RESIDENT OFFICER IN CHARGE OF CONSTRUCTION
NAVAL FACILITIES ENGINEERING COMMAND CONTRACTS
BOX 580
FPO NEW YORK 09675

PHONE NO.
433085/433309
IN REPLY REFER TO:
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21 AUG 1984

Package incl Photos
received in
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12 FEB 85

From: Resident Officer in Charge of Construction, Mombasa, Kenya
To: United States Commander in Chief Pacific, Honolulu, Hawaii

Subj: Facilities Survey, Namakia Bridge, Madagascar; Report of

Ref: (a) USCINCPAC Msg 020043OZ July 1984
(b) AMEMB ANTANANARIVO Msg P040613Z August 1984
(c) ROICC Kenya Msg 080550Z August 1984

Encl: (1) Cross-section of Old Bridge
(2) Emergency Bridge Plan
(3) Location Plan, Sirama Plantation
(4) Majunga Vicinity Map
(5) Photographs

1. As directed by reference (a), I reported 26 July 1984 to Ambassador Robert B. Keating, Embassy of the United States of America, Antananarivo, Madagascar. In a meeting with Captain G.M. Thompson, Defense Attache, Ambassador Keating described the situation at Namakia, the urgency of the need for a long-term solution and his hopes that the United States could assist the Malagasy Government in this matter. Prior to the site visit of 20 July, we met with LCDL Victor Ramahatra, Minister of Public Works who provided background data.

2. References (b) and (c) are initial reports of the visit.

3. The Namakia Bridge is located on Road Number 12 of Provincial Interest connecting Katsapy to Tsiroanomandidy. Within the Sirama Sugar Plantation, a branch of this road crossed the Mahavavy river on a demountable bridge, approximately 300 meters long, enclosure (1).

4. In December 1983, an early rainy season resulted in the technical department of the Sirama Sugar Factory responsible for removing the metal deck plates from the old bridge being unable to dismantle the bridge before the first floods destroyed all but one section of the deck, its girders and bracing and six supports spaced 20 meters on center based on piles driven some 36 meters to bedrock, capped with reinforced concrete straddles. These supports appear sound and are being reused in the Malagasy Government emergency temporary crossing.

5. The impact on the Malagasy economy of the loss of the bridge is considerable. The sugar cane harvest ordinarily begins 15 May and runs through 15 November. The total harvest amounts to 13,000 tons of sugar valued at FMG 2 billion (approximately $3.3 million). Half of this year's harvest has already been lost.

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Subj: Facilities Survey, Namakia Bridge, Madagascar; Report of

6. In the interest of salvaging what they can of the 1984 sugar cane harvest, the Malagasy Government has developed an emergency temporary crossing which is projected to be open on 4 August 1984, enclosure (2). The solution involves building the river banks out 72 meters from the left bank, 31 meters from the right to reduce required bridging. These banks are only temporary and will wash out with the first rains. Bridging consists of 80 meters of refurbished - castellated plate girders and deck plates from the washed out bridge spanning between the existing structurally-sound supports. The remaining 112 meters consists of Bailey bridging borrowed from the Malagasy Army's operational stockpile at Ihosy, supported on metal piles driven only six meters into the river bed. On 31 October, this temporary bridge will be dismantled and the Bailey Bridge components returned to Ihosy. About 50% of the sugar cane harvest will be saved by use of this bridge.

7. Alternative solutions which have been investigated include:

(a) Rebuilding river banks and the emergency bridge each season. This is an uneconomical option primarly because of the time-consuming process of building out the banks and prohibitive cost: 120 million FMG this year.

(b) A high-level permanent bridge would have to be extremely long in order to clear high water during the rainy season. The Ministry of Public Works estimates the cost of such a bridge at more than 2.4 billion FMG.

(c) Relocating to a new bridge site would require detailed site investigations, new connecting roads and increased operating costs for Sirama vehicles.

(d) A floating bridge solution was investigated by the Ministry of Public Works, but both the extreme range of water levels and the very fast current during the rainy season rule out such a solution as prohibitively expensive.

(e) A demountable bridge, such as the bridge which was destroyed or a Bailey Bridge 300 meters long, supported by steel piling at regular intervals driven to bedrock, could be rapidly removed and structure could withstand flood-stage current.

