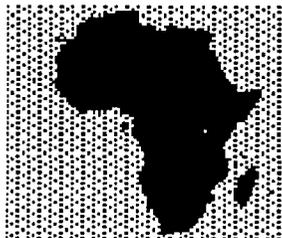


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DEVELOPMENT FUND FOR AFRICA

## **MADAGASCAR CSP:**

# **COUNTRY STRATEGIC PLAN FY 1998-2002**

February 1997

**USAID/Madagascar  
Antananarivo, Madagascar**

U.S. Agency for International Development  
Washington, D.C. 20523  
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A

## List of Acronyms

ADRA	Adventist Development and Relief Agency
AEPRP	Africa Economic Policy Reform Program
ANGAP	National Park Service
APN	Nature Protection Agent
ASSONG	Association of Family Planning Organizations
BCC	Behavior Change Communication
BOP	Balance of Payments
CBR	Crude Birth Rate
CDR	Crude Death Rate
CEL	Country Experimental Lab
CEM	National Savings Bank
CI	Conservation International
CNS	National Emergency Committee
COMESA	Common Market for East and Southern Africa
COPE	Customer-Oriented Provider Efficient
CPR	Contraceptive Prevalence Rate
CPSP	Country Program Strategic Plan
CRIC	National Disaster Response Steering Committee
CRS	Catholic Relief Services
CSP	Country Strategic Plan
DEF	Water and Forest Department
DHS	Demographic and Health Survey
EIA	Environmental Impact Assessments
EP	Environmental Program
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FID	National Investment Fund for Development
FMD	Financial Market Development
FMDAP	Free Market Development Program Advisor
FMG	Malagasy Francs
FOFIFA	Malagasy Agricultural Research Institute
FP	Family Planning
FTM	National Mapping Agency
GDP	Gross Domestic Product
GOM	Government of Madagascar
HPZ	High Potential Zone
HRDA	Human Resources Development Assistance
ICASS	International Cooperative Administrative Support Services
ICDP	Integrated Conservation - Development Project
ILO	International Labor Organization
IMCI	Integrated Management of Childhood Diseases
IMF	International Monetary Fund
INSTAT	National Statistical Agency
IR	Intermediate Result

IRRI	International Rice Research Institute
KEPEM	Knowledge and Effective Policies for Environmental Management
KPC	Knowledge, Practices and Coverage
LRJ	Legal, Regulatory, and Judicial Framework
M&E	Monitoring and Evaluation
MAPS	Manual of Assistance for the Private Sector
MCI	Management of Childhood Illness
MICS	Multi-Indicator Cluster Survey
MIS	Management Information System
MOH	Ministry of Health
NEAP	National Environmental Action Plan
NGO	Non Governmental Organization
NIE	Newly Industrializing Economies
NPA	Non-Project Assistance
NPI	New Partnership Initiative
NR	Natural Resources
OE	Operating Expense
ONE	National Office for the Environment
OPEN	Opportunities for Entrepreneurs
PFP	Policy Framework Paper
POP	Population
PSC	Personal Services Contractor
PVO	Private Voluntary Organization
RIC	Regional Infrastructure Committees
RIF	Reduction in Force
RP	Results Package
RRA	Rapid Rural Appraisal
SAC	Structural Adjustment Credit
SALFA	A Malagasy NGO
SAVEM	Sustainable Approaches for Viable Environmental Management
SO	Strategic Objective
SOMARC	Social Marketing of Contraceptives Program
STA	Technical Secretariat for Structural Adjustment
STI/AIDS	Sexually Transmitted Illness/Acquired Immune Deficiency Syndrome
TAC	Technical Advisory Committees
TFR	Total Fertility Rate
TQM	Total Quality Management
UNDP	United Nations Development Program
UNFPA	United Nations Fund for Population
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
USIS	United States Information Service
WB	World Bank
WFP	World Food Program
WTO	World Trade Organization
WWF	World Wide Fund for Nature

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## PART I. BACKGROUND AND STRATEGY CONTEXT

### A. Overview

Madagascar began a dramatic and unexpected democratic transformation in 1991. After easily "winning" reelection in 1989, President Didier Ratsiraka, whose socialistic dictatorship had been in power since 1975, began small overtures with large unintended consequences as he opened up the political process and ended 14 years of absolute censorship of the press. This permitted longstanding popular discontent with the President and the weak, albeit recovering, economy came to the surface. The President, confronted with nine months of mass demonstrations and general strikes, conceded power to a transitional government in November 1991. The Malagasy people approved a new democratic constitution in a 1992 referendum, bringing into existence the Third Republic. The new constitution, whose drafters clearly feared a democratic return of Ratsiraka, limited the powers of the President to security and foreign affairs; the remaining executive powers were granted to the Prime Minister, who was to be selected by the National Assembly. The Malagasy Constitution specifies three separate and co-equal branches of government. Albert Zafy, the opposition candidate, won the first presidential election of the Third Republic, beating Ratsiraka two-to-one in the second round run-off and took office in June 1993.

Once in control, Zafy and his supporters battled with the Prime Minister and the National Assembly in an attempt to shift the balance of power back to the Presidency. With Ratsiraka in self-imposed exile in France, the opposition forces realized that they had no other unifying program except to get Ratsiraka out. Thus, the next several years saw the President, successive Prime Ministers and the National Assembly struggling with one another in a shifting series of alliances to determine the locus of political power and how meager resources would be divided. Particularly troublesome was the search for additional financial resources from dubious sources (termed "parallel financing") by all of the above that destroyed Madagascar's international creditability and effectively precluded signature of IMF-World Bank programs.

Economic stagnation and lack of decisiveness on the President's part, led to his impeachment in August 1996, two years before the end of his term by an overwhelming majority of the National Assembly which charged him with violating his constitutional obligations (e.g., not having put the Senate in place). Presidential elections were held in November 1996, the biggest shock to the Malagasy political system being the return of Ratsiraka from France to run again. Fifteen candidates competed in the first round, campaigning primarily on economic and political issues rather than on personalities. Deposed President Ratsiraka came in first, followed by impeached President Zafy. When none of the candidates received 50% of the vote, the two former presidents faced each other for the second time in a December 1996 run-off. This election appears to have been the closest in African history with Ratsiraka beating Zafy by a most narrow of margins, 50.71% to 49.29% or 45,321 votes. Both presidential rounds, as well as all previous national elections since 1992, were judged by international observers to be among the most

honestly held elections in Africa.

Remarkably, notable progress in establishing democracy took place amidst this political turmoil. Social stability was maintained despite a weak economy. The concept of accountability of public officials began to take root, getting a strong push from the newly unshackled media as well as the donors. Several ministers (including Finance) and the Governor of the Central Bank were sacked for poor performance. National Assembly deputies are doing their work with one eye on the upcoming elections as the August 1995 mayoral elections proved the importance of accountability to constituents. In that landmark decentralization and electoral event mandated by the Constitution, control of local governments was passed from Ministry of Interior appointees to elected mayors and city councils.

Geographic isolation is not always a development handicap. Madagascar has had the benefit of establishing its nascent democratic system in an island of tranquility. Resting 250 miles off the coast of Africa, the Grande Isle has been spared the regional and cross-border conflicts that have troubled so much of sub-Saharan Africa. The Malagasy have the advantage of a common national language and many common traditions, such as tolerance, pacifism and patience, that span ethnic groups. Despite a weak judicial system and a strong authoritarian tradition coming from the traditional tribal monarchies through French colonialism and into the socialistic dictatorship, human rights have been uniformly respected during the Third Republic. The only two serious human rights issues identified by the U. S. Department of State's 1996 Human Rights Report for Madagascar are excessive pre-trial detention and extra-legal summary courts (Dina) in isolated, rural areas where those judged guilty have been executed on occasion. The former persists in good part because of the lack of financial and administrative resources, while the Dina have their positive aspects with regard to issues of land tenure and alternative dispute resolution. The Government is aware of these concerns and has just revised its 1997 budget to increase the Ministry of Justice's budget by 27%.

In a manner analogous to the just-described democratic progress taking place amid political turmoil, Madagascar has undergone substantial economic progress since 1994. The watershed event was the 50% devaluation and floating of the Malagasy Franc in May 1994. The devaluation shocked the economy as the Government connected the local financial market to the world market through an interbank foreign exchange auction. For the first time, economic policymakers would have to factor into their thinking how their decisions would affect currency prices and flows. As a consequence, pressure mounted on the administration to improve weak public financial management. The initial efforts were not encouraging. Weak leadership at the Ministry of Finance and the Central Bank allowed inflation to jump to 58% during 1994. The Central Bank Governor and the Minister of Finance were replaced in January 1995. The new Governor tightened monetary policy throughout 1995. The Central Bank raised its base interest rate to 33% and the required reserve ratio to 25%. The two state-owned banks were put under the control of expatriate administrators funded by the World Bank. Bank supervision was strengthened. By the end of 1995, the inflation rate was down to 37% and the Central Bank was able to shift away from individual bank credit ceilings to an indirect method of injecting or absorbing liquidity.

Monetary policy remained prudent and sound during 1996 leading to an inflation rate of 9% percent in 1996.

The Malagasy Government could not have achieved these results without significantly improving its management of public finances. Here USAID, through its work with the Central Bank and Ministry of Finance has played a key support role. However, mastering monetary policy in general and inflation in specific has brought a new head of Hydra to the fore. Thus, the central public finance problem is the abysmally low level of tax receipts. The current figure is less than 8% of GDP, compared with an 18% average in sub-Saharan Africa. The principal reasons are weak (technical) and lax (governance-related) tax administration coupled with an excessive reliance on foreign trade taxes. Yet, even here the picture is improving. The GOM was able to reduce fiscal pressure on prices by reducing the deficit from 11.4% of GDP in 1994 to 8.5 % in 1996. This was done by tightly controlling expenditures which fell from 19.8% of GDP to 16.6% in 1996. In addition, the GOM has given priority budget allocations to the key sectors of health, education, justice, security and basic infrastructure.

Madagascar's external debt is \$4.3 billion, of which \$2 billion represents arrears. Paris Club members hold 42% of the debt, multilateral institutions hold another 37%. Russia's holdings represent 11% of the total. The net present value of the stock of debt is equal to 500% of exports of good and services. Scheduled debt service is about 45% of export goods and services. The IMF ESAF program assumes that Madagascar will reschedule its Paris Club debt on Naples terms, allowing the debt service ratio to fall to 18% by 1999. The stock of debt, however, will still exceed 200% of exports for another decade, requiring exceptionally favorable debt treatment for Madagascar to achieve sustainability.

The Bretton Woods Institutions accepted the Government's Policy Framework Paper (PFP) in September 1996. The International Monetary Fund then recognized the cumulative and significant progress made since 1994 and the good prospects for future macroeconomic management by agreeing to a \$114 million three-year Enhanced Structural Adjustment Facility (ESAF) in November 1996. The Government's development strategy outlined in the approved PFP is presented in Section B below.

The underlying forces and trends operating on the Malagasy socio-economic structure were examined in the Mission's 1992 CPSP. Mission-funded studies, analysis, project implementation and field work have convinced the Mission that the 1992 examination remains broadly valid. An updated version of the development dynamics and challenges section of the 1993-1998 CPSP is found in Appendix A.

## B. Host Country Development Priorities

Madagascar's development priorities and its strategies are presented in the GOM Policy Framework Paper 1996-99. Early in the document the Government describes its overall approach.

The Government aims to win public and investor confidence in a liberal and stable economic framework with an efficient public administration, in order to improve the investment climate and reduce poverty. Consequently, it will maintain the market-determined prices and exchange rates, while eradicating inflation and providing economic security for Malagasy and foreign operators. It will withdraw from commercial activities in order to concentrate on fostering a favorable macroeconomic and regulatory environment and improving the delivery of public services. Tax administration will be strengthened, and expenditures will be reordered to combat poverty through primary education, basic health care, and public security.

The civil service, and in particular the supervisory bodies, will be reorganized to insure competence and integrity, and the Government will work closely with labor and business organizations to formulate and monitor economic policy. (Policy Framework Paper, page 2)

The key determining element in success or failure of the GOM's development strategy is reform of tax administration. Currently, the Government does not raise enough tax revenue to finance essential public services. Sectoral initiatives in infrastructure, education, health, and environmental protection benefit from substantial donor support. The GOM's ability to participate fully in these initiatives is constrained by lack of qualified and motivated staff, inadequate budgetary allocations for the operating expenses of cooperating ministries and organizations, and lack of resources for host-country contributions to development projects.

The GOM 1997 budget carries forward the recent policy of concentrating resources on priority sectors within a constrained resource environment. The increase in the operating budget (excluding salary payments) of non-priority ministries is limited to 10% (no increase in real terms). By contrast, priority ministries will have more resources in 1997: Ministry of Health - up 60%; the Ministry of Justice - up 41%; the Ministry of Population - up 17%; Security - up 21%; and Urban Security - up 17%.

These important budget reallocations will improve the effectiveness of foreign assistance. But they are only a start. The GOM goal for tax collection is to raise the tax revenue/GDP ratio from 7.8% in 1996 to 11% in 1999. This higher level of tax receipts will allow the GOM budget for recurrent expenditures to rise from 6.1% (1996) to 6.6% (1999); or by an additional \$54 million. Should the tax improvement effort fail, the GOM will be unable to meet the commitments associated with sustained high levels of foreign assistance.

The centerpiece of the tax administration improvement program is the establishment of a large taxpayer unit (which receives technical support from the IMF), where modern procedures will be introduced. Assessment, collection, and auditing functions of all taxes

will be merged. In addition, taxation of small businesses will be simplified. Customs administration will be improved by better valuation procedures and the exchange of information between the tax and customs departments. The program will be supported by the IMF, the World Bank and the French Government.

Madagascar's Structural Adjustment Program has eight priorities:

- 1. Improve the Business Environment:** Better regulatory and tax regime; transparent, security-enhancing legal framework; elimination of public enterprise monopolies; and simplification of foreign investor regulations.
- 2. Divest Public Enterprises:** Five-year privatization program with 1997 divestiture of firms representing 15% of the turnover of public enterprises; open the telecommunication sector to foreign partners; and liberalize air transportation.
- 3. Fiscal Reforms:** Strengthen tax and customs administration and reform value-added tax as described above.
- 4. Improve Government Operations:** Improve the working condition of judges, upgrade their status, and provide them with adequate training; better monitoring of government expenditures, including the preparation and regular publication of audits performed by the Audit Office; reorganize payroll management; and improve collection and publication of statistical information for monitoring of economic and financial developments.
- 5. Poverty Reduction:** Combat poverty by improving basic health and primary education facilities, as well as public security: upgrade basic health facilities at the district level, introduce cost-recovery mechanisms in health care, allocate additional resources for the prevention and treatment of diseases (malaria, diarrheic illnesses, tuberculosis, STI/AIDS, and schistosomiasis); reassign teachers to rural areas; improve teacher incentives; establish vocational training geared to employment opportunities; and open new police stations, especially in rural areas.
- 6. Agriculture Sector Reform:** Raise agricultural productivity by liberalizing the vanilla, sugar, and cotton sectors.
- 7. Foreign Exchange Liberalization:** Complete the liberalization of the foreign exchange market: eliminate the obligation to surrender export receipts in 1997. NB. All restrictions on current payments and transfers have been eliminated as Madagascar now conforms to Article VIII of the IMF Articles of Agreement.

**8. Environmental Protection:** Implement the second phase of the National Environmental Action Plan (NEAP): consolidate phase one gains in the areas of soil conservation and the management of protected areas; formulate sectoral policies on ecologically sustainable development; develop policies for the marine and coastal environment as well as the urban environment.

Madagascar's development program is not without risks and "devil in the details" implementation is likely to be bumpy. Yet, this is the first structural adjustment and poverty reduction program that has a broad consensus of all major political groups and actors. The donor community has worked diligently together as a group over the past four years to support this process, while keeping the pressure on for ongoing reforms. The Malagasy had to earn their way back to the table. The signing of an IMF Enhanced Structural Adjustment Facility in November 1996 was a defining benchmark in reestablishing Madagascar's credibility as a development partner. The World Bank and the African Development Bank have scheduled adjustment credit reviews with their respective Executive Boards during the first quarter of 1997. France, Japan, and the European Union will also provide adjustment credits in 1997. With GOM conditionality fulfillment, USAID/Madagascar will support the SAP with \$12 million for balance of payments (BOP) support under its KEPEM environmental policy NPA in the first or second quarter 1997.

### **C. U.S. Foreign Policy Interests**

With the end of the Cold War, United States foreign policy has focused on shaping a more secure world of open societies and open markets, one where American interests and ideals can thrive. Former Secretary of State Christopher outlined U.S. foreign policy as based on four principles:

1. The commitment to provide world leadership on global issues;
2. The need to strengthen the institutions that provide an enduring basis for global peace and prosperity. These institutions, such as the United Nations, NATO and the World Bank, help us to share the burdens and costs of leadership;
3. Support for democracy and human rights reflecting U.S. ideals and reinforcing U.S. interests. Our interests are most secure in a world where accountable government strengthens stability and where the rule of law protects both political rights and free market economies; and
4. The critical importance of constructive relations with the great powers. These nations -- our allies in Europe and Japan, as well as Russia and China - - have the greatest ability to affect our security and prosperity.