8. The most feasible solution appears to be a 300 meters, 4.19 meters wide demountable bridge. With this in mind, the following responses to paragraph 3 of reference (a) are provided:

(a) At the bridge site, enclosure (3), the Mahavavy river is 300 meters wide, mean low water is 6.45 meters. The river bed and banks are primarily

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sand. Bedrock was reached at approximately 36 meters when the 1975 section of the bridge was constructed. The left bank of the river is unstable and has moved 50 meters in the past six years.

(b) Built up approaches consist, up to the river banks, of unimproved graded sand roads. Temporary approaches, built out 72 meters and 31 meters from the left and right banks respectively are supported by unstable metal piling with "I" beam cross members spaced at irregular intervals. The Ministry of Public Works reported that these supports are unstable and cannot be reutilized.

As stated in paragraph 6, six permanent supports spaced 20 meters on center supported on piling driven 36 meters to bedrock remain structurally sound. These supports begin at the old left bank (50 meters from present left bank) and run 100 meters.

The remaining 112 meters of supports were also destroyed by the Cyclone. The Malagasy Army has placed temporary metal piles 6 meters into the riverbed to support its 3.19 meter wide Baily Bridge. These supports will not survive flooding.

(c) Soil condition is sandy with bedrock established at approximately 36 meters.

(d) River is 300 meters wide at bridge site. The left bank is unstable having moved 50 meters in the past six years. The water averages 3-4 meters deep, down to 1-2 in the dry season and rise 6.04 meters above mean low water in Cyclone Andry. The average flow is 6 meters/second but much faster in flood stages.

(e) Rafting is possible.

(f) Existing structure is 1.79 meters above mean low water. Except for 6 reinforced concrete supports located 50-150 meters from the left bank, no structurally sound supports remain.

(g) To accommodate all Sirama equipment, bridge must be minimum 4.19 meters wide. The maximum load on the bridge will be 25 tons, 50-75 crossings per day.

(h) Approach roads vary in width from approximately 5-10 meters. They are unimproved, graded sand roads, all permanent abutments have been washed away.

(i) The approach roads on both banks are cut through level cane fields There is unlimited work area available.

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Subj: Facilities Survey, Namakia Bridge, Madagascar; Report of

(j) The Ministry of Public Works reports that all available materials have been used for the emergency temporary bridge. All materials for a new bridge including piling, straddles and bridge members must be provided. Wood beams 80 x 200 x 4,000; planks 30 x 200 x 4,000; 30 x 220 x 4,000 and cement are available.

(k) Ministry of Public Works can provide any equipment required. Following reported readily available (not seen):

(1) Cranes
2:- 25T PPM with two winches
1 - 18T PPM with two winches
1 - 10T coles

(2) Two Graders
Two CAT D-5 Bulldozers with Scraper
One CAT D-6
Three Cazaubon Scrapers
One CAT D-5 Bulldozer
One CAT D-4 Bulldozer
Two Front end Loaders

(3) Pile Driving Equipment
One Pajot Automatic 600 kg Hammer
One Pajot Automatic 1200 kg Hammer

(4) Welders
2 Independent Post
12 Electric Post Welders

(5) Jacks
Two 100T Mabrouk - Speed 300 mm

(l) Labor Force

Common Laborers	- unlimited
Steel workers	- 12
Welders	- 4
Crane Operators	- 4

(m) Estimate 50-75 round trips per day of trucks hauling harvested sugar cane from fields to processing factory. Maximum load per truck, 25 tons.

9. Recommendation: Provide the Malagasy Government with materials to construct a new demountable bridge for Namakia, either a Bailey-type bridge or structural steel members sized to create new, removable decking

sections such as those which were destroyed. Any provision of material must include piling and cross members. Material must be delivered in time to allow for installation of all new supports before the beginning of the rainy season in late November 1984. Supports should be provided either to augment the existing six sound supports or to create a new crossing just upstream of the emergency bridge. The former solution will require less material, but the latter would allow for construction with the emergency bridge still in tact, allowing for transport of the 1984 harvest through October. On 31 October, the emergency bridge must be dismantled and the Bailey Bridge sections returned to Ihosy. All debris from the old bridge will be cleared from the river to preclude damage to any new bridge structure. The rainy season runs from December through March. Erection of the new bridge driving surface must commence by April 1985 in order to have construction complete by the 15 May start of the 1985 harvest. If we are able to provide only piling and structural steel members, the Ministry of Public Works can construct new bridge members without outside supervision. Should a Bailey-type Bridge be provided, they request a supervisory team be sent to Madagascar in March to instruct the local labor force in proper erection of the bridge. Secure storage space is available for any material provided at the Sirama sugar factory compound 5 km from the bridge site.

10. Bridge elements can be delivered by [illegible]er to the port indicated on enclosure (4) and transported by truck to the staging area.

11. Enclosure (5) depicts the site and shows both damaged bridge and progress on the emergency crossing.

12. In conclusion, as stated in reference (c), it is the strong desire of Ambassador Keating to provide the Malagasy Government whatever material and assistance possible to create a new span across the Mahavavy River at Namakia. Sufficient material to span approximately 300 meters with bridging at least 4.19 meters wide will provide the government critical access to the sugar cane harvest.

DONALD M. COSGROVE

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21 AUG 1984

Subj: Facilities Survey, Namakia Bridge, Madagascar; Report of

Copy to:

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GRANT AGREEMENT
AMPLIFIED DESCRIPTION OF THE PROJECT

I. Project Goal and Purpose, Outputs and Inputs

The project goal is to increase agricultural production, productive employment, and real income. The purpose of the MARS Project will be to support the rehabilitation and mid-term recovery of the agriculture sector in Madagascar as described in the Public Investment Program (PIP, 1984) through:

a) Increased foreign exchange allocations for imports of key agricultural and rural transportation inputs required for the rehabilitation effort.

b) Short-term technical consultancies supporting better information systems and analysis leading toward better policy determination and selection of project priorities to be funded under the PIP, and assisting physical and agricultural rehabilitation.

This project will provide valuable training, consultancies and commodities toward the achievement of the project purposes, and should AID assistance be discontinued after the proposed project, it would still have provided a useful set of positive contributions toward effective analysis of investment under the PIP. If, however, similar AID assistance should continue over several years, longer term benefits could be expected to include:

1. improved analysis of projects to be funded under the PIP and subsequent plans,

2. improved operations and effective maintenance of rehabilitated irrigation and rural transportation infrastructure and improved economic policies affecting agricultural production, particularly for rice and export crops, as well as,

3. an increased availability of key agricultural and transportation inputs in rural areas.

Project outputs include the following:

1. Imported equipment and spare parts disseminated to distributors and maintenance agencies.

2. Agricultural investments intended to be financed under the PIP analyzed and reviewed for effectiveness.

3. Participants trained and returned to assigned jobs.

4. Economic analysis completed or underway (on a continuing basis) on specified problem or policy areas.

5. Improved data series needed for the analysis of key economic problems and policy alternatives being developed.

6. units of rural infrastructure having been rehabilitated

Project inputs will include the following:

1. Commodity import support for spare parts and tractors and bridge decking components.

2. Short participant training courses, both those held in-country and those offered in the US or 3rd country sites.

3. Short-term consultancies to address critical skill gaps identified by the GDRM in the context of the PIP agricultural investments. Such consultancies will likely address "gaps" found in other donor assistance programs such as the World Bank and UNDP during CY 1985.

4. Necessary equipment and supplies to complement the consultancies and training in information systems management (data collection and processing), such as computer hardware and software office equipment and supplies, filing and storage cabinets, and reproduction equipment and supplies.

5. Local currency counterpart funds generated from the sale of PL480 commodities will be allocated to support:

(a) the rehabilitation of selected irrigation perimeters and associated access roads,

(b) selected data collection, processing and publication activities and associated in-country training programs,

(c) in-country analysis of key agricultural economic problems in the context of the PIP, and

(d) provide for a variety of project logistic support costs. Local currency generated during the project by sale of commodities will be programmed toward related objectives.

6. GDRM regular budget which will pay the normal salaries and allowances for personnel associated with the project whether as counterparts to consultants or as participants.