United States foreign policy interests in Madagascar are modest in strategic terms. However, there are two areas in which Madagascar can help the U.S. advance its foreign policies. First, there is the increased importance placed by the United States on protecting

the environment. In a recent foreign policy speech, The Secretary of State said that the U.S. faced "serious threats from which no border can shield us, including damage to the environment." Madagascar, as one of 10 megabiodiversity countries in the world and the most important in Africa, merits special attention in that context.

Second, consistent with the above-stated U.S. foreign policy priorities, U.S. interests in Madagascar lie in seeing the country's democratic transition process deepen and mature. Madagascar has lived through its second free-and-fair presidential election in four years. U.S. interests are also tied to ensuring that the economic reform process takes off and is well implemented. Such progress can bring prosperity to this poorest of countries, which will help preserve Madagascar's unique and diversified flora and fauna. Sustainable growth also can open prospects for denser commercial and cultural relations between our two countries, contribute to stability and prosperity and serve as a model in the region.

#### D. Major Donors in Madagascar

The major donors in Madagascar are France (providing 30% of all assistance), the World Bank (23%), Japan (9%), the U.S. (8.6%), and the European Union (also 8.6%). The level of all foreign assistance in 1995 was \$298 million. More than half of all foreign assistance goes to the three priority areas of infrastructure (transportation and communications), social development, and agriculture. The distribution of assistance by type is as follows:

- ▶ Technical Assistance - 36%
- ▶ Investment projects - 35%
- ▶ Budget/balance of payments support - 24%,
- ▶ Food Aid - 4%.

The trend in the level of assistance has been downward since 1992 when the level was at \$368 million. There was a drop of 18% in 1993, compared to 1992, with only modest variation since then. The level of assistance in 1997 will be substantially higher than in the recent past provided the planned structural adjustment disbursements take place. This additive balance of payments support is estimated to be about \$250 million. Donor activities related to and important for the USAID portfolio are discussed by strategic objective in Parts IV - VI.

Principal donor priorities are as follows:

- ▶ **France:** French assistance supports the following sectors: Education at all levels, but emphasis is on professional fields at the technical and the university levels; agriculture and environment; public health; infrastructure; support to GOM institutions; and public security. In 1995, the total amount of the French bilateral assistance to Madagascar was \$106 million broken down as follows: education and technical assistance (\$23 million); agriculture, environment, infrastructure, health (\$14 million); debt forgiveness (\$64 million); private and public sector development (\$5 million).

- ▶ **World Bank:** The World Bank's poverty-reduction portfolio is focused on private sector, export-led growth, human resources development, and improved management of fast-dwindling natural resources. World Bank lending in 1995-96 was in agriculture (two credits worth \$46 million), a social fund project (\$40 million), energy (\$46 million), and public sector capacity building (\$13.8 million). Planned 1997 lending is in the environment (\$30 million) and a structural adjustment credit (\$70 million).
  
- ▶ **Japan:** During their Fiscal Year 1996 (April 1, 1996 through March 31, 1997), the Japanese government has provided Madagascar with a grant of \$35 million and a loan of \$13 million under the Sub-Saharan Fund. The \$35 million will fund activities in the agriculture and the transport sectors (\$24.1 million); food aid (\$2.2 million); institutional development of a handicraft training center (\$2.7 million), rehabilitation of the capital's roads (\$6 million). The \$13 million loan aims to develop the private sector and sustain the GOM's efforts for structural adjustment.
  
- ▶ **European Union:** The European Community's five year plan (year 1995-2000) will provide Madagascar with the equivalent of \$170 million. This amount will be used in the following sectors: transport infrastructure (\$76.5 million); agriculture (\$51 million); health and education (\$21 million) and private sector (\$21.5 million). Implementation of the plan has been delayed by two years and the effective date is now 1998 through 2002.

## **PART II. STRATEGIC PLANNING PROCESS**

### **A. USAID/Madagascar's CPSP 1993-98**

#### **1. Summary:**

USAID/Madagascar's Country Program Strategic Plan (CPSP), approved in September 1992, was designed to cover the period FY 1993-98. At the time the plan was formulated, Madagascar had embarked on the transition to democratic government. The demonstrations and strikes of 1991 led to a historic national referendum in August 1992 which established a new democratic Constitution followed by free and fair presidential and parliamentary elections. Economic reforms and an adjustment program had begun several years earlier, and by the late 1980s, the reforms had sparked a modest economic recovery which lasted until the political strife of 1991.

As described in the CPSP, the U.S. interest was in seeing Madagascar succeed in its political and economic liberalization process. Such reform was critical to raising living standards and reducing poverty in this poorest of countries. Market-led reforms and private sector growth were essential to increasing Madagascar's integration into the global and regional economy, and to strengthening our two countries' economic relations. Sustainable economic growth was also key to preserving Madagascar's globally unique and diverse flora and fauna. USAID/Madagascar's strategy was to promote economic growth and the reform process and to help reverse the negative development dynamics which have threatened Madagascar's achievement of sustainable economic and political development.

As discussed in the CPSP 1993-98, Madagascar has suffered from a set of adverse development dynamics which must be overcome for the country to achieve sustainable development. These include high fertility and population growth rates, an alarming rate of environmental degradation, grossly inadequate and decaying infrastructure, monopolized domestic trade, and fragmented markets. The interrelated and reinforcing nature of these dynamics justified a program aimed at achieving four complementary Strategic Objectives: (1) foster an environment in which private action can flourish; (2) increase trade from high potential zones; (3) reduce total fertility; and (4) reduce natural resource depletion. A Target of Opportunity was included to support Madagascar's transition to democracy. The next section briefly describes the rationale for each of these SOs and the TO, and the corresponding activities planned and undertaken to achieve them.

#### **2. Rationale and Supporting Program of Activities**

► **SO#1:** Although economic reforms had been initiated and implemented during the last several years of the Second Republic, at the time the CPSP was drafted (in mid-1992), these reforms had only begun to restructure the incentive regime which for so long had suppressed private sector investment, competition, and growth. Unleashing efficient private sector investment was considered key to stimulating sustained economic growth.

To do so would require significant policy and institutional change. Hence, under USAID/Madagascar's SO#1: "Foster an environment in which private action can flourish," the Mission sought to effect significant policy reform and institutional development. Activities in support of SO#1 included technical assistance to promote financial sector development, improved implementation of macroeconomic policy, and improved capacity for poverty analysis in support of pro-poor policy change. Newer activities include the strengthening of civil organizations' advocacy capacity, and legal, regulatory and judicial reform to promote fair and efficient business transactions.

▶ **SO#2:** USAID/Madagascar's SO#2 was to "increase trade from high potential zones." The fragmented nature of Madagascar's domestic markets had caused some regions to be very poorly integrated into the national economy and had served to strengthen monopolistic trading power in these regions. USAID's strategy was to target assistance to two high potential growth zones with the aim of helping overcome significant transportation and communication barriers to these regions' economic growth and integration into the wider economy. Activities have supported the rehabilitation of rural roads in the targeted agricultural surplus regions and the establishment of locally-managed arrangements for their sustained maintenance.

SO#1 and SO#2 aimed to rekindle and sustain economic growth by creating a conducive environment for private sector activity and by helping to allay the serious obstacles to growth which stem from inadequate infrastructure. The premise has been that growth is vital to poverty reduction via its importance in employment creation. In this regard, it is also essential to slowing down the rate of environmental degradation where the main cause is land-extensive and inappropriate agricultural practices.

▶ **SO#3:** Given Madagascar's huge importance as a global biodiversity resource, and the interest of the U.S. in preserving this unique resource, USAID's SO#3 was to "reduce natural resource depletion." Under this SO, activities directly supported biodiversity conservation in national parks, the improved management of forest resources, and the development of environmentally sustainable economic alternatives in the targeted areas.

▶ **SO#4:** The rationale behind USAID's fourth strategic objective of "reduce total fertility" focused on Madagascar's exceedingly high rate of fertility and population growth. The resulting demographic pressure has strained the public sector's capacity to provide basic social services and the individual family's ability to adequately shelter, feed, clothe and educate its members. In addition, high population growth compounds the ecological problems caused by extensive agricultural methods. Activities have focused on improving access to quality health and child survival services and products to increase contraceptive prevalence.

▶ **Target of Opportunity:** The Inter-Agency Democracy Working Group, composed of Embassy, USIS and USAID staff, has supported Madagascar's transition to pluralistic democracy via policy dialogue and provision of election observers, training of trainers, voter education, grants to human rights watchdog groups, journalist and judges training, and

targeted professional development modules for the National Assembly. In addition, activities under the other SOs, and especially SO#1, support democratic development via support to strengthen Madagascar's civil society organizations.

In sum, the CPSP 1993-98 encompassed four complementary strategic objectives and one target of opportunity, each of which addressed one or more of Madagascar's critical development constraints. The next section recounts the results achieved against these SOs over the period

## B. Program Results

The Mission began implementation of the 1993-98 CPSP with projects under two of its strategic objectives: natural resource management and family planning. Projects under the other two SOs were approved in 1993 and began implementation in 1994. The presentation of program results conforms to the original SO alignment of the Mission's portfolio.

**SO#1:  
Foster an  
Environment in which  
Private Action  
Can Flourish**

Under SO#1 USAID assisted the Central Bank in its efforts to improve monetary policy and reduce inflation. USAID and World Bank policy reform programs convinced the GOM to give the Central Bank a legal status independent of the Ministry of Finance. The Central Bank has made good use of its independence to control inflation. It has reduced its reliance on direct monetary controls and moved towards a system of influencing monetary growth through a system of

indirect controls more appropriate to a liberal economy. The Central Bank staff benefitted from technical assistance and training provided by USAID, training which exposed the staff to the mechanics of monetary management in an open economy. The Research Department has been revitalized under the guidance of a former Federal Reserve Bank of New York official and now provides the Bank's Monetary Committee with a regular flow of analytical reports on financial and economic developments. USAID convinced the Central Bank and the Ministry of Finance to establish a committee to coordinate fiscal and monetary policy. The committee, with USAID technical assistance, will create a secondary market for treasury bills in 1997. This market will both improve the effectiveness of monetary policy and reduce GOM reliance on commercial bank financing. The establishment of the market is an element of the ESAF-supported adjustment program.

A USAID reform program (NPA) provided the National Savings Bank with the autonomy and the resources it needed to improve its range of financial services offered to low-income households. Since USAID support began, customer deposits of the bank have grown by 250%, while its client base increased by 78,000 and its share of total banking sector deposits rose from 4.5% to 7.3%. The Bank's financial position has gone from a negative net worth to a net worth of over one million dollars. The National Savings Bank offers small savers a higher interest rate than the commercial banks without burdensome

restrictions on minimum account balances.

USAID policy dialogue convinced the GOM to address weaknesses in the legal framework for private sector development to the extent that commercial law reform is now an element of the GOM Policy Framework Paper. With USAID encouragement, the GOM established a Legal Reform Commission to oversee the reform program. These steps were all preconditions to our agreement to initiate a commercial law reform project approved in September 1996.

**SO#2:  
Increase Market  
Access for  
Neglected Regions**

The original SO#2 was to "Increase Market Access for Neglected Regions." The Mission supported the revitalization of agricultural markets in the neglected regions to generate sustainable economic growth and worked with the private sector to ensure that farm households and small agribusiness enterprises in the targeted regions have the means to sustain increases in commercial production and marketing activities.

The centerpiece commercial agricultural promotion activity started implementation in September 1994. Through an input supply fund, Malagasy firms imported equipment, materials and commodities of U.S. origin, valued at nearly \$1 million for their agricultural marketing activities. In addition, 62 agribusiness clients increased production and marketing and improved product quality. USAID funded the rehabilitation of 175 miles of farm-to-market roads, opening up rich agricultural production areas to agro-processing businesses.

Another USAID activity has shown that farmers using new, USAID-financed rice seed varieties double yields without fertilizer and achieve 300-400% increases with fertilizer. Also, several of the five rice varieties, developed for resistance to Rice Yellow Mottle Virus, have shown promising results, with initial projections indicating a doubling of yields over traditional varieties while combating the virus.

The ongoing non-traditional agricultural export effort has clearly demonstrated that rural-based enterprises can generate production and sales with appropriate technical assistance and market information. During the last two years, these activities have resulted in direct sales of \$5 million by bypassing traditional export brokers and developing South Africa as a serious market for Malagasy agricultural products.

**SO#3:  
Reduce Natural  
Resource  
Depletion**

USAID has been a lead donor to the NEAP since 1990, providing support in the areas of biodiversity conservation, forest management planning, policy development, and institutional strengthening. EP1 focused on setting up the necessary institutional and policy landscape. Key results include the establishment and development of the Malagasy National Parks Service (ANGAP) to coordinate parks management and develop strategies to diminish pressure on the natural resource base as

well as the creation of the USAID-supported National Environmental Office (ONE) to coordinate overall environmental policy formulation and implementation. This led, in 1995, to landmark legislation (the Malagasy equivalent of the U.S. National Environmental Policy Act) requiring environmental review for all investments in Madagascar and was followed in 1996 of new foundation legislation and the creation of Madagascar's first private environmental endowment fund to finance local-level environmental management efforts. That same year the Malagasy Forest Service adopted a new policy of preparing environment impact studies for all forest management plans. Four forest management plans are close to completion which will serve as models for local participation in both the planning process as well as to encourage local participation in the general management of the forest. Revised stumpage fees for commercial timber species and other forest products produced a 12-fold increase in forest revenue collection in the past three years, providing important operating funds for the Forest Service. Households in conservation priority areas adopted alternatives to destructive practices, and 39 community associations/non-governmental organizations (NGOs) received grants which promote sustainable natural resource management and capacity building of village groups. Further, 13 village development committees in 1996 received a share of national park entrance fees for community-managed projects, thereby establishing a visible conservation-development link.

**SO#4:  
Reduce  
Total Fertility**

Progress in reducing total fertility has uniformly exceeded expectations. Efforts to promote family planning began in the late 1980s with AID/W resources. Since the bilateral project began in 1992, contraceptive prevalence rate (with modern methods) has jumped from 5.1% to 9.1%. Access to services has taken off. In 1987, 72 sites (public-private combined) offered family planning services; the number in 1995 was

492. For the same period, the percent of public medical sites offering family planning services rose from 6% to 44%, while the percent of women who know where to obtain contraceptives has gone from 46% to 90%. We believe the ambitious Total Fertility Rate (TFR) of 5.6 in 1998 will be attained and possibly surpassed. The TFR estimate for 1995 is 1995. This estimate is based on the statistical relationship between TFR and Contraceptive Prevalence Rate -- a 15% increase in CPR is correlated with a decrease of one birth in TFR.

Rapid expansion of family planning services through multiple channels form the backbone of the USAID program. To ensure rapid start-up, the program first focused on strengthening private sector efforts through technical assistance and subgrants to local NGOs. In 1995, however, this SO became the first USAID/Madagascar program to provide direct assistance to a public sector program. As a result, two Ministry of Health provincial programs are implementing ambitious plans for expanding and improving public sector family planning services. As with NGOs, the USAID package of assistance includes training, supervision, and rehabilitation; complemented by rigorous oversight of financial management at each site. This focus on institution building and multiple channels of service delivery will have a long-term impact on program sustainability.

**T.O.:  
Transition  
to  
Democracy**

The success of USAID's involvement in the transition to democracy, which focused first on electoral support and training, rests on the simple fact that eight national elections have been held in Madagascar from 1992 to 1996, all of which have been declared technically successful and free and fair by international and local observers. Moreover, USAID's long-term work with the judiciary has strengthened the institution as a whole and the concept of rule of law. This has paid high dividends as the High Constitutional Court has been accepted by all contending parties as the final voice on sensitive national issues, such as the impeachment of President Zafy in August 1996 and the acceptance of President Ratsiraka's re-election by the narrow margin of 45,321 votes among the over three million cast.

### **C. Evolution of the Mission and Its Program**

USAID/Madagascar was designated a Schedule A or Africa Bureau "focus" program in September 1990 based on key USDH staffing on board (7 USDH), Madagascar's need, economic potential and ongoing structural adjustment progress. Democracy under the socialist dictatorship was a weak point, however, at that time. The staffing up process to the approved U.S. direct-hire level of 15 (14 FTE) did not directly follow the change from Category B status. As late as April 1993, the Mission had only 10 USDH and did not reach its 15 USDH level until May 1994. The Mission's well-regarded Country Program Strategic Plan (CPSP) was reviewed and approved in AID/W in September 1992 (see 93 STATE 346858 in Appendix B ).

The Mission's portfolio moved along well post-CPSP approval. But there was heavy concern among all donors regarding the newly democratic government's vacillation, lack of consensus and inability to focus on urgent macro-economic reforms. Thus, USAID/Madagascar recommended that Madagascar be placed on the Africa Bureau's "Watch List" at the April 1995 annual program performance review. The Watch List concept was a powerful tool for the Ambassador and Mission Director in their dealings with senior Malagasy officials. Other USAID partners, such as World Bank, France, Switzerland and Germany, used similar tactics, the combined effect of which was to force the GOM to undertake serious reform measures. While significant progress was made during the remainder of 1995 in the area of economic management (e.g., the Central Bank raising the lending rate from 12% to 38% to control rampant inflation), continued political in-fighting and unfulfilled promises made the World Bank change tactics. Instead of a series of conditions and tranches of funds, disbursement would be based on achievement of all conditionality in advance. Prudent to be sure, but a more difficult challenge in a nascent and inefficient democracy.