II. Contributions of the Parties

A. A.I.D.

Total anticipated contributions during the life of project are $5,000,000. Major components of the A.I.D. budget are included in the Illustrated Financial Plan below. All of AID's contribution will be used for foreign exchange costs in the project.

B. The Grantee

The Grantee's contribution is anticipated to be drawn from three sources.

1. GDRM regular budget (estimated at $36,270 equivalent in FMG) which constitutes the normal costs of personnel and facilities being provided to the project.

2. GDRM - PL480 local currency proceeds (estimated at $1,120,000 equivalent in FMG) which will be placed in a special account to defray unusual costs of project activities which exceed those programmed from the regular budget.

Major components of the GDRM budget are included on the Illustrative Financial Plan below.

TABLE II

MARS

UNIT	AID FX	GDRM PL480 LC	Req. Budget LC	
I. Consultancies	PM			
Bucen	(2)	30,000		
Land tenure Center	(1)	15,000		
Intsoy	(1)	17,500		
ICRAF	(1)	14,000		
DGP Sector planning Unit	(2)	31,000	9,000	
Labor intensive roads	(1)	11,000	3,000	
MTP-O/M earth roads	(2)	30,000		
Ag. Res. Symposium	(3)	45,000		
APAP Management	(1.5)	27,500		
Monitoring Evaluation	(1)	30,000		
Local support		15,000	20,000	
Contingency = 10%		29,600		
		295,000	32,000	
II. Training				
Bucen (Rwanda/Kenya)	(1)	4,000		300
Bucen (local)			3,000	1,800
Land tenure Ctr. (obs)	(1)	5,000		300
Land tenure Ctr. (local)	(1)		3,000	1,800
Intsoy (obs)	(1)	6,000		300
Intsoy (local)			1,500	1,800
CIMMYT (obs) Mexico	(2)	10,000		600
CIMMYT (local)			1,500	1,800
ICRAF (obs)	(2)	6,000		600
ICRAF (local)			1,500	1,800
IITA short course	(2)	6,000		600
CIP (obs) Rwanda	(2)	6,000		600
CIMMYT (Kenya) short-course)	(2)	6,000		600
DGP Management			6,000	1,500
DGP Sectoral Planning			2,000	1,500
Labor intensive Road management (obs)	(4)	12,000		1,200

MARS

	UNIT	AID FX	GDRM PL480 LC	GDRM Req. Budget LC
II. Training (cont.)				
MTP-o/m earth roads			6,000	2,400
Ag. Res. Symposium			6,000	1,350
USDA Food Policy (obs)	(1)	5,000		300
USDA Food Policy (local)			3,000	1,200
APAP (Ag. Pol. Wkshop (local)		20,000	5,000	2,475
Ag. Proj. Appraisal (local)	(1)	40,000	10,000	4,500
Soc. Analysis	(3.0)	15,000		900
		140,000	54,500	30,225
Contingency = 10% FX		14,000	10,500	6,045
20% LC		154,000	65,000	36,270
III Commodities-Support for C/T				
IBM-PC	(4)	36,000	6,000	
Cabinets etc.		10,000	4,000	
Vehicle	(2)	35,000	7,000	
Training supplies and contingency		10,000	6,000	
		91,000	23,000	
TOTAL		540,000	120,000	36,270
IV. Commodity Imports				
a. Farm Tractors (Qty. 80-115 depending on HP selected)		710,000		
b. Spare parts				
-Caterpillar Tractors		1,700,000		
-Caterpillar Graders		500,000		
-John Deere Equipment		500,000		
-Massey Ferguson Equipment		50,000		
c. Namakia Bridge elements		1,000,000	500,000	
GRAND TOTAL		$5,000,000	620,000	36,270

III. IMPLEMENTATION PLAN

A. Implementation of the Commodity procurement component

1. Responsibilities and allocation of funds·

A.I.D. will act as the financing agent for all commodities procured under this project. Apart from a very small quantity of technical project support commodities to be purchased directly by AID and GDRM, procurement will be the responsibility of the Malagasy private sector importers. In no case will the use of Procurement Service Agents (PSAs) be required to import commodities financed under this project.