As a result, at the Africa Bureau's 1996 annual performance review, while macro-economic management progress was judged substantial, the lack of signed agreements with the Bretton-Woods institutions led the Mission and AID/W to mutually recommend continued

Watch List status. This was the correct decision, but left the Mission vulnerable to subsequent events outside the Agency which led to rapid budget and personnel downsizing. Facing sharp resource constraints, the Agency put Madagascar in the new Limited Program category and the last five months of FY 1996 saw a 40% reduction in USDH staff.

In May 1996, USAID/Madagascar presented a Limited Program transition outline which was discussed at an Africa Bureau parameter-setting meeting, along with representatives of the Global, Management and Policy Bureaus. The meeting was chaired by AFR/DAA Carol Peasley and the Mission was represented by Director Buff Mackenzie. The areas of discussion and decisions of that meeting (see 96 STATE 136495 in Appendix C) can be summarized as follows:

**1. Program Revision Document:** The Mission was asked to present a program revision document, tentatively set for November 1996. This document was to include a worst case scenario that would focus on Agency comparative advantage and which activities could be managed remotely.

**Update:**

- ▶ Because of a heavy workload in AID/W and the Mission, the submission was re-scheduled to February 1997 with the CSP review the following month.
- ▶ Mission management believes the worst-case scenario suggestion coming out of the May 1996 meeting resulted from the high degree of Agency uncertainty and RIF demoralization. Since then, the situation has become clearer and the Mission has been given some staffing relief. Accordingly, we have not provided a "worst-case" scenario; rather, we have used our FY 1998 OYB as the lower of two limited program scenarios. USAID/Madagascar has shown that it can operate in the face of large USDH cuts. At this juncture, Mission management believes that positive program and country momentum and the negative morale consequences of dwelling on possible "what if's," do not warrant scenarios outside current program parameters.

**2. Program Focus:** Exceptional approval was given to continue working in three strategic objective areas "given the strong cross-sectoral integration of the program and its emphasis on priority foreign policy concerns..."

**Update:**

- ▶ The strategy continues with three strategic objectives as agreed in May 1996.
- ▶ We are working to further cross-sectoral integration through the hiring of a Population-Environment Fellow who will be posted in the Fianarantsoa region.

Governance activities are built into all three SOs.

**3. Revised Environmental SO:** The Bureau and PPC/ENV endorsed the revised environmental strategic objective integrating biodiversity protection and economic growth.

**Update:**

- ▶ The Mission's environmental strategy has been further refined as a result of the EP2 process and negotiations. The broader landscape component which looks at protecting biodiversity habitats corridors has received strong support from the scientific and donor community.
- ▶ SO#3 activities are in full accordance with the Agency's new (draft) Biodiversity Strategy.

**4. Family Health SO:** "AFR/SD and G/PHN strongly supported the Mission's plan to link family planning and child survival activities under the newly articulated family health SO. SD also cited importance of the linkage of environmental and population activities, and the role of NGOs in the Mission's overall planning."

**Update:**

- ▶ The Mission has completed the planning for full integration of its family health strategy, including Title II.
- ▶ The last piece of the strategy is focused on HIV/AIDS. New tactics will complement ongoing social marketing activities through SOMARC.
- ▶ Other sections will amplify the SO's linkage with environmental activities and its ongoing collaboration and support for the NGO sector.

**5. Staffing:** The Mission was given a USDH level of 8 at the end of FY 96 and 6 USDH at the end of FY 97. A possible out-year figure of 5 USDH was also discussed by the Africa Bureau.

**Update:**

- ▶ **USDH:** USAID/Madagascar has received relief from the Africa Bureau. Instead of FY 96-98 USDH numbers of 8, 6, and 5, respectively, the USDH figure has been kept at 8 until end of FY 98. For its preferred option, the Mission will request that this figure be increased to 9 for the remainder of the strategy period, thereby retaining the PDO position and providing a slot for its current environmental IDI for FY 98.
- ▶ **FSN:** The original OE-funded FSN cuts for the Mission were draconian. While program-funded FSNs went from 15 to 14 to 12 for FYs 96-98, OE-funded

FSNs were to go from 68 to 60 to 38 for the same period. At the end of FY 96, the Mission received revised a OE-funded figure of 45 for FY 98.

- ▶ **U.S. PSC:** The Mission's U.S. PSC levels were straight-lined at six. The problem was the Agency's freeze which prohibited the Mission from filling vacant, program-funded U.S. PSC positions. A measure of relief was received in November from the Management Bureau to fill two critical positions (one new; one replacing a RIF'ed USDH).

**6. Resource Planning Levels:** "The Bureau agreed on a best case planning level of \$17-18 million annually beginning in FY 97 and exclusive of Title II resources, currently estimated at \$4.8 million."

**Update:**

- ▶ Since then, OYB has been further cut for FY 97 to \$16.25 million and \$16.5 million for FY 98. The FY 98 figure has been used as the basis of the second of the Mission's two resource planning scenarios.
- ▶ The CSP presents a resource planning alternative that includes an average annual increase of \$2.73 million in DA plus a \$9.3 million Title II monetization proposal, through CARE, ADRA and CRS, about which has already been discussed with BHR.

**7. Full Mission Status:** With regard to Madagascar's return to full mission status if the GOM fulfills WB and IMF conditions for an ESAF and a SAC, it was agreed that "the Agency's present restricted budget situation does not permit consideration at this time of the possibility of reversion to full mission status, but this could be revisited in the future if the Agency's resource situation improves."

**Update:**

- ▶ Madagascar signed a Policy Framework Paper with the IMF and World Bank in September 1996.
- ▶ Madagascar signed an ESAF with the IMF in late November 1996, with the first tranche disbursed on December 13, 1996.
- ▶ The World Bank has scheduled its Country Assistance Strategy review for February 18 with the SAC set for Board Review on March 14.
- ▶ Using the same logic for not preparing a worst-case scenario, the Mission does not consider it appropriate under the current Agency circumstances to present a proposal for full mission status with a concomitant resource allocation increases. We believe that the R4 (Results Report-Resource

Request) process for performance review and resource allocation will allow Madagascar to make its proper claim in the light of available resources.

- ▶ The program is designed in such way that additional resources can be programmed rapidly, especially in economic growth, environment and D/G where ongoing structures and shelf activities exist.

Ironically, the Limited Program meeting was directly preceded by IMF Managing Director Camdessus's triumphant consensus-building visit in late April-early May which led to the selection of a new, empowered Prime Minister in June and concerted movement on conditionality. Following PFP approval in September, this culminated in signature of an Enhanced Structural Adjustment Facility (ESAF) with the IMF in November 1996. Progress with the World Bank was slowed by two rounds of presidential elections in November-December 1996. However, newly elected President Didier Ratsiraka openly supports structural adjustment, and a Structural Adjustment Program (SAP) is scheduled for World Bank Board review in March 1997. This will be followed by Paris Club rescheduling in March and a Consultative Group meeting in April.

The loss of USDH staff and concomitant reductions in PSC and FSN staff were preceded by longer-term budget cuts and earmarks which had a profound negative impact on the Mission's ability to put the full range of CPSP activities in place. Instead of a planned annual OYB of \$30 million, not including AEPRP or other non-DFA resources, agreed to at the CPSP review for its four strategic areas, the Mission faced a 24% overall resource deficit scenario and 50% deficit in SO#1 and SO#2 as shown in the Table 2.1.

**Table 2.1**  
**Obligations by Strategic Objective**  
**FY 92-96**  
(\$ millions)

Period	FY 1993-95			FY 1993-98		
	CPSP Planned	Obligations	% of Planned	CPSP Planned	Obligations	% of Planned
SO#1: PS	9.2	5.5	59.8%	20.5	10.4	50.7%
SO#2: HPZ	24.2	17.4	71.9%	47.2	23.2	49.2%
ATLAS,HRDA, PD&S	7.6	6.7	88.2%	15.4	6.7	43.5%
<b>Non-Priority Earmarks</b>	<b>41.0</b>	<b>29.6</b>	<b>72.2%</b>	<b>83.1</b>	<b>40.3</b>	<b>48.5%</b>
SO#3:NR	40.4	39.1	96.8%	65.3	58.0	88.8%
SO#4:POP	10.0	17.3	173.0%	33.0	39.4	119.4%
<b>Priority Earmarks</b>	<b>50.4</b>	<b>56.4</b>	<b>111.9%</b>	<b>98.3</b>	<b>97.4</b>	<b>99.1%</b>
<b>CPSP Total</b>	<b>91.4</b>	<b>86.0</b>	<b>94.1%</b>	<b>181.4</b>	<b>137.7</b>	<b>75.9%</b>

This led to a partial financial strangulation of the Mission's strategy, especially regarding economic growth where obligations were half of planned. In reality, Madagascar had become a de facto limited program well before the formal AID/W decision as shown in Table 2.2 where \$45.2 million in new or expanded activities were not undertaken.

In the face of declining staff and funding, USAID/Madagascar has not "gone gentle into that good night." Rather, we have been sustained by a series of Agency initiatives and policies that have permitted us, in concert with our Malagasy partners and other donors, to obtain significant and accelerating results.

As one of ten **Country Experimental Labs** or **CELs**, USAID/Madagascar has worked to fully instill the Agency's core values of customer focus, results orientation, empowerment/accountability and teamwork within the Mission and among its partners. This has had a profoundly positive effect on our ability to operate under constraints as empowered, non-USDH employees have filled the void caused by downsizing and the RIF. Externally, the success of our portfolio across the board shows that the Malagasy can share and live the Agency's values even in a disruptive governance milieu.

**Table 2.2  
Portfolio Changes Due to Budget Shortfalls**

<b>Strategic Objective</b>	<b>Portfolio Implementation Changes</b>	<b>Funding Shortfall</b>
<b>SO#1: Environment for Private Action</b>	<ul style="list-style-type: none"> <li>▶ Cancel second generation financial sector reform work (FMD II);</li> <li>▶ Shelve support to micro-small-enterprises (Opportunities for Entrepreneurs or OPEN).</li> </ul>	<p>\$4.5 million</p> <p>\$14.0 million</p>
<b>SO#2: High Potential Zone Development</b>	<ul style="list-style-type: none"> <li>▶ Drop approved private sector support project in secondary cities of Mission's 2 high potential zones (Market Infrastructure Support or MIX);</li> <li>▶ Scale back planned agribusiness/rural roads activities under Commercial Agricultural Promotion (CAP) Project.</li> </ul>	<p>\$10.0 million</p> <p>\$4.0 million</p>
<b>SO#3: Protect the Environment</b>	<ul style="list-style-type: none"> <li>▶ Mission reduced its Environment KEPEM NPA from \$33 to \$27 million for lack of funding;</li> <li>▶ Lack of NPA funds (USAID's "quid") has put full capitalization of Madagascar's first private environmental endowment fund at risk.</li> </ul>	<p>\$6.0 million</p> <p>[Additional \$6.0 million equivalent by GOM]</p>
<b>SO#4: Reduce Fertility</b>	<ul style="list-style-type: none"> <li>▶ No reduction in scope, but FP not fully funded as planned; program expanded to include child survival and HIV/AIDS prevention in response to technical, programmatic and earmark considerations.</li> </ul>	<p>\$3.9 million</p>
<b>Support Projects</b>	<ul style="list-style-type: none"> <li>▶ HRDA</li> <li>▶ ATLAS</li> </ul>	<p>\$2.7 million</p> <p>\$4.3 million</p>
<b>Mission 1993-1998 CPSP Funding shortfall:</b>		<b>\$45.2 million</b>

Two examples will suffice. First, USAID's core values have guided the EP2 process for the donors and the Malagasy. The EP1 was effectively donor conceived and owned at the start. By pushing Malagasy empowerment, ownership and partnership, EP2 is a common program where all actors play off the same sheet of music. Second, we have used results, a service mentality and accountability as the entry to working with the Ministry of Health (MOH), one of the weakest GOM agencies. Strong MOH performance and transparent control systems have allowed it to be the first Malagasy ministry to receive dollars directly from USAID.

Following its CEL experience, USAID/Madagascar became a **New Partnership Initiative (NPI) Partner Mission** which has helped deepen our partner outreach and improve the

quality and sustainability of results. (The Mission's recent NPI report is available from the Mission). Two examples show the importance of the value of teamwork and partnership. Frustrated by the GOM's inability to produce a modern NGO law (an NPA condition), the Mission, in collaboration with the World Bank, fostered a customer-oriented process involving 300 national, local, and international NGOs/PVOs. This process created the civil society countervailing pressure which led to the approval of a new NGO law by the National Assembly in December 1996. The Leland Internet Initiative is another perfect NPI tool to increase internal and external partnerships within and outside of Madagascar. For example, the newly regional-based Malagasy agricultural research agency FOFIFA will have direct contact with IRRI in the Philippines and other International and African Agricultural Research Centers (IARCs). Similar partnerships will be created throughout each strategic objective.

Since 1992, the Mission has spent considerable effort on putting in place **management and control structures** rather than primarily focusing on results. This tactic is paying high dividends. First, while time-consuming and staff-intensive initially, systems are now in place which have their own momentum. For example, USAID's family planning program, reviewed recently under a world-wide program impact audit, was given high marks for exceeding planned targets ahead of schedule while having strong management controls in place. Second, in the face of budget shortfalls, solid implementation structures have permitted us to leverage other donors resources as they have confidence that the funds will be well used. The European Union and Japan asked the USAID regional road rehabilitation project to accept \$2.3 million in local currencies to enable the USAID activity to expand its reach and together plan an additional \$3.0 million in funding for 1997.

Massive and rapid USDH staff cuts alone would normally be the death knell of a program. USAID/Madagascar has maintained program implementation momentum through three avenues.

- ▶ **Expanded Virtual Team:** We have actively promoted the development of a broad and highly active virtual team. Support from Africa offices, PPC and Global Bureau staff (and projects) as well as our collaborators in REDSO/ESA, RCSA and Harare have been critical in helping the Mission, donors and the Malagasy design, implement and refine our strategy. This has allowed us to emphasize implementation while being a learning organization, the latter shown most recently by the innovative integration of our environmental and regional economic growth activities.
- ▶ **Alternative Staff Resources:** The Mission has used/will use a wide range of "alterative" staffing resources to fill gaps. Through the CPSP period, these will include 13 U.S. PSC's (especially local-hire USDH spouses), 2 TAACS, 1 Population Fellow, 1 Population-Environmental Fellow, 2 IDIs, 1 Presidential Management Intern, 7 TCNs, 4 Free Market Development Program advisors (FMDAP), 1 PASA with USGS, and various interns and summer hires (e.g., a

trilingual Malagasy student from Harvard Law).

- ▶ **FSN Empowerment:** USAID/Madagascar could not continue to flourish without its FSN staff stepping up to more important roles. Over the strategy period, USDH, U.S. PSCs and TCNs have been replaced by FSNs who now head our Program Division, Training Office, GSO, IRM, and three results packages. Further FSN empowerment will take place over the revised strategy period.

In conclusion, continued investments in Madagascar over the next several years will bring high returns for the Agency even under Limited Program status for three principal reasons:

- ▶ First, solid structures in family planning, regional development and environment, which do not require additional USDH staff resources, are now coming up to full implementation speed.
- ▶ Second, CEL and NPI efforts are having broad, positive influence among our donor and Malagasy partners. This will also provide the Agency with valuable experiences, lessons and insights on PVO strengthening, local participation and empowerment, and civil society outreach.
- ▶ Finally, the three genies of democracy, governance and decentralization are out of the bottle in Madagascar, never to be returned. This will have a profoundly positive effect on the Malagasy society and institutions over the next decade and on their ability to better absorb and use external resources.

Thus, USAID/Madagascar has the ability at present to accept additional program resources under its current, limited staffing profile. A CSP annual OYB request averaging \$19.18 million in DA along with a new Title II monetization proposal is included in Part VIII along with a second status quo scenario based on straight-lining the FY 98 OYB of \$16.5 million. The program can absorb more than this even as a limited program, especially in economic growth, D/G and environment.

## **D. Refining the Strategy**

### **1. Customers and Joint Planning**

No strategy is developed in a vacuum. The USAID/Madagascar 1993-98 CPSP outlined the participatory approach used in its development. Building on its CEL and NPI experience, the Mission has considerably deepened its relations with its customers and partners in updating and refining its Country Strategic Plan and in all aspects of implementation. These efforts, including reinforced joint planning, are described in more detail in Appendix E and summarized below.

USAID/Madagascar has used a variety of methods to get to know, listen to, and engage its customers during the design and implementation of its CPSP. These included a range

of national and regional household and private sector surveys, including a National Population Census, the first in 17 years. These have been complemented by implementation of digital mapping and expanded use of geographic information systems (GIS) to map environmental, economic and demographic data.

As part of its CEL experience, USAID/Madagascar held a customer service workshop in March 1995, and developed the first formal version of the Mission's Customer Service Plan. Facilitated by the Reengineering Task Force's Sher Plunkett, the bottom line was that while we were doing a good job in identifying customers and getting feedback, we could and should do more.