Although this activity is a project, the procedures of AID Regulation One, normally used for Commodity Import Programs, will be used for the commodity procurement component. Thus Commodity Procurement Instructions (CPI's) and Financing Requests (FR's) will be used in place of PIO/C's. The justification for using AID Regulation One is that all of the imports will be effected by the private sector, and AID Regulation One offers more flexibility than Chapter 3 of Handbook 11 when this is the case.

A preliminary determination will be made on whether or not the particular transaction is eligible for A.I.D. financing by the AID Office in Madagascar prior to each issuance of an import license. That determination will be based upon the criteria laid down for project imports in this project paper, and will be certified by a letter to that effect from the AID Office to the Ministry of Commerce.

While these requests must be submitted officially to AID, the Ministry of Commerce, and the Central Bank, it is not anticipated that they would vary significantly from those used to compile funding requirements in this paper. Once private sector importers have received their allocations and licenses, procurement and distribution can follow normally established commercial channels currently used by the importer.

As noted in the table describing the commodity mix, spare parts would account for approximately $2.75 million of the total amount of foreign exchange available for project imports. The remaining $1.71 million would be used to import farm tractors. The GDRM will be given 12 months from the date of signing the Project Agreement to complete disbursement for commodities financed under this grant.

In anticipation that each tractor importer would request allocations greater than the amount available, the Central Bank will be expected to equally divide allocations between John Deere and Ford. In the event that either of these importers is unable to produce the local currency equivalency of their allocation, that foreign exchange would be made available to the other importer.

It is envisioned that importers will request allocations for purchases of spare parts in two tranches, according to their six month needs, while foreign exchange for tractor imports would be requested in one single allocation. Once private sector importers have been granted their allocations of foreign exchange from the Central Bank, they may import directly from the U.S. supplier with whom they maintain an exclusive distributorship agreement in Madagascar.

One of the conditions precedent to disbursement will be the submission by the Ministry of Commerce of a procurement plan, although importers have already submitted information/foreign exchange requirements as described above. This procurement plan will, among other things require that:

a. Each application for financing will be supported by documentary evidence as to the numbers, types, and location of the equipment, previously imported by the applicant, for which the spares are intended. This will enable the Ministry to allocate the available funds on an equitable basis.

b. As the applications are approved, importers will be required to deposit into the special account 50% of the local currency equivalent of the amount to be financed. (Note: to the extent that freight can be financed in local currency, AID should not undertake to finance it under the project). The remaining 50% of the local currency equivalency will be deposited before the importer may take possession of the final licenses and shipping documents required to clear and take title to the goods.

c. The Ministry will also give in its procurement plan assurances that with the approval of an application and the total deposits by the importer of the local currency, all documents required for the import of the commodity will be forthcoming immediately. Similarly, assurances will be given that AID-financed commodities will be expeditiously cleared by Customs.

B. Implementation of the Consultancy/Training Component:

For those activities identified in the following implementation schedule as APAP actions, the implementation procedures will be described below.

S&T/AGR/EPP is prepared to finance start-up technical assistance activities -- for example, initial TDYs -- to Madagascar. Subsequent to the APAP TDY to define Terms of Reference, AID/Madagascar will forward to S&T/AGR/EPP a proposed scope of work for APAP activities. The APAP Project Manager will review the scope of work for its conformity with the overall scope of work for the APAP project. If the two are in conformity and if funds and appropriate personnel are available, the AID APAP Project Manager will then approve the request and instruct the Abt Associates Project Director to make arrangements to fulfill it.

USAID/Madagascar will be expected to finance follow-on technical assistance activities. Since the APAP project makes provision for mission contributions, mission-funded activities will require a simple modification of S&T/AGR/EPP's contract with Abt Associates. Once a scope of work is agreed upon, mission contributions can be expedited through the straightforward mechanisms of a face-sheet PIO/T. Upon approval of the funding arrangements by the AID Contracts Office, work will proceed.

For those activities identified in the following implementation schedule as USAID activities, USAID/Madagascar will be responsible for developing Terms of Reference for such consultancies and training. In most cases the technical content of the TOR will be developed by the cognisant technical officer from REDSO/ESA with USAID/Madagascar's responsibility reduced to completing the PIO/T or PIO/P and providing the in-country logistic support. While USAID/Madagascar's operational constraints are further analyzed in Section VI. C below, it is believed that the implementation workload placed on USAID/Madagascar is supportable.