Accordingly, the Mission with its partners undertook further in-depth client analysis and listening under each of its strategic objectives. Methods includes bank marketing plans, customer and NGO surveys, use of the COPE (Customer-Oriented Provider Efficient) mechanism in health clinics, rural and urban focus groups of married women, unmarried women, men and adolescents, client feedback on EP1 and priority setting for EP2 through a Participatory Options and Priorities Process, local and regional environmental client workshops, a environmental beneficiary assessment that included 1,746 interviews, agribusiness client tracking and follow-up, multi-member Regional Infrastructure Committees (RIC), and even regional Lions and Rotary Clubs. Finally, USAID/Madagascar continues to use an informal, five-person (three of whom are U.S.-trained) "kitchen cabinet" of concerned and civic-minded Malagasy citizens, who represent different ethnic groups, regions and sectors, to give group and individual feedback and reality testing to the Mission's program and its evolution.

Similar to its customer outreach efforts, USAID/Madagascar has endeavored to improve communication, collaboration and joint planning with its many U.S., international, donor and Malagasy partners. Following its CEL partnership broadening experience, USAID/Madagascar became a New Partnership Initiative (NPI) Partner Mission. The Mission's November 1996 NPI Final Report gives in-depth examples.

One area of special mention is the improved and effective donor collaboration over the past five years. Bilateral and multi-lateral donors have worked to speak with one voice and move our Malagasy counterparts to own and put in place the necessary, fundamental macro-economic and sectoral changes. The USAID core values have been instrumental in furthering and sustaining these partnerships.

The Mission cannot talk about partnership without mentioning the broader partnership and joint planning carried out throughout its portfolio with the Africa Bureau (including AFR/SD, AFR/DP, AFR/AM, and AFR/EA), PPC, CDIE, the Management Bureau broadly, including Reengineering and Procurement staff, the Global Bureau, REDSO/ESA, RIG/Nairobi, RCSA, other regional staff stationed in Zimbabwe and South Africa, and colleagues in other bilateral missions, especially our sister CELs. Receiving the Administrator's Award for Reengineering in 1996 reflected the efforts of more than the Mission's in-house staff. These virtual teams have worked extraordinarily well, while providing seemingly limitless

hours of support to help identify new areas of assistance, new synergies and new approaches, besides the nitty-gritty of USAID's contracting and legal business. A list of the USAID people who have contributed to and are owed a great measure of our collective success for this CSP document and our program results can be found in Annex D.

Examples of partnerships are the multi-donor private sector working group began by USAID, the World Bank-Swiss-USAID team working with the Central Bank, monthly USIS-sponsored business roundtables, external partnerships for the National Savings Bank with the World Council of Savings Institutions and Indonesia's major rural development bank, the USAID and the World Bank partnership with the Ministry of Justice, private-public family planning and child survival partnerships, the USAID-supported, 27-member family planning NGO association, regional/local health partnerships, local road-user associations, donor and partner coordination groups for the health and child survival sectors.

These partnerships were deepened by the participatory processes focused on our new three strategic objective teams. SO#1 partnerships broke down barriers between lawyers and judges and the between public and private sector legal professionals and culminated with the Prime Minister approving a public-private legal reform commission initiated by USAID. With regard to the Mission's Smaller, Healthier Families SO, the extended SO#2 Team included representatives all our donor, GOM, and local and international NGO partners. Under SO#3, the capstone partnership event was the completion in September 1996 of the second phase design for Madagascar NEAP, Africa's first. The design culminated with a full program appraisal that involved ten donors, four international NGOs and the eight Malagasy executing agencies of the EP2. These same partners were also involved in the one-year participatory process to develop the USAID strategy and results framework within the context of the NEAP. As this process was happening simultaneously with the design of the EP2, USAID core values and reengineering principles were integrated into the EP2 process.

Because of the global importance of Madagascar's biodiversity, the Mission has expanded its partnership efforts outside the country. With the assistance of Conservation International, an informal Madagascar Environmental Consultative group made up of the leading American and international institutions and individuals who were responsible for putting Madagascar on the map of world biodiversity "hot spots." This group has already helped the Mission look at the thorny issue of biodiversity trade. A similar meeting is planned right after the CSP review to help provide further scientific grounding for the Mission's "broader landscapes" regional strategy.

## **2. Selection Criteria for SOs and Activities**

The updated Madagascar country strategic framework and its constituent elements were identified and selected using a filter made of criteria at three different levels:

**U.S. Government-Agency Level:**

- ▶ The potential for advancing broad U.S. foreign policy goals;
- ▶ The importance of the global biodiversity conservation;
- ▶ The opportunity to control or beat HIV/AIDS in an African context;
- ▶ The trends in Agency earmarks in environment, family planning, child survival and HIV/AIDS; and
- ▶ Continuing stagnation trends in staffing and OE.

**Madagascar Level:**

- ▶ The economic significance of the element in terms of its contribution to GDP growth and realizing the country's potential;
- ▶ Impact of benefits on rural and urban poor;
- ▶ Likely return on investment in the medium to long-term; and
- ▶ GOM absorptive capacity.

**Mission Level**

- ▶ USAID comparative advantage;
- ▶ Implementation feasibility with minimal or no increases in staff; and
- ▶ Synergy among program elements.

**3. Strategic Assumptions**

The overall Madagascar Country Strategic Plan (CSP) will be implemented in a fluid political and economic environment. Successful implementation will require continuous monitoring of this environment coupled with sufficient flexibility within the strategic objectives to anticipate change and make appropriate adjustments. CSP monitoring will be guided by reference to the following set of assumptions regarding political and economic developments, and the Agency's strategies and policies.

- ▶ **The Long Haul:** Madagascar's development constraints are deep rooted. Among the world's poorest countries, it is not a candidate for early graduation;

- ▶ **"Island of Tranquility":** Madagascar will successfully manage its own internal ethnic divisions and remain an "island of tranquility", outside the serious regional and ethnic conflicts that trouble so many parts of the African continent;
- ▶ **New Democratic Institutions:** Establishment and operation of the institutions (e.g., the Senate, independent judiciary) of the Third Republic will continue to be bumpy. However, the democratic foundation established to date will continue to be reinforced;
- ▶ **Governance and Rule of Law:** Governance, transparency and rule of law will require continued priority attention on the part of all donors and will be critical to Malagasy and foreign investor confidence and concomitant economic growth;
- ▶ **Staying the Structural Adjustment Course:** The incoming administration, headed by President Ratsiraka, will successfully implement the recently signed ESAF program with the IMF and will sign an adjustment credit with the World Bank. This will lead to inflows of additional resources from France, Japan and other bilateral donors in 1997;
- ▶ **Unleashing the Private Sector:** The GOM emphasis on establishing a favorable environment for private sector development will lead to higher investment levels, higher job creation and reduced poverty;
- ▶ **USAID Reform Role:** USAID will help the GOM implement PFP reforms using technical assistance, training and equipment rather than NPA because the principal risk to the reform program is weak technical capacity within GOM institutions, not the financial and economic costs brought about by the reforms;
- ▶ **Successful Debt Rescheduling:** Within the structural adjustment context, Madagascar will reschedule its external debt in 1997;
- ▶ **Donor Partnerships:** Donor coordination/collaboration in Madagascar will continue to improve. More joint-programming and sector-wide interventions will characterize future interventions and make more efficient use of scarce resources, while reducing GOM absorptive problems;
- ▶ **Better Tax Management:** GOM fiscal administration will improve over the CSP period, thereby allowing increased host country contributions to our joint activities; and

- ▶ **Limited vs. Full Mission:** USAID/Madagascar has not prepared a Full Mission program and staffing option, deciding to stay within its current Limited Program categorization. Since lack of a structural adjustment program led to Madagascar's being on the "Watch List", successful WB negotiations in 1997 should justify, at minimum, its removal from Watch List confines. Then, as part of the Agency's annual performance review process, the Madagascar case can be looked at on a more flexible basis, such as targeted budgetary increases or marginal, yet important increases in staffing levels. An eventual return to Full Mission status will depend on the availability of future Africa Bureau financial and staff resources and comparative country and USAID portfolio performance between Madagascar and its sister African countries.

## **PART III. MADAGASCAR STRATEGIC PLAN**

### **A. Getting to the New Strategy**

USAID's Country Program Strategy is not "new" in a strict sense, despite the fact that there are innovations and new tactics throughout. Nor is it a re-packaging of the 1993-98 CPSP in the face of Limited Program criteria. Rather, it is an evolutionary and living refinement of our previous strategy. The CSP builds on program and CEL success and our extended and deepened partnership with Malagasy counterparts, fellow implementors and donor colleagues, while being adapted to current staffing and budget realities, to findings from ongoing research, analysis and evaluation, and to our focus on being a learning organization and getting institutionally "smarter" over time.

That Madagascar is a difficult development challenge cannot be questioned. However promising, the "Grande Isle" is forever the land of unrealized potential, a country which is one of the prime historical examples of squandering relatively high levels of human, physical, infrastructure and institutional capital through a series of numbing and self-inflicted, bad policy choices. The central challenges are to continue to expand the previously narrow vision of its leaders and political class, especially with regard to how a market economy operates, to deepen democratic institutions, and to instill rule of law, transparency and accountability in a milieu where individual power and its abuse have been the rule and where sanctions for wrongdoing are rare exceptions. And yet, even through a lens of stark realism, the past five years have given both donors and Malagasy the positive examples at all levels of a bright future where Madagascar could follow its neighbor Mauritius' positive democratic and economic miracle.

USAID/Madagascar continues to be the donor of new agendas and of new ways of doing business. This refined strategy reflects the centrality of the Agency's four core values of customer focus, management for results, empowerment and accountability, and teamwork and partnership throughout our portfolio. Longstanding efforts to spread these values have had positive externalities with all our Malagasy, implementing and donor counterparts as they adapt to more collaborative, team and results-oriented approaches. While not the largest donor in terms of overall financial flows, USAID, in large part because of its strong field presence and its understanding of process and substance, is a standard setter, acknowledged innovator, and key partner in all its three strategic areas. We effectively "lead from behind" in the private sector, family health, and environment sectors, not to mention our ongoing role in support of the structural adjustment process and concomitant Malagasy ownership and empowerment.

Our CEL experience was the defining moment in USAID/Madagascar's experience. We are different, we do our business differently, and we and our partners will never be the same. We have lost a measure of traditional donor control in our relationships with our Malagasy counterparts, which is discomfiting. However, intellectually we see that the long-term leveling of relationships and the empowerment of host-country staff will have and are having profoundly positive effects for sustainable and accelerated impacts in all our sectors.

And, when we veer from our own teamwork and empowerment values in haste of getting something done quickly, our Malagasy partners also know they have the right and do call on us to start the process properly.

Thus, the Madagascar Country Strategic Plan is not truly a USAID internal document. Rather, it reflects the views, inputs and concerns of a broad array of our host-country counterparts, in-country and virtual partners, and other donors over an intensive two-to-three year period of examination, feedback from ongoing implementation and reflection. The result of this process is that there will be no break-in period after CSP approval. Each strategic objective has already received full partner vetting and review in advance. This ownership-up-front will allow strategic objective implementation and their respective results packages to move ahead expeditiously.

The next section of Part III describes the logic of the strategic framework. Then, Parts IV through VII provide the summary descriptions, links to Agency goals and performance monitoring of the three individual strategic objectives and their concomitant intermediate results. Finally, Part VIII offers two program budget scenarios within our current limited program status. One option is based on a small DA increase plus Title II monetization. The second option straight-lines our current FY 97 OYB of \$16.5 million over the CSP period. Part VIII also includes a discussion of staffing and operating expense (OE) requirements.

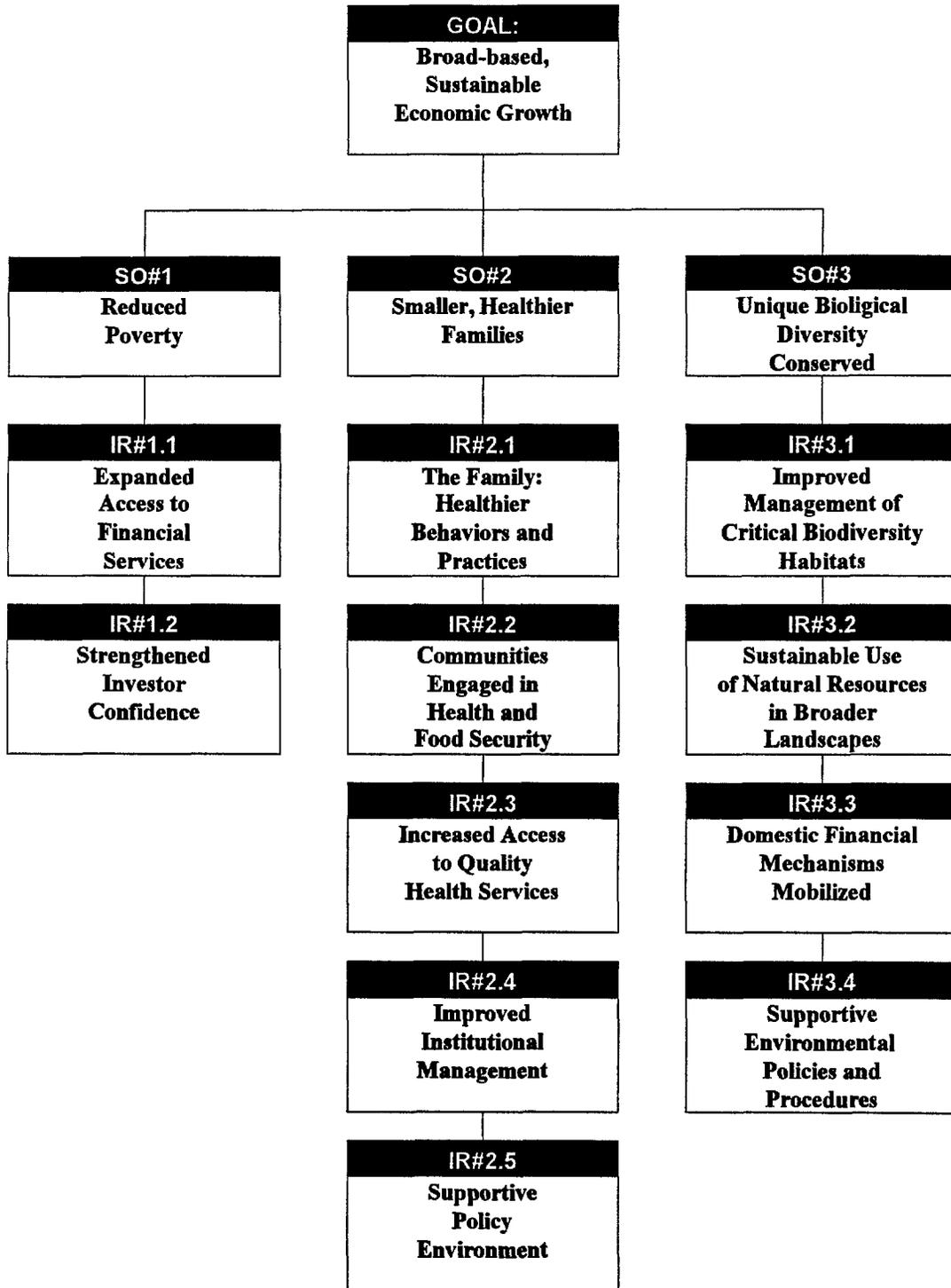
## B. New Strategy

The framework for the Country Strategic Plan appears on the next page. This section walks the reader through our reasons and logic for the choices we made for the goal and the three strategic objectives. The strategic objectives are presented in more detail in Parts IV, V and VI. Performance monitoring is covered in Section VII.

**Goal:  
Broad-based  
Sustainable  
Economic Growth**

Madagascar was stuck in a downward economic spiral for many years. The economy began to show signs of life in the late 1980s, benefiting from its structural adjustment program. The economy suffered anew during the political turmoil at the beginning of the 1990s. Annual economic growth during this decade has remained below population growth. The GOM and the donors are united in the belief that restarting the growth process and giving the Malagasy people a sense of hope for a better future is the single imperative toward which all activities must be focused. We capture this focus and frame our support within our goal of **broad-based sustainable economic growth**.

**USAID/Madagascar  
Country Strategic Plan:  
FY 1998-2002**



Achieving this goal within the CSP period is possible. It will require commitment and consistency on the part of the GOM and the donor community, with which it will be possible to reach an economic growth rate of 6%. We will endeavor to expand access to the resources and institutions that the non-elite Malagasy need to improve their standard of living. We will endeavor to expand the access of all Malagasy families to good quality health and family planning services. We will help Malagasy institutions to manage their natural resources to insure the survival of their productive resource base.

**SO#1:  
Reduced  
Poverty**

The highest priority in Madagascar is poverty alleviation. It is both as an end in itself and a precondition to democratic consolidation, social stability, reducing environmental destruction, and improving family health. The GOM has made the decision to open its economy to the outside world because it offers the best hope of raising its people out of poverty. The framework for implementing this decision has only begun

to be articulated. The Malagasy have adopted the phrase "less government, better government" to capture their sense of direction. SO#1 will support their efforts to make government better. A better government, more responsive to its citizens, consistent in its application of laws, accountable for public assets, will attract the interest of investors; Malagasy and foreign.

Growth in private employment and investment is the only feasible means by which poverty can be reduced. The policy framework in the PFP is the GOM's road map to higher levels of employment and investment. Strengthening the system of commercial laws, encouraging active Malagasy participation in regional and world trade organizations, and development of the financial sector are three components of the framework for private sector development. We have worked with the Malagasy Government and the other donors over the past four years to establish a framework for allocating our technical expertise and financial resources to the work in these areas that needs to be done to put the right policies in place. By themselves, they are not sufficient. However, USAID's efforts are integral ingredients in the recipe for growth with equity. We are relying on other donors to work in important complementary areas, such as tax and customs administration, privatization, civil service reform, and decentralization, among others.

We believe that good policies and better government require the active participation of civil society organizations, both as advocates and as watchdogs. Public accountability will raise the efficiency and effectiveness of public programs. Madagascar's transformation to a market economy will be more effectively realized with the growth of advocacy groups and coalitions. The participants in the debates should not be limited to the elites. The poor, marginalized populations need also to be empowered to enhance their collective voice in the political process. This Strategic Objective is a blend of democracy/governance and economic growth activities; combined in a way that supports the GOM's goal of "less government, better government".

**SO#2:  
Smaller,  
Healthier  
Families**

Madagascar's high rate of population growth is a major contributor to the country's declining standard of living. The health status of the Malagasy people has declined along with the standard of living. These serious health sector problems have substantial implications for Madagascar's economic and environmental well-being. Strong public and private interventions will be required to reduce human suffering and raise basic health levels which will, in turn, contribute to higher productivity and general welfare. SO#2 contributes to reversing these trends. The Mission's portfolio in this area has expanded from a focus on family planning to a holistic approach to family health which integrates child survival, food security, HIV/AIDS prevention, and disaster preparedness.

Non-governmental organizations have an established track record as health and family planning service providers in Madagascar. They expand access to areas and populations not reached by the public health service. Working with both systems is the core of our strategy delivery. By doing so, we not only reach a larger population, but also encourage local communities and organizations to take the initiative to improve the quality of their lives. Improving the health status of the Malagasy produces two important immediate benefits. First, the amount of human suffering caused by illness and early deaths is reduced. Second, the economic costs of lost production and lower labor productivity are reduced.

**SO#3:  
Unique Biological  
Diversity  
Conserved**

Madagascar is a global biodiversity "hot spot" due to the high levels of species diversity and exceptional endemism which are coupled with high rates of destruction. The scale and intensity of deforestation, soil erosion, and associated declines in soil productivity are enormous. The unique nature of Madagascar's resource base is a national and a world asset. The destruction of these resources deprives the world of untapped biological diversity found only in Madagascar. Madagascar is a natural-resource-based economy where economic production for most households is based on agriculture. Traditional agricultural practices, such as slash and burn cultivation, are consuming the resource base. This puts at risk the productive capacity of the next generation of Malagasy and the sustainability of the country's future economic growth.

This strategic objective fits within the Madagascar National Environmental Action Plan. The emphasis of USAID interventions is protecting the country's unique biodiversity and encouraging a balance between rational resource use and conservation. Protecting the environment in Madagascar calls for a multi-pronged approach. First, policies to guide and regulate resource use must be developed. Second, the institutions responsible for management of natural resources must be strengthened. Third, the incentive structure facing the rural population must change to induce voluntary adoption of environmentally-sound production practices.

Each strategic objective makes direct contributions to achieving the strategy goal. Beyond these direct contributions, the dynamic linkages in environment, population and poverty reduction in Madagascar are reflected in our strategy. The GOM and its donor partners have placed significant emphasis on conserving the island's natural resources, which provide the habitat for its unique flora and fauna. Yet there has been growing awareness that the EP1 did not pay enough attention to the underlying problems which cause environmental degradation.

Our strategy will be implemented under conditions of demographic pressure. Madagascar's population will double in the next generation, no matter how successful fertility reduction programs are. The contribution of slower population growth to preserving the environment and achieving sustainable development needs to be recognized, particularly at the policy-making level. When population grows rapidly, it demands more and more from nature. Most farmers in Madagascar are poor smallholders, and most use extensive land-management practices. The growing population's need for food security and survival leads to environmentally damaging practices such as overcropping, reduction of fallow periods, burning of grasslands and pushing up fragile hillsides and out into biodiversity-rich habitats. Without significant alternative means of meeting local food and income demands, investments in environmental conservation will be undercut. Our environmental strategy needs to be balanced with emphasis on agricultural production and sustainable land use as well as fertility reduction, particularly in areas where population pressure is greatest, which are often far from the protected forests and parks.

But, rural poverty is the stumbling block to intensification and land protection. Poverty is driving destruction of forests and hillsides, pushing population growth and deteriorating the health status of the family. The incidence of poverty exceeds 70%. Thus, the investments we are making to protect Madagascar's unique biodiversity and improve family health will be compromised perhaps to the point of being wasted, unless poverty is gradually reduced.

Overuse and misuse of natural resources, pervasive poverty and rapid population growth combine to damage the environment, compromise health and lower living standards. Thus, our three strategic objectives are mutually reinforcing, so that the total impact is greater than the sum of the parts. One example is the Tany Meva Environmental Foundation. The fully capitalized Foundation will have the equivalent of \$12 million to invest in Madagascar. One SO#1 activity works with the Ministry of Finance and the Central Bank to create new types of financial instruments in which the Foundation could invest. Without the SO#1 activity, the Environmental Foundation is limited to one instrument, commercial bank certificates of deposit, whose rates are not highly remunerative.

A second example in the environment area is property rights. Better natural resource stewardship is based on establishing clear ownership or use rights to property. The "property rights" work being done in our environment portfolio assumes the existence of a legal and judicial system through which enforcement of property rights is assured. Thus, a SO#3 assumption is an SO#1 output. USAID legal and judicial reform efforts under SO#1 will help bridge this major constraint in the environment sector.

The SO#2 and SO#3 Teams have coordinated their spatial planning to take advantage of each others programs. For example, both SO Teams are active in the Fianarantsoa region. This coordination gives the strategy the advantages of "integrated development" projects without the cumbersome management structure and unfocused character which traditionally plagued integrated projects. NGO environment partners working in Ranomafana, Zahamena and Andohahela National Parks are receiving SO#2 family planning assistance in clinics located in the peripheral zones of these parks. In addition, USAID has facilitated active information exchange between SO#2 and SO#3 partners. For example, the National Park Service (ANGAP) and the National Statistics Agency (INSTAT) have linked demographic and environmental data bases which lays the groundwork for combined GIS and census data mapping. The SO#3 project office in Fianarantsoa will become a resource center for business and commercial clients who are interested in census and survey data made available by SO#2 partners. To develop better communication, information exchange and additional linkages between the environmental and family health sectors, a POP/ENV fellow will be placed in Fianarantsoa in mid-1997.

Better governance is a motif that runs through all the strategic objectives. Our institution-building work with dozens of Malagasy public institutions stresses financial accountability, responsiveness to citizens and other clients, adherence to the rule of law, and good management practices. We want these institutions to serve as models and inspiration for the rest of the public sector.

## PART IV. STRATEGIC OBJECTIVE # 1: REDUCED POVERTY

### A. Background and Problem Analysis

Over the last quarter century, the Malagasy people have experienced a marked decline in their average standard of living. Real per capita income fell by more than 40% between 1970 and 1995, making the country among the world's poorest today. Madagascar also suffers from an exceedingly high incidence of poverty. According to recent estimates, about 70% of the total population lives below the poverty line.<sup>1</sup> These dismal statistics are especially disturbing in light of the country's high development potential. Madagascar's diverse and globally unique natural resource base, and its globally competitive labor force offer strong advantages for the launching of sustained growth. Indeed, there is ample reason to believe that with the right set of policies and institutions, Madagascar can follow the path of its smaller but much more successful Indian Ocean neighbor, Mauritius, whose growth-led strategy has earned it a singular reputation among African nations.<sup>2</sup> Lasting and significant poverty reduction in Madagascar depends on the country's ability to launch sustained high growth. To sustainably reduce poverty Madagascar must pursue a strategy aimed at spurring private sector initiative, productive investment, and higher job growth. Combined with increased rural productivity and incomes, increased private investment and job growth are key to sustained poverty reduction in Madagascar.

During the 1970s and early 1980s, Madagascar's policy and regulatory environment discouraged private sector investment and growth. Inward-looking trade and exchange rate policies, heavy state involvement in the productive sector, domestic marketing and price controls, weak legal commercial codes, a repressed financial system, and poor tax administration were among the policies contributing to the nation's dramatic economic decline over this period.

In the early 1980s, the GOM had no alternative but to adopt stringent demand-dampening adjustment policies in order to correct the severe macroeconomic imbalances which resulted from the "all-out" public investment program of 1977-1980. By the mid 1980s, the stabilization measures had succeeded in sizably reducing the public deficit, the current account deficit, and the rate of inflation. It was recognized, however, that stabilization measures alone would not reverse the nation's long-term economic decline. In 1986, the GOM launched a fairly comprehensive set of structural reforms aimed at liberalizing trade and investment and unleashing private sector growth. The reforms included external trade and exchange rate liberalization, domestic trade liberalization, banking reforms and restructuring, privatization, and measures to improve public sector and tax and expenditure efficiency.

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<sup>1</sup>The World Bank, *Madagascar Poverty Assessment*, June 28, 1996, p.12.

<sup>2</sup>See "A half-African success story," *The Economist*, December 14-20, 1996, p. 45.

While implementation of the reform measures was not entirely even, on the whole, significant progress was made.<sup>3</sup> Early evidence of the reform program's success was felt in the late 1980s when, at long last, economic growth exceeded the population growth rate, thus allowing a modest increase in per capita income. In addition, private sector growth increased markedly as shown by the four-fold increase in the private sector's share of total investment over the period 1986-90.

The economic recovery was short-lived, however, as the political turmoil of 1991 put a hold on implementation of economic reform. National strikes and demonstrations during 1991 led to the formulation of a new Constitution in 1992 followed by the country's first free and fair multi-party elections in 1993. While these important events ushered in the transition to an open society and flourishing democracy, until the past two years, the implementation of economic reforms has not been as encouraging. In fact, from 1992-1994, there were several policy reversals, e.g., the abandonment of the open general license import system, overvaluation of the Malagasy Franc, and lax monetary and fiscal policies which caused macro-imbalances to re-emerge. It was these economic policy reversals which earned Madagascar a spot on the Africa Bureau's Watch List in 1995 and contributed to its subsequent designation as a Limited Mission.

Over the past two years, considerable progress has been made in restoring macroeconomic balance and re-charging the structural reform program. In 1995, money supply growth was tightened, and as a result, inflation fell from 61% in 1994 to an estimated 9% in 1996. As discussed in section 1 IV.A.2, the GOM took other important reform measures and in 1996, committed itself to a comprehensive set of stabilization, structural and sectoral policy reforms.

## 1. Statement of the Problem

The fundamental problem underlying Madagascar's high incidence and degree of poverty is the economy's failure to grow at a sustained high rate. Significant reductions in the magnitude and extent of poverty will require sustained high rates of growth. The authors of the World Bank's *Poverty Assessment* calculate that with distributionally neutral growth, a per capita growth rate of 1% will only cause the poverty rate to fall from 70% to 66% over the next ten years, whereas a 5% annual per capita growth rate would reduce the poverty rate to 45% over the same period. The authors contend that only a dramatic shift in policies could yield high enough growth to achieve more rapid poverty reduction.<sup>4</sup>

The *Poverty Assessment* asserts that promoting private investment, both foreign and domestic, will be required in order to achieve sustained high growth in Madagascar. The country currently suffers from an exceedingly low level and rate of investment. In the

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<sup>3</sup>See the USAID/Madagascar CPSP 1993-1998 for a summary of the reform measures. Also see the World Bank, *Madagascar Private Sector Assessment*, May 31, 1995.

<sup>4</sup>*Madagascar Poverty Assessment*, op. cit, p. 45.

1990s, investment comprised between 10-12% of GDP, with private sector investment accounting for less than half of total investment. The median private investment ratio for Africa is almost twice as high and that among the high-performing economies is nearly three times that of Madagascar.

Madagascar's labor force will grow by over 3% per year over the next five years, implying roughly 220,000 new entrants to the labor force each year. Yet, formal sector job growth over the last decade has not come close to matching this rate of increase. Only a large and sustained increase in private sector investment and growth can sustainably generate rapid job creation. Given Madagascar's relatively low-cost, easily-trained labor, with an appropriate policy environment, private investors should be attracted to invest in labor-intensive sectors. Rising labor costs in many Newly Industrializing Economies (NIEs) means that under the right conditions, countries like Madagascar can now forcefully enter the first tier of industrialization, marked by increased competitiveness in labor-intensive light manufacturing industries. To realize this prospect, however, will require a dramatic turnaround in investors' confidence which in turn will require a predictable, market-oriented policy, legal, and regulatory environment.

## **2. Host Country Approach and Commitment**

The time is ripe for Madagascar to launch a bold program aimed at reversing the country's economic decline and initiating sustained high economic growth. The government has in fact already embarked on such a program as reflected in its adoption of the Policy Framework Paper (PFP). Formulated by the GOM in collaboration with the IMF and World Bank, the PFP articulates the Government's overall socioeconomic strategy to launch sustained growth and describes the reform measures which will be taken to achieve specified objectives. In describing the overall approach taken to the reform program, the PFP states: "The Government aims to win public and investor confidence in a liberal and stable economic framework and with an efficient public administration, in order to improve the investment climate and reduce poverty."

Covering the period 1996-1999, the PFP builds on the stabilization and structural reform measures taken by the Government over the last two years. Broadly, these reforms include the liberalization of the Malagasy currency, the lifting of most import controls, tariff reductions, tax reform, and the reining in of inflation.<sup>5</sup> The reforms planned under the PFP are far-reaching and encompass three broad sets of policies: financial policies (including public finance), structural adjustment, and sectoral policies. Poverty reduction is the Government's highest priority, "which it will aim to achieve both through implementation of a strategy for a high and sustainable level of economic growth, and through the

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<sup>5</sup>As discussed in USAID/Madagascar's 1995 Results Report, USAID's activities have directly supported and strongly complemented the GOM/WB/IMF reform program. USAID contributed directly to several significant reform measures achieved in the last three years, e.g., the change in the Central Bank's legal status to make it independent of the Treasury and the shift towards using indirect rather than direct credit controls to manage credit growth.

development of targeted actions in the areas of health, education, and rural infrastructure development."<sup>6</sup>

The recommended measures and timing to implement these bold objectives are ambitious, and the Government is counting on the continued support of its major donor partners to achieve them. The Government and people of Madagascar recently received a major boost of confidence with the signing of the new IMF Enhanced Structural Adjustment Facility (ESAF). While much remains to be done to push the reform process forward, the commitment of the Government and the expectations of the Malagasy people are strongly behind the reforms. This was demonstrated when all of the credible candidates in Madagascar's recent presidential race announced their commitment to maintaining the momentum of the reforms.

### 3. USAID/Madagascar Lessons Learned

- ▶ **Working Under Uncertainty:** Until a new political consensus is formed, it is difficult to sustain economic reforms in the transition to a democratic political system. It is nonetheless possible to strengthen the technical capacity of Government institutions during periods of political uncertainty, and this support can strengthen the foundation for the continued implementation of reforms.<sup>7</sup>
- ▶ **Institutional Change:** USAID experience working with the National Savings Bank to help transform it from a Public Enterprise to an Independent Company has taught us that meaningful institutional change requires changing organizational incentive structures and organizational culture as well as upgrading technical capacities. Technical support for such change can be instrumental, but it is not sufficient in the absence of appropriate incentive regimes.
- ▶ **Targeted Technical Assistance:** Bureaucratic divisiveness can weaken the effectiveness of support for policy reform and institutional capacity building. Under the Third Republic, the primary economic ministries have undergone numerous reorganizations, some of which have created redundancy of

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<sup>6</sup>See the Declaration of Government Strategy for Public Sector Reform, The World Bank, Technical Annex, Public Management Capacity Building Project, Annex A.

<sup>7</sup>USAID's contributions were especially important in the financial sector where support to the Central Bank helped establish the foundation for implementation of improved monetary policy. USAID also made important contributions to improving the quality of poverty analysis in Madagascar, including analysis of the impact of reforms on the poor (under the Africa Bureau's Cornell Food and Nutrition Program). The findings of these and other applied policy analyses have been of considerable value in improving the quality of the public policy dialogue on key economic issues, which helps to explain the strong support within Madagascar for continued USAID support for collaborative economic policy analyses.

function, unclear authorities, or lack of coordination within and across ministries. USAID/Madagascar does not plan to support comprehensive organizational reform, but we can structure our technical assistance activities to ensure the strengthening of staff and institutional capacities within the existing organizational setting. USAID has learned that small amounts of well-placed technical assistance in support of GOM reform can have large pay-offs.