ILLUSTRATIVE IMPLEMENTATION SCHEDULE

Project Month	Task	Action Agent
0	Grant Agreement	USAID/GDRM
0	APAP TOR TDY	APAP
1/2	Conditions Precedent	GDRM
1/2	Commence procurement computers & vehicles	USAID
1	APAP Regional Seminar	APAP
1	DGP Sector Planning TDY	APAP
2	Computers arrive	USAID
2-5	Intsov ICRAF CIMMYT TDY	USAID/GDRM
2-5	Observation visits Intsov ICRAF CIMMYT CIP	
2-5	Land Tenure Center TDY	USAID
3-6	DGP Management TDY	USAID
3,6,9	Ag Res. Symposium TDYs	USAID
4	Kenya Labor Intensive Observation visit	USAID
4	APAP monitoring TDY	APAP
4	BUCEN TDY	USAID
5	TDY Kenya Labor intensive	USAID
5	APAP Project Appraisal	USDA
5	Social Analysis Training Course	USAID
6	Kenya/Rwanda TDY	USAID
6-7	MTP O/M on earth roads TDY	USAID
8	USDA Food Policy TDY	USAID
9	USDA Food Policy Obs Visit	USAID
12	Ag Policy Seminar	USDA
12	Evaluation APAP and other TDY	APAP

EVALUATION

There will be two types of criteria against which MARS will be evaluated; funding for both types of evaluation is provided in the project.

-- Project objectives. The extent to which the project accomplished its stated purpose.

-- Policy change. The extent to which the GDRM is continuing its liberalization policy, adherence to the objectives outlines in the Public Investment Program; and actions taken based on Consultative Group recommendations.

1. Project objectives:

   a. More rational decision-making courses as well as overseas education. Particulars will be required to complete an evaluation questionnaire. The questionnaires, devised by the short-term consultants responsible for in-country training, or local consultants for those receiving overseas training, will determine the usefulness, relevance, timing of their training. Subjective interviewing will be necessary to ascertain the extent to which the trained participant and/or short-term consultant have influenced the decision-making process leading to more rational investment decisions; conversely, judgements will be made to determine how much improved decision-making can be attributed to project-funded training and consultancies.

   b. Commodity imports. Distributors of the spare parts and tractors imported under the project will be required to keep records on each purchaser. The record will include name and address, region in which equipment is based, expected end-use function(s) to be performed (for tractors, specifying the crops) and end-users: (e.g. private use, parastatals, government, hire-out to private sector, other).

2. a. Policy reform. Assessment of the GDRM's continued market liberalization, especially regarding rice will be follwed closely at periodic intervals throughout the year. The final evaluation will be held just prior to the design of MARS II; the analysis should be a critical factor in deciding the direction and funding levels of future AID involvement.

The Government has undertaken -- and expects to continue with strong IBRD support -- a broad range of policy reforms, most notably a change in pricing policies for food crops and many export crops: market liberalization, parastatal reform: streamlined financial and human resource management, private commercialization of input supply and delivery.

The PP team focusses on the rice sector policy reform as a litmus test of the Government's commitment to economic reforms. Since it is premature for AID to independently identify specific actions the Governement should undertake in the next few months, policy reform is closely tied to World Bank conditionalities imposed on their Agriculture Sector Loan. The following general trend should be monitored and analyzed:

i. Producer incentives: Producer prices for the 1985 harvest; early announcement of producer prices.

ii. Monitoring of reform: Data collection and monitoring of 1985 harvest producer prices, local authority activities, transaction costs and production responses. If it appears that inadequate resources are available for monitoring activities, the evaluator should recommend that local currency funds be released to gather the data.

iii. Marketing development: Promotion and encouragement of private trader involvement by providing better information on size of imports, credit for rice marketing and by removal of the remaining legal constraints, especially with regard to local authority impediments.

iv. Rice import pricing policy: Pricing structure and cost of PL 480 rice.

v. Rice Parastatals: Assessment of 1985 auction experience; progress towards replacing SOMALAC rice, marketing monopoly be a tax system.