- ▶ **Identifying Allies:** Advancing the concepts of open markets and the rule of law first requires identifying Malagasy allies and then tailoring our support to strengthen our allies' initiatives.
- ▶ **The Novelty of Customer Focus:** The GOM is learning how to transform its institutions into citizen-responsive agencies, but it has little experience and the concept of customer focus, instead of command and control, is really quite revolutionary. The process will take years.

#### 4. Building on Momentum

USAID has been a partner of the Malagasy Government in its effort to improve economic management and reduce poverty. The two institutions with the heaviest responsibilities for economic policy, the Ministry of Finance and the Central Bank, are demonstrating that they can develop and implement a set of economic policies leading to sustained economic growth. The Managing Director of the IMF lauded the Central Bank for its well-executed inflation-fighting monetary policy during a 1996 visit. Both institutions are putting into place control and monitoring systems that will help them manage public assets and adjust policies as necessary.

We have seen a sea change in these institutions' concepts of their obligations to keep the public informed. USAID assistance enabled the Central Bank to add economic reports to its quarterly bulletin and begin publication of an Annual Report. The Ministry of Finance just published the first issue of a new bulletin on tax and fiscal issues. We funded a one-month communications expert consultancy and a workshop for the Technical Secretariat for Structural Adjustment (STA) in 1995. Under her guidance, the STA prepared a structural adjustment communications strategy, now being implemented with World Bank financial support. The STA has organized "Structural Adjustment Days" in all six regional capitals, during which the adjustment reformers get citizens' feedback on the content and impacts of the adjustment program. The value of this public debate has been amplified by the improvements in press reporting supported by USAID journalism training.

The National Savings Bank (CEM) is attracting low and medium-income clients with its improved services. Since we began working with the CEM, its client base has grown by more than 100,000 people, while its deposit base is up threefold. The Ministry of Finance now accepts that it should pay the market rate of interest when it borrows. Previous captive lenders to the Treasury, such as the CEM, now receive a market determined interest rate from the Treasury. With our encouragement, the Treasury and the Central

Bank are working together to diversify the Treasury's sources of funds to reduce the inflationary impact of deficit financing.

Following two years of policy dialogue over the issue of judicial independence in a politically-charged environment, the GOM established a legal reform commission. The establishment of the commission was a condition precedent to our design of a commercial law reform program. The commission is to guide the modernization of commercial laws as an integral part of the GOM's private sector development strategy. The Malagasy court system will receive a substantial budget increase in 1997. For the first time in years, district courts will have funds to purchase operating supplies.

The momentum for positive change is also evident among key NGOs. With modest USAID support, the Malagasy Bar Association held a series of regional conferences aimed at better understanding and articulating the weaknesses in the judicial system. Having canvassed its members, the Bar Association is now engaged in a dialogue with the Government to advance reforms in the areas of pre-trial detention, public defender services, and the costs to citizens of access to the judicial system. With its recent publication of a volume of Supreme Court decisions, for the first time, the Association has begun to provide useful information to legal practitioners. These developments are indications of the Bar Association's growing strength and ability to play a role in the legal reform process.

USAID is highly encouraged by the progress made to date in advancing "best-practice" audit techniques within the public sector. With a relatively small amount of funding, USAID provided training in modern audit methods to auditors at the Court of Accounts and the Office of the Inspector General. The auditors have embraced these new methods and have begun to apply them in the field. The two audit institutions are eager to expand their cadre of auditors trained in the modern techniques. These and other developments are positive signs of the growing momentum for change in Madagascar's policy and institutional environment.

## B. Strategy Presentation

### 1. Strategic Objective # 1 and Intermediate Results Presentation

<p><b>SO#1: Reduced Poverty</b></p>
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USAID/Madagascar's SO#1 is "Reduced Poverty." The rationale behind the choice of this objective has been presented above. The fundamental and most serious problem facing Madagascar is the extreme incidence of poverty. The only way Madagascar can **sustainably** reduce poverty is through sustained high growth. Breaking the poverty and low-growth cycle will require substantial increases in productive investment, with most of the investment growth deriving from the private sector. The Government's own medium-term goal, as specified in the Policy Framework Paper, is to increase the investment ratio (domestic investment as a percentage of GDP) from an estimated 10% in 1996 to 14.5% by 1999 with a concomitant gradual decline in the public sector's share of gross domestic investment.

While USAID obviously cannot achieve SO#1 in the absence of concerted action by the GOM and other donors, we can make a significant contribution by drawing upon our comparative advantage and cumulative expertise. USAID/Madagascar will thus aim to achieve two Intermediate Results, both of which are necessary, though not sufficient, to sustainably Reduce Poverty:

**IR#1.1:  
Expanded  
Access to  
Financial  
Services**

Expanding household and business access to financial services is critical to increasing income security and expanding private investment. As the World Bank's *Poverty Assessment* asserts, "lack of access to bank finance remains a major constraint both for formal sector private firms, as well as for small farmers." The report goes on to stress the importance of developing financial institutions that can effectively serve small savers and borrowers. Under its Financial Market

Development Project, USAID has made significant contributions both in developing the banking sector's capacity to sustainably serve low-income clients and in strengthening the Central Bank's capacity to conduct sound monetary and banking policy.

While important results have been achieved, the needs remain enormous. With this strategy, USAID/Madagascar proposes to continue working towards expanding the poor's access to financial services by a second phase of support to the National Savings Bank (CEM). This support will focus on ensuring CEM's financial integrity and developing additional profitable products. Other planned activities include targeted support to improve the highly deficient payments system in Madagascar. The problem is especially serious in rural areas where the lack of an effective system of exchange inhibits low-income farmers from marketing their surplus.

USAID will also support the deepening of financial markets in Madagascar with a focus on expanding household and business access to medium and long-term credit. Activities in this area will help establish the regulatory framework for introducing and popularizing the financial instruments (e.g., mortgages, marketable treasury bonds, leasing, and corporate bonds) required to channel medium and long-term savings into available credit. USAID will also provide limited support to the GOM to strengthen public finance management, with a focus on ensuring that the Treasury's debt and cash flow management do not destabilize financial markets.

**IR#1.2:  
Strengthened  
Investor  
Confidence**

Rapid growth of private investment will require a large boost in investors' confidence. Prospective investors, both foreign and domestic, need assurance that they will be able to earn a predictable and sufficiently high rate of return on their investment. This, in turn, requires a predictable, non-distortionary policy and regulatory regime and a coherent, consistently applied legal code which strengthens confidence

in the rule of law. Hence, USAID/Madagascar will support the achievement of strengthened investor confidence through credible policies and rule of law.

Working closely with our development partners and customers, USAID will focus on helping improve and update the legal code in four areas: property, finance, company, and labor law. Commercial law reform is required to promote development of the institutions and instruments on which private sector growth depends. USAID will also contribute to the compilation and dissemination of legal texts. These and other activities will help improve the quality of court decisions in Madagascar, and reduce the time taken to adjudicate or otherwise resolve commercial disputes.

USAID assistance will also support activities to better inform the public dialogue on economic and legal issues. This includes strengthening the capacity of Madagascar's civil society organizations to become more effective advocates in the public policy arena. USAID will also support collaborative policy work aimed at improving the information and analytical base for good public policy decision-making. Emphasis will be placed on improving the quality of poverty analysis and on better understanding the impact of policy change on low-income households.

USAID will also continue to support improved public sector financial accountability by strengthening the GOM's public sector audit capacities. Improving the quality and efficiency of public sector audits is critical to improving the integrity and efficiency of public sector agencies, which in turn are needed to engender public and investor confidence in the Government's will and capacity to provide essential public goods and services.

Finally, to strengthen investors' confidence in Madagascar and reduce the country's relative economic isolation, USAID will promote Madagascar's integration into the global and regional economy. Depending on resource availability, USAID will support activities to strengthen Madagascar's effective participation in global and regional trade agreements, to improve the Government and public's awareness of the benefits of increased economic integration and trade liberalization, and to implement improved policies in support of expanded trade and investment.

## **2. Linkage to Agency Strategy**

The SO#1 Results Framework integrates economic growth and democracy/governance objectives and thus directly supports two Agency Goals: 1) Broad-based economic growth achieved; and 2) Sustainable democracies built. Achievement of SO#1 results will lead to strengthened markets (Agency Objective 1.1) and expanded access and opportunity for the poor (Agency Objective 1.2). Activities in support of IR#1.1 (Expanded access to financial services) will increase poor microentrepreneurs' access to formal financial services. Activities to support IR#1.2 (Strengthened investor confidence) will help improve policies, laws and regulations governing markets, and strengthen institutions that reinforce and support competitive markets. For example, USAID support to improve Madagascar's commercial code, court administration, and the dissemination of legal information will help

develop the institutions on which broad-based, market-led growth depends. These and other SO#1 activities also contribute directly to achievement of more transparent and accountable government institutions (Agency Objective 2.4). USAID/Madagascar support to establish a more informed public dialogue on economic and legal issues will help establish improved policies and increased citizen access to government information. This result also comprises support to strengthen the advocacy and managerial capacity of Madagascar's burgeoning civil society organizations, and thus contributes directly to increased development of politically active civil society (Agency Objective 2.3). Support to improve the GOM's audit procedures contributes directly to Agency Objective 2.4. In sum, SO#1 activities and results contribute to both broad-based economic growth and sustainable democracy.

### **3. Critical Assumptions and Causal Relationships**

To achieve the Strategic Objective, Reduced Poverty, a number of conditions must be met. Achievement of the two Intermediate Results discussed above are necessary, but arguably not sufficient for reducing poverty. Moreover, there are a number of conditions which underlie achievement of the two intermediate results. A fundamental condition is that the GOM succeed in its efforts to raise tax revenues through improved tax administration. The dire state of the Government's coffers means that not even the bare minimum of essential public services is being provided at present. While the Government's involvement in directly productive activities must decrease, it must increase its effective provision of veritable public goods and services, especially those which benefit the poor, e.g., higher quality basic education and health services, roads, and other infrastructure critically needed for private sector growth. This can only be achieved if the GOM's revenue enhancement goals are met. Increasing budgetary resources is also critical to ensuring that the Government's support to the institutions which we aim to help is sufficient, e.g., support to the court system, and staff support for better economic analysis.

Another assumption is that the GOM will succeed in establishing a coherent structure for making and implementing economic policy. This will require efficiently organizing and directing its economic management team which is currently spread over four different ministries. Much will depend on how quickly the newly elected government installs its administration and the capabilities and commitment of the economic ministers and associates in advancing the reform process.

There are also some conditions which apply more broadly across our entire portfolio, e.g., the requirement that other donors continue to support Madagascar's reform efforts, and that the transition to democracy and concomitant politicization does not de-rail the economic reform program. As discussed in IV.A.2 above, however, there is strong reason to believe that once a new administration is installed, the reform program will move forward regardless of which candidate wins the election.

#### **4. Other Donor Complementary Activities**

There are two World Bank projects which are most relevant to USAID's work in the area. The recently approved Public Management Capacity Building Project aims to support strengthened economic management. Thanks to joint planning, this project's component objectives and planned support are highly integrated with USAID objectives and activities. For example, the project's support for legal and judicial reform will include establishing a new school for the training of judges and lawyers. Support will also be provided for the publication of legal texts. These and other planned activities strongly complement USAID's program of support for legal and judicial reform. USAID will provide technical assistance for the revision of key legal codes, support for the compilation and dissemination of law, some targeted training, equipment support for courts outside the capital, and support to develop alternative dispute resolution to speed the handling of commercial disputes. The two donors working together towards common objectives with Malagasy partners can achieve much quicker and more significant results than without the other's support.

There are many other examples where the two donors' support is highly complementary. For example, the Bank is providing equipment and technical assistance to the National Statistics Agency to support work on the National Accounts and the Household Survey, two surveys which are very important to the poverty analysis work supported by USAID in collaboration with the National Statistics Agency (INSTAT) and Cornell University. Aimed at better understanding the impact of policy change on the poor, the USAID/INSTAT/Cornell work will demonstrate the policy-relevant value of good statistics and economic analyses.

The other World Bank project which is highly complementary to our ongoing and planned activities is the Private Sector Support Project. This planned project will support privatization, improved tax and customs administration, and activities to support private sector development, e.g., promoting partnerships between foreign and local medium-sized enterprises, encouraging private sector input into public policy formation, and developing a private sector support fund. These Bank-supported projects address an important need and will complement our planned and ongoing activities.

If the reform process continues on track and the World Bank's Structural Adjustment Credit is approved, several planned activities supporting the reforms will be activated by the French Cooperation Agency. Perhaps of most relevance is the planned project to improve the efficiency of tax and customs administration. As noted previously, improving the efficiency of tax administration is of critical importance to the entire reform effort. While the IMF and World Bank are providing some assistance in this area, more assistance is certainly needed.

#### **5. Expected Results and Impact**

If the critical assumptions discussed above hold, USAID expects to achieve significant results which will contribute substantially to the reduction of poverty in Madagascar. Over the five-year period beginning in FY 98, USAID expects to contribute to expansion of Madagascar's financial sector, with particular emphasis on increasing services to low-

income clients. USAID expects the ratio of broad money to GDP to rise steadily, indicating both a broadening and deepening in the country's financial development. We expect to see a growth of services to low-income clients, specifically an increase in the number of clients and savings accounts at the National Savings Bank. In addition, USAID will introduce and popularize at least two new financial instruments that will help channel medium term savings into medium term credit (and investment). USAID will also design and launch a new payments system for Madagascar which will enable small and medium farmers and traders to receive and make monetary payments.

USAID will also help reform legal codes in four important areas with the aim of making these codes clear, internally consistent, and enforceable. The modernization of Madagascar's commercial laws is expected to boost investor confidence by strengthening the basic institutions (e.g., property rights and contract enforcement) on which expanded private commercial activity depends. Better dissemination of compiled law and legal information to key institutions will ensure the development of a more qualified, knowledgeable cadre of legal professionals.

We also expect to contribute significantly to the development of a more informed public dialogue on economic and legal issues. By the year 1999, 20 Malagasy civil society organizations should be institutionally equipped to advocate effectively on behalf of their constituents. The quality of public policy dialogue will be raised, especially on issues relating to poverty reduction and household welfare. The public and Government will have a better understanding of the characteristics of poverty and the impact of policy changes on the poor. In addition, a set of low-cost, easily measured poverty indicators will be developed and monitored regularly by the National Statistics Agency.

The financial management of public sector entities will be strengthened significantly through the application of improved public sector audit procedures. Strengthening the financial integrity of government agencies will in turn raise taxpayers' willingness to meet their tax obligations and strengthen the public and investors' confidence in the government's ability to responsibly manage public funds.

The groundwork will be laid to increase Madagascar's integration into the global and regional economy. The public and Government officials will have an increased awareness and appreciation of the benefits and requirements of increased integration, and the Government will have demonstrated its commitment to expanding Madagascar's global and regional economic integration. Proof of this commitment will include implementation of the trade and investment reforms specified in the *Policy Framework Paper*, increased compliance with WTO provisions, and increased participation in regional trade agreements, e.g., COMESA, the Cross Border Initiative, and the Indian Ocean Initiative. Increased integration implies reducing barriers to trade and investment and harmonizing domestic policies in accordance with international standards, all of which are critical to strengthening investor confidence in Madagascar.

## **6. Results Monitoring**

USAID will monitor progress towards achievement of results using an efficient, yet illustrative set of performance indicators. The proposed set of indicators are shown in Part VII. Targets are given for those indicators which relate to activities which have already begun or for which funds have been obligated. Estimates are given for some of the other targets, but some are left "to be determined." We will establish specific targets once we have a firm idea of resource levels.

In setting targets and monitoring results, USAID will work closely with its development partners to ensure joint ownership of the results and corresponding targets. To sustain results and monitoring, we strive to use data which are already being collected by our counterparts or for which regular collection is planned. For example, a USAID advisor and his counterparts at the National Statistics Agency are working to establish a set of "quick" poverty indicators, whose collection can be easily regularized and used to fill in the data and informational gap between household surveys.

## **7. Sustainability**

All SO#1 activities are implemented with a prepossessing view towards sustaining results. This is primarily because USAID-supported activities almost always involve substantial and genuine collaboration with Malagasy partners. While there is often a trade-off between achieving short-run results versus long-run sustainability, USAID attaches higher weight to sustainable results than to immediate results that have less chance of yielding longer term benefit. For example, our support to the Central Bank is aimed specifically at strengthening the capacity of mid-level staff to conduct sound, policy-useful analysis of economic data. Similarly, support to the National Savings Bank aims to strengthen the institution's prospects of sustainably expanding its services and client base. USAID work to strengthen poverty analysis in Madagascar is implemented by the Malagasy National Statistics Agency with U.S. technical assistance supporting efforts to institutionalize policy-relevant poverty analysis.

## **PART V: STRATEGIC OBJECTIVE # 2: SMALLER, HEALTHIER FAMILIES**

### **A. Background and Problem Analysis**

#### **1. Statement of the Problem**

Despite improvements in a number of health indices in recent years, Madagascar continues to face serious health sector problems with substantial implications for its economic and environmental well-being. Madagascar's current population of 13.9 million will double in less than 25 years if the current annual growth rate of 2.8% is not slowed. Nearly one in six of these children will not live to see his fifth birthday. Nearly a million children are chronically malnourished, well over half of the under-five age group. Recent studies indicate that 45% of Malagasy women currently have a sexually transmitted infection (STI), a frightening statistic in a country where AIDS has arrived but not yet gained a strong foothold.

Fully two thirds of births to Malagasy women are classified as high risk, with increased chance of mortality for the mother or infant. Birth intervals of less than two years and adolescent pregnancy are the single greatest factors underlying elevated risk. For instance, one in three adolescents gives birth before reaching the age of eighteen, and these newborns are twice as likely to die as a child born to an older mother. Only 53% of newborns are exclusively breastfed, and this figure drops to 17% by the age of six months. Full child immunization is 43%, one in five children has received no immunizations by the age of one, and only 29% of diarrheas are treated with oral rehydration solution.

The public sector and NGOs provide services at approximately 2,400 health facilities nationwide, but quality of services is often below standard and basic medicines and supplies are frequently in poor supply. Although the number of sites providing family planning services has quadrupled since 1992, access to services remains unacceptably low. Both public and local NGO capacity to plan and manage effective programs is weak, particularly with regard to financial and administrative management and strategic planning. At the national level, family planning programs benefit from a strong national policy and a national management information system. Child survival policies, however, are not fully articulated, and the information system is weak.

#### **2. Host Country Approach and Commitment**

The GOM has demonstrated a strong and growing commitment to health sector programs. The Ministry of Health (MOH) is the major provider of health services in Madagascar, operating a network of some 2,000 outpatient health facilities, 22 hospitals and 8 specialized institutions. Approximately 65% of the population is estimated to live within a 5-kilometer radius or about one-hour walking distance of an MOH facility. NGOs are the other major provider of health services, operating approximately 320 facilities nationwide.

Public sector spending on the health sector has increased steadily as a share of GOM expenditures, from 5% in 1988 to 8% in 1994. The GOM's FY 1997 budget identified rehabilitation of the basic health care system as one of its highest priorities. Expenditures for drugs are capturing an increasing share of all health spending, up from 6% in 1988 to 11% in 1993. This is a positive development in light of the drug shortages experienced in most public health facilities. The distribution of health sector resources is skewed, however, with one of the poorest regions, Fianarantsoa, receiving only 14% of the public health expenditure although it accounts for 19% of the population.

The GOM has provided strong support for the national family planning program, commencing with a national Population Policy developed and approved in 1991. More recently, In 1996, the MOH, in collaboration with sector partners and the donor community, developed a national strategy for the health sector. The health sector strategy demonstrates strong national leadership and a strong commitment to quality programs and international standards.

The GOM has taken the lead on four major initiatives that demonstrate exceptional commitment to strengthening the national program through national policy and program coordination. First, the MOH has embarked on an institutional reform program directed to decentralization of program planning and management. Based on a 1993 Decree, program management will be devolved from six medical regions to 111 districts. Thirty districts have been identified to participate in the first wave of system strengthening and rehabilitation beginning in 1997. Second, the GOM has worked closely with the donor community to establish a national drug management unit responsible for purchasing and supplying the public sector program. The first drug purchase under this system took place in 1996. Third, although there is no formal cost recovery program in place, the GOM has voiced its willingness to implement a countrywide cost recovery program, and studies are currently underway to inform this decision. Fourth, the MOH has worked closely with sector partners and the donor community to develop a Master Plan for achieving sector targets contained in the National Health Strategy. The Master Plan, currently in final draft, will be presented and ratified by the MOH, donors and sector partners during 1997.

### **3. USAID/Madagascar Lessons Learned**

The USAID/Madagascar health sector program, initially focused on family planning, participated in the 1995 **Worldwide Performance Audit of Family Planning Programs**. The final audit report, published in 1996, noted that the Madagascar program had surpassed its targets for five of eight program performance indicators. Since 1994, USAID/Madagascar has strengthened its support for child survival programs, and has fully integrated Title II food aid into its health sector program. USAID's five years of health sector experience in Madagascar provides a strong foundation for future implementation based on program successes and lessons learned. These are:

- ▶ **Systems Strengthening:** Systems strengthening is a critical and mandatory factor for successful program implementation. Strengthening the capacity of public and private sector organizations to plan and manage quality programs

is a key to longer-term implementation success. USAID has financed systems strengthening, particularly financial and administrative management, as a complement to technical resources. Funding has been contingent on managerial competency, often delaying initial implementation. Nevertheless, USAID currently finances over 30 public, parastatal and NGO programs managing family planning, child survival and HIV/AIDS prevention programs. Systems strengthening will remain a focus for the HPN program.

- ▶ **Use of Multiple Channels:** Rapid program expansion has been made possible by the decision to work with both the private and public sectors, basing resource programming decisions on institutional capacity to manage programs. Resources were initially targeted to the private sector to take advantage of existing capacity to plan and manage programs. Since the program began, USAID has worked closely with many of the 30 NGOs represented in ASSONG, the Association for Family Well-being. More recently, USAID has programmed resources through the public sector. Program-wide efforts will continue to give first priority to organizations demonstrating existing capacity to plan and manage programs.
- ▶ **Alternative Delivery Systems:** Careful targeting of scarce services to high demand groups employing alternative delivery systems has proven highly effective. Factory-based programs and community-based distribution have proven particularly effective venues for expanding family planning service delivery. Adolescents have been identified as a focus for future program efforts and channels for reaching this target group are currently being explored.
- ▶ **Quality is Key:** Quality must remain a top priority as services expand rapidly. Preliminary findings from a nationwide family planning situation analysis indicate that quality may not be keeping pace with improved access. Future program efforts will shift the implementation focus from rapid expansion of new sites to ensuring quality at existing sites.
- ▶ **Behavioral Change Communications:** Communications efforts must be carefully targeted, with positive behavior change as the ultimate objective. When the family planning program first got underway, access to services was extremely limited, yet fully 70% of women stated a desire to limit or space births. Early diarrheal disease prevention messages promoted locally-manufactured rehydration salts, but local production was discontinued. A 1996 survey revealed that traditional nutrition messages are doomed to failure because they bear little relation to the family's ability or willingness to change. Each of these examples demonstrates a situation in which generalized messages would have proven useless, if not harmful. Behavior Change Communication (BCC) is a program-wide objective.

- ▶ **Complementing Service Delivery with Community Interventions:** Community and family level messages and interventions must complement service delivery for child survival and food security efforts to prove successful. Use, and sometimes knowledge of high impact child survival preventive measures -- immunization, oral rehydration therapy, infant and child feeding practices, recognition of danger signs -- is extremely low in Madagascar. Messages and interventions targeted to the household and community can have an impact independent of the health services delivery system. USAID's future child survival strategy will feature a strong community-level focus complementing select service delivery system interventions. The Title II food aid program will be community-based and feature child survival messages and interventions.
  
- ▶ **Data for Decision-making:** Data collection and analysis is most effective when coupled with program decision-making and creating a broad-based constituency. USAID has played a leadership role in strengthening national capacity to plan surveys and analyze survey data, including the 1993 National Census and the 1992 Demographic and Health Survey. Survey findings are disseminated to program planners and decision-makers, influentials and media representatives during workshops focused on enhanced program planning and decision-making, health sector media coverage, and building broad-based support for the program.
  
- ▶ **MIS as a Powerful Tool:** Development of a strong national Management Information System (MIS), including a strong contraceptive logistics management component, has proven critical to monitoring and improving management of family planning programs. In the future, USAID may use its comparative advantage in logistics management and MIS to provide targeted assistance to the national drug supply logistics system and development of the health MIS.
  
- ▶ **HPN Program Integration:** The health sector program in Madagascar began with a strong focus on family planning. Child survival and HIV/AIDS prevention have come to represent an increasing share of total program resources, and program-wide integration has become increasingly important. Improved integration of family planning, child survival and HIV/AIDS prevention is an SO#2 objective.
  
- ▶ **Partnerships Work:** Involving sector partners and the MOH in development of the Results Framework, and ongoing strategic planning and decision-making has strengthened consensus and improved program-wide collaboration and coordination. The MOH employed USAID's core values as a reference point when articulating the 1996 national action plan for family planning. Both the family planning and child survival programs were featured as models for the New Partnership Initiative in the 1996 final report for Madagascar. Future efforts will build on this strong, sector-wide, participatory forum.

#### 4. Building on Momentum

► **Positive Implementation Environment:** SO#2 is operating within an exceptionally positive implementation environment. The GOM provides increasing financing support, has embarked on a program of decentralization, and is favorable to cost recovery. The MOH has demonstrated exceptional technical and managerial leadership in developing a sector strategy and guiding development of a Master Plan that will promote program coordination. The ten donor organizations supporting health sector programs meet monthly to promote program coordination and discuss sector issues.

► **Strong Program Foundation:** Over the past four years, USAID has focused on laying a strong program foundation through strengthening capacity to plan and manage programs; gathering and disseminating quality data; providing targeted technical assistance and commodities; examining constraints to behavior change at the community and family level; building a strong constituency; and identifying policy constraints. The strong implementation environment combined with the solid foundation means that future program financing may well meet with even higher returns per dollar invested. GOM and USAID's shared vision was confirmed by signature of the Mission's first Strategic Objective Agreement in late FY 1996.

► **Family Planning Success:** The family planning program has made tremendous strides, with the number of service sites increasing four-fold, from 150 in 1992 to approximately 600 in 1996. Estimated contraceptive prevalence has more than doubled, from 5% to over 10%, during that same time period. Capacity building partnerships have been established with over 30 public and private sector organizations to make these advances. USAID's efforts are concentrated in Fianarantsoa and Antananarivo regions, which together account for 50% of the total population. In Fianarantsoa, a Regional Committee composed of representatives from the public and private sectors, including NGOs, screens all family planning proposals submitted within the region. A representative of environmental organizations in the region is a permanent member of this committee. This mechanism provides a unique opportunity for inter-sectoral coordination.

► **Child Survival Comes on Stream:** The child survival component of SO#2, in full implementation for less than a year, is based on a strategy that combines targeted policy development and service-delivery system intervention with a strong community focus. USAID has played a leadership role in national policy development for Integrated Case Management of Childhood Illness and a comprehensive National Nutrition Policy. SO#2 supports expansion of Madagascar's National Immunization Program in collaboration with UNICEF. At the community level, SO#2 is an Africa and Global Bureau focus site for testing an internationally recognized "minimum package of nutrition interventions." Madagascar is an ideal site for these tests as over half of the under-five population, nearly a million children, is chronically malnourished, and malnutrition is a factor in over 50% of infant and child mortality. The findings from Madagascar will inform child survival programs worldwide.

► **Title II Integration:** USAID/Madagascar's Title II food aid program deserves a special highlight as a model of future food aid programming. Prior to 1996, food resources were distributed through a non-targeted, facility-based program. Beginning in 1996, the local Cooperating Sponsor, Catholic Relief Services (CRS), initiated several revolutionary changes in its program. CRS has agreed to target food resources to malnourished children age two and under and to progressively transfer food distribution and screening for malnutrition to the community level. With complementary USAID grant funding, CRS is presently adding a strong child survival component at the community level, and local contributions support community health agents. Title II, including its performance indicators and targets, has been fully integrated into SO#2.

► **Data Investments Bring High Returns:** SO#2 has played the lead role in strengthening Madagascar's survey and data analysis capacity through its support for the 1992 Demographic and Health Survey (DHS), the 1993 National Census, and the upcoming 1997 DHS. USAID has been highly effective not only at disseminating data, but has trained a cadre of 50 managers and decision-makers to use these data for program planning and management. In late 1996, USAID sponsored a workshop for 20 Malagasy journalists, which has already resulted in over 100 print articles and periodic television spots on important sector topics, as well as an informed corps of journalists for disseminating future information.

## B. Strategy Presentation

### 1. Strategic Objective # 2 and Intermediate Results Presentation

**SO#2:  
Smaller,  
Healthier  
Families**

USAID/Madagascar SO#2 addresses the health needs of the Malagasy family, specifically the family planning, child survival and HIV/AIDS prevention needs of women, their partners, infants and children. SO#2 will contribute to a healthier population and an average family size more consistent with Madagascar's socio-economic objectives. This strategy will be implemented at five levels -- family, community, health center,

institution and policy environment -- each of which has a direct impact on the individuals and families who ultimately make health and fertility decisions. Each of these levels is linked to one of SO#2's five Intermediate Results.

The family is at the heart of the SO#2 results framework and strategy. All other Intermediate Results planned under SO#2 feed into or support the family level outcome: the ability of individuals to make healthy decisions for themselves, their partners and their children.

SO#2 will support the increased use of family planning, child survival and HIV/AIDS prevention services and products by providing accurate information about services and where to get them and by providing partial financing for contraceptives, vaccines and condoms. USAID will finance the formative research and focus group research required for

**IR#2.1:  
Healthier  
Behaviors and  
Practices**

Behavior Change Communication (BCC). The objective of BCC will be improved practices across the health sector: more men and women seeking family planning services and choosing appropriate methods; fewer rumors; improved infant feeding, maternal nutrition and diarrheal treatment; increased immunization coverage; improved caretaker ability to recognize and respond appropriately to the signs of childhood illness; increased use of condoms to prevent STIs; and better spousal

communication regarding reproductive health. SO#2 will work closely with the MOH to encourage development of a standard package of child survival BCC messages for use nation-wide.

**IR#2.2:  
Communities  
Engaged in  
Health and  
Food Security**

SO#2 will reach the community level through the use of alternative delivery systems such as community based distribution, outreach, community health workers, and social marketing of contraceptives and condoms. SO#2 will examine the potential for social marketing of antibiotics for sexually transmitted infections (STIs) common to men and women. The USAID-financed program will identify community-level organizations, such as fraternal organizations and women's

clubs for channeling information to specific target groups and community decision-makers. Youth groups and video clubs offer unique opportunities for reaching adolescents with family planning and HIV/AIDS prevention messages at the community level.

Although malnutrition is a complex problem with no single cause, community-level awareness and participation enhances the ability of parents and caretakers to improve child nutrition. Under SO#2, food aid distribution and screening for malnutrition will take place at the level of the community, rather than at facility-based distribution sites. Community health workers will be trained to provide education and counseling related to maternal and infant health and nutrition, and to refer clients to health centers for clinical services. CRS will phase out its school feeding and general distribution programs, adding these resources to the maternal child health feeding program, and targeting food to children age two and under, the group at highest risk.

SO#2 will design and seek approval for a Title II food aid monetization proposal targeted to the urban poor in Fianarantsoa and Tamatave, two of Madagascar's most food insecure regions. The monetization proposal will be jointly developed by three international PVOs operating in Madagascar and the proceeds of monetization will be used to finance community-based programs to improve local food security.

SO#2 will increase the number of public and private-sector health centers providing quality family planning, child survival, STI screening and treatment, and HIV counseling services to individuals. For family planning, SO#2 will expand the number of equipped sites providing family planning services, and will train health personnel in clinical and management skills. Training and equipment will be provided to increase the proportion of

**IR#2.3:  
Increased Access  
to Quality  
Health Services**

sites offering long-term methods such as Norplant, vasectomy and mini-laparotomy. Quality of services will receive increasing attention: to ensure that family planning clients receive the best information and care possible; to improve customer satisfaction; and to decrease program rumors and drop-outs.

SO#2's support for child survival services will increase the number of immunization sites with refrigerators, ultimately improving national immunization program coverage. Integrated Management of Childhood Illness (IMCI) will result in more competent and comprehensive screening of child illness as clinicians are trained in this WHO-endorsed approach. USAID and UNICEF will combine financial and staff resources to test and promote a "minimum package" of six nutrition messages on breastfeeding, complementary feeding and micro-nutrients, and test interventions at the health center level such as the Baby Friendly Hospital Initiative and improved counseling during well-baby consultations.

HIV/AIDS prevention efforts at the health facility level will focus on improved identification and treatment of STIs. The SO#2 strategy will combine the three interventions most appropriate to a country with high STI prevalence and low HIV prevalence: condom social marketing; Behavior Change Communication; and STI prevention and treatment. To get this program launched as quickly as possible, initial efforts will focus on integrating STI screening and treatment services at a small number of existing family planning service sites and improving the quality of services at existing STI screening facilities. Madagascar has a national network of 15 STI screening centers, and SO#2 will initially target resources to those STI screening centers in the six cities with highest HIV prevalence.

**IR#2.4:  
Improved  
Institutional  
Management**

SO#2 will continue USAID's strong support for capacity building within health sector institutions, including the Ministry of Health, local NGOs, U.S. PVOs, and private sector firms. Institutional capacity to plan and manage quality programs is a key to longer-term implementation success. Systems strengthening, particularly improving financial and administrative management, will complement technical resources. SO#2 will build on earlier work to finalize and disseminate minimum management packages: a set of management tools and guidance corresponding to the varying needs of health centers, referral centers, district headquarters and regional headquarters. These management packages will be made available to and adapted for SO#2's health and HIV/AIDS prevention programs.

To further enhance synergies between the family planning and environment programs, USAID will place a Population Environment Fellow in Fianarantsoa in early 1997. This placement will provide a unique opportunity to test and define optimal strategies for implementing family planning programs that enhance USAID's environmental strategy in Madagascar.

SO#2 will continue to refine and adapt the national family planning Management Information System (MIS) and ensure that the MIS is installed and operational at new program sites. USAID will provide targeted technical assistance to the MOH and other donors in the development and implementation of a national integrated health, population and nutrition MIS. SO#2 has played a lead role in the development of a functional contraceptive logistics management system for Madagascar, and will build on this system to ensure that condoms for the nation's HIV/AIDS prevention program are readily available and well managed. SO#2 will also provide carefully targeted technical assistance to the national drug management center and network to ensure that the essential drug logistics system is well managed and that the contraceptive and essential drug logistics systems are integrated to the maximum possible extent.

Data from the Malagasy National Census, the Demographic and Health Survey and other studies and operations research will be the focal point of regional and district-level workshops targeted to program planners and decision-makers. These workshops will have a dual objective: to disseminate program data and, more importantly, to train program managers to use data for strategic planning, decision-making and evaluation.

In 1996, SO#2 worked closely with the Office of Foreign Disaster Assistance, OFDA, to define disaster preparedness priorities for Madagascar. Building on this assistance, SO#2 will work with OFDA's division of Prevention, Mitigation and Preparedness to strengthen the capacity of the Madagascar's National Emergency Committee (CNS) to improve disaster preparedness and response. Given the high degree of food insecurity and the frequency of droughts and cyclones in Madagascar, SO#2 plans to improve the national database for disaster response and strengthen the capacity of the CNS to mobilize local resources, and respond quickly and effectively in the event of a disaster. In addition, USAID will use its influence as a permanent member of the National Disaster Response Steering Committee (CRIC) to promote disaster to development linkages.

**IR#2.5:  
Supportive  
Policy  
Environment**

SO#2 will play a major role in the future health and well-being of Madagascar with a focus on addressing policy gaps and weaknesses. The policy environment for family planning programs is strong, and USAID will continue to work with other donors to ensure high-level support. SO#2 will lobby to have contraceptives added to the national list of essential drugs, and to lower or remove duties on contraceptives

destined for the private sector.

SO#2 will support the development of national policy guidance for Integrated Management of Childhood Illness, adapted to the local context, and will support refinement of national policies for breastfeeding, and Vitamin A and iron supplementation. Building on these revised nutrition policies, USAID will work closely with the MOH and other donors to define a "minimum package" of standard nutrition and child survival messages for health programs nationwide.

SO#2 will finance the development and dissemination of national standards for syndromic management of STIs. USAID will also support development and dissemination of the AIDS Impact Model to promote increased awareness of and support for HIV/AIDS prevention among decision-makers and leaders both within and beyond the health sector.

Finally, SO#2 will educate and inform representatives of the media on health sector issues and successful message development. Past work with the media has proven highly successful, and USAID has identified and trained a cadre of local journalists. SO#2 will capitalize on this strong foundation to ensure the broadest possible media coverage for health sector issues and topics.

## **2. Linkage to Agency Strategy**

USAID/Madagascar's health sector objective, *Smaller, Healthier Families*, contributes to the achievement of two of the Agency's goals: Agency Goal 3: World's population stabilized and human health protected in a sustainable fashion; and Agency Goal 5: Lives saved, suffering reduced and development potential reinforced.

SO#2 supports Agency Goal 3 through interventions which improve family planning, child survival, and HIV/AIDS prevention programs in Madagascar. The majority of SO#2's program activities are focused on expanding the availability, quality and use of sustainable family planning services. Other SO#2 activities focus on developing or strengthening systems to build local family planning service capacity and improving the host country policy environment for the acceptance, expansion and adoption of family planning services and practices.

USAID/Madagascar's child survival activities are focused on transferring technology and skills to build local health capacity; increasing the quality and use of child health services; and improving the host country environment for the expansion and adoption of child health services. Since malnutrition is a chronic problem in Madagascar, the Mission's child survival efforts are also directed towards improving the nutritional status of children under age five. These efforts include adding a developmental component to a traditional Title II program, community-based nutrition education, and support for the baby-friendly hospital initiative.

USAID/Madagascar will also contribute to the achievement of a sustainable reduction in HIV/AIDS transmission among key populations through interventions which improve and expand availability, quality and use of STI prevention and treatment services; build local capacity to carry out programs; and promote the adoption of HIV/AIDS prevention policies, services and practices.

IR#2.4 supports Agency Goal 5 through disaster prevention, mitigation and preparedness and activities promoting food security. Madagascar is beset by both cyclones and droughts which jeopardize the country's food security. In response, IR#2.4 supports strengthening the capacity of Madagascar's National Emergency Committee to mobilize local resources and improve its ability to prepare for and respond quickly and effectively to disasters. USAID also holds a permanent position on the National Disaster Response Steering

Committee and uses this position to influence both policy and programmatic decisions regarding disaster preparedness and response. Finally, IR#2.2's Title II food aid monetization program will target two of the most food insecure regions in Madagascar, Tamatave and Fianarantsoa, to mitigate the repercussions of persistent food shortages in these two areas.

### **3. Critical Assumptions and Causal Relationships**

- ▶ Increased use of family planning, child survival, nutrition and HIV/AIDS prevention services and healthy behaviors will result in smaller, healthier families;
- ▶ Providing decentralized services at the provincial and district levels is the most appropriate means for addressing demand for services and clients will be willing and able to contribute to the cost of accessible, appropriate, quality services;
- ▶ The GOM, supported by the donor community, will not decrease the current funding level for sector services and will continue its support for the National Population Policy, Integrated Management of Childhood Illness, decentralization and reform of pharmaceutical procurement, and SO#2 implementation;
- ▶ Communities and NGOs play a central role in the health and well being of families and community and NGO participation is essential to successful interventions;
- ▶ An environment supportive of the private sector, including NGOs, will result in an increase in the availability of services and a reduction in the demand placed on the public sector; and
- ▶ Close coordination between the GOM, donors, the private sector, including NGOs and other implementing partners is essential to national-level impact.

### **4. Other Donor Complementary Activities**

Numerous bilateral and multilateral donors and NGOs actively support HPN priorities in Madagascar. USAID is the principal donor in family planning, plays a key role in child survival and has provided strong leadership in articulating HIV/AIDS prevention priorities. Representatives of all donors active in the health sector meet on a monthly basis to coordinate activities, discuss sector issues and exchange information.

Table 5.1 presents a summary of donor activity and focus supporting Madagascar's health sector. In addition to the donor activity shown in Table 5.1, WFP provides food aid to drought-prone areas in the south of Madagascar and many sector donors provide limited support for disaster preparedness and relief, under the leadership of the UNDP. WHO provides strong technical leadership for the sector and sponsors the UNAIDS advisor to the national AIDS Control program, and supports the expansion of family planning services and other activities directed to youth and adolescents, population education, IEC/communications, and data collection.

UNICEF supports a wide range of child survival activities. UNICEF provides financing and technical assistance for the national immunization program, Madagascar's baby friendly hospital initiative, nutrition programs, and is presently financing health system strengthening and the introduction of cost recovery (Bamako Initiative) at 80 sites nationwide. UNICEF has both BCC and AIDS specialists on staff and is actively engaged in national AIDS prevention planning and programming. UNICEF has also collaborated closely with USAID staff to develop survey instruments that provide data comparable to the DHS. A Memorandum of Understanding with UNICEF is under development. It will define collaboration between USAID and UNICEF to improve breastfeeding, complementary feeding, micro-nutrient programs and the minimum nutrition package.

## **5. Expected Results and Impact**

At the strategic objective level, SO#2 activities will support a reduction in the Total Fertility Rate (TFR) for Madagascar. High Level Indicators for family planning and child survival include increased Contraceptive Prevalence Rate (CPR) and increased full immunization coverage.

### **Expected Results Year 2002:**

- ▶ 1,000 fixed sites providing services.
- ▶ CPR of 24%.
- ▶ Full immunization coverage will increase to 80% and the percentage of immunization sites in the cold chain will increase to 74%.

**Table 5.1**  
**Other Donors in the Health Sector in Madagascar**

Area/Activity	IDA	EU	UNFPA	UNICEF	France	Switz.	GTZ	WHO
<b>Child Survival</b>								
Basic Health Sves	X			X				
Child Nutrition	X			X				
Sick Child Mgt	X			X				
Malaria	X			X				X
Immunizations	X			X				X
Polio	X			X				X
Tetanus	X			X				X
Diarrheal Diseases	X			X				X
Resp. Infections	X			X				
Adolescent Health			X					X
<b>Reproductive Health</b>								
Family Planning			X				X	
Contraceptives			X				X	
Maternal Health	X		X	X	X		X	
STD Dx & Rx	X		X		X		X	X
HIV/AIDS Prevention	X		X	X	X		X	X
Policy Reform	X		X	X	X			
<b>Health Planning &amp; Management</b>								
Mgt & Planning	X	X	X	X	X		X	X
Mgt Info System	X	X	X	X	X		X	X
Logistics Mgt	X		X	X	X		X	
Drug Supply Mgt	X			X	X	X	X	X
Health Finance	X	X		X	X	X	X	
Facility Rehab	X		X	X	X		X	
Food Aid	X	X				X		
Disaster Relief		X		X	X	X		X

- ▶ The Title II food aid program will make a successful transition to a targeted, community-based approach supported by community health workers at 336 sites (100% of program sites) nationwide. SO#2 will successfully support the development, ratification and dissemination of national policies for Integrated Management of Childhood Illness and Nutrition.
- ▶ A strong social marketing network will be delivering more than 3,000,000 condoms nationwide annually.
- ▶ Indicators and targets for HIV/AIDS and STI prevention are in the final stages of development.

SO#2 supports localized child survival programs implemented by Peace Corps, Catholic Relief Services and CARE affecting over 100,000 children age five and under in 385 communities and sites nationwide. Each of these programs will conduct a representative baseline and final Knowledge, Practices and Coverage (KPC) survey containing the full range of child survival indicators for measuring site-specific impact. Impact surveys will be conducted by CARE, CRS and Peace Corps during 1999, and reported by SO#2 once impact data are available.

## **6. Results Monitoring**

Performance will be monitored through service statistics routinely reported through the national family planning Management Information System (MIS) and by child survival sector partners, supervision of service providers, and surveys conducted by USAID and other donors, including the UNICEF Multi-Indicator Cluster Survey (MICS) and the Demographic and Health Survey (DHS). It is expected that USAID contractor staff will include a logistics and MIS expert, a USAID-based TAACS who will manage program-wide results monitoring, and an FSN MIS expert to ensure the integration of new technologies and coordination with other donors, partners and the GOM.

Baseline data and targets in the Performance Monitoring Plan matrix in Part VII are subject to revision as more reliable data become available.

## **7. Sustainability**

To sustain and expand the provision of preventive services, SO#2 will continue to institutionalize, through training and follow-up, a standardized "management package," including financial management systems, within participating public and private sector organizations. Forty percent of SO#2 resources are currently directed to the private sector, including NGOs. SO#2 will continue to direct resources to the private sector to reduce demand placed on the public sector.

SO#2's focus on Behavior Change Communication and community participation in food security and health reflect a strong commitment to program sustainability.

Fertility and health decisions are made by individuals living and working within the context of their community. Sustainable, health-directed decisions can only arise when the change required is one the individual is willing and able to make. SO#2 will continue to work within the spheres of the family and the community to promote sustainable healthy behaviors and use of services.

The GOM's health sector policies, including decentralization, an assured supply of essential drugs, willingness to embark on cost recovery, leadership in the development and evolution of a health sector strategy, and national level coordination of the health sector program, are strong factors supporting long-term sustainability.

## **PART VI: STRATEGIC OBJECTIVE # 3: UNIQUE BIOLOGICAL DIVERSITY CONSERVED<sup>8</sup>**

### **A. Background and Problem Analysis**

#### **1. Statement of the Problem**

Madagascar and unique are synonymous. Madagascar is the single most important biodiversity conservation priority in Africa and among the globe's top five due to its combination of high species diversity, exceptional levels of endemism, and the degree of threat. The wildlife of Madagascar evolved over 160 million years of isolation from the African continent which gave rise to a spectacular array of originality among plants and animals. Although Madagascar occupies less than 2% of Africa's total land area, it is home to a quarter of all African plants. Overall, 80% of its flora and fauna are found nowhere else on Earth with some taxonomic groups including reptiles and amphibians being over 95% endemic.

Unfortunately, Madagascar is also noted for its high degree of environmental degradation. The island was once covered with extensive forests, interspersed with a mosaic of woodlands and savannah. But now, from every possible perspective--photographs from the space shuttle to vast clouds of smoke hovering over burnt pastures and cleared forests--it is clear that every living thing is suffering the effects of deforestation. Too many hoofstock animals (goats, sheep and cattle), too many fires (to burn pasture or clear forest for agriculture) and too many people (a growth rate of more than 2.8%) provoke and sustain the spiral of natural, social and economic degradation that this special place is forced to endure.

Between 500,000-700,000 acres of natural forest are cleared annually for slash-and-burn agriculture. The area covered by primary natural forest has declined from about 25% of total surface in 1950 to less than 15% today. Natural forest cover will disappear completely within 25 years if current trends continue. This trend also results in a rapid loss of an estimated 200 tons of topsoil per hectare each year. Deforestation, bush fires and extensive cropping of marginal lands are removing the ground cover necessary to keep the highly erodible soils of the country in place. Such direct destruction of habitats threatens not only the continued existence of thousands of species but also watersheds and soil stability which are vital to increase agricultural productivity to feed the expanding population. Per-capita consumption of rice has declined from a high of 175 kg/year in the 1970s to the present level of about 120 kg/year, barely enough to meet the basic caloric needs of the population. In the

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<sup>8</sup>The USAID/Madagascar Environment Program Strategy and its results framework was developed over a year-long planning process which included representatives of NEAP executing agencies, other GOM ministries (Agriculture, Finance), USAID contractors, and international and national NGOs. The results of this process, contained in "USAID/Madagascar Environmental Program Strategy FY 1996-2001 in support of the Madagascar Environmental Action Plan, Phase 2" have been extensively used in the preparation of this Natural Resource Strategy.

absence of adequate community and household food security and stagnant agricultural productivity, forest conversion has become a means of survival. Under such circumstances, natural resources are being depleted rapidly.

This heavy footprint of humanity is eliminating vital habitats critical for the survival of innumerable plants and animals. How many thousands of species will disappear without science ever being aware of their existence? The rosy periwinkle is but one plant only found in Madagascar used in the treatment of childhood leukemia which has garnered \$1.0 billion in cumulative sales for U.S. drug companies. How many other plants, insects and animals may hold the key to curing major diseases? How much economic value is lost from these depleted wildlife resources which could provide alternative sources of income to Madagascar's rural poor in the form of fruits, nuts, honey and other non-timber forest products? In rural Madagascar, poverty is the enemy to the maintenance of the unique array of plants and animals. The rural poor need more options to use their natural resources in a sustainable manner.

Therefore, ensuring the widespread protection of Madagascar's biodiversity cannot be achieved unless the accompanying issues of land use and agricultural production are addressed as well. The ultimate battle to protect Madagascar's biodiversity will depend on agricultural production away from the forest, the provision of employment alternatives which draw the growing rural population off the hillsides, and a reduction in family size. At the same time, Madagascar will need to take urgent steps to protect valuable biodiversity in existing national parks and forests.

## **2. Host Country Approach and Commitment**

When the Government of Madagascar realized how devastated their landscape and wildlife were becoming, they embarked on the development of a national environmental conservation strategy. To draw attention to the many severe environmental problems facing Madagascar and to respond to them, the GOM prepared a National Environmental Action Plan (NEAP) in 1988, inviting the participation of a large group of donors, international agencies and NGOs. Clearly recognizing the link between environmental protection and economic development, the overall objective of the NEAP is to assist the Malagasy people to protect and improve their environment, while concurrently working for sustainable national development and economic growth. In 1990, the NEAP was given legal power by the adoption of the National Environment Charter and the National Environmental Policy (Law 90-033, December 21, 1990). The NEAP consists of six programs to be implemented over a 15 year period:

- ▶ Protect and manage the national heritage of biodiversity, with a special emphasis on parks, reserves and natural forests, in conjunction with the sustainable development of their surrounding areas;

- ▶ Improve the living conditions of the population. In rural areas, this is being done by improving the protection and management of natural resources, in particular watershed protection, reforestation, and agroforestry. In urban areas, the focus is on improving water supply and sanitation, waste management and pollution control;
- ▶ Promoting environmental education, training, and communication;
- ▶ Developing mapping and remote-sensing tools to improve natural resources and land management;
- ▶ Conducting environmental research on terrestrial, coastal and marine ecosystems; and
- ▶ Establishing mechanisms for managing and monitoring the environment.

Since 1988 with the development of the NEAP, the GOM continues to demonstrate a strong and growing commitment to the environment sector in spite of the transition from dictatorship to democracy which created political and economic uncertainty. The GOM worked closely with EP1 donors and local and international implementing NGOs. In January 1996, the GOM created Tany Meva, Madagascar's first Environmental Endowment Foundation, and endowed it with \$6 million equivalent of local currency. A second GOM capitalization of \$6 million is planned in 1997. In addition, the GOM has agreed to finance 20% of all operating costs related to the National Environment Office (ONE) starting in 1996, a major step in financing GOM environmental institutions which have traditionally been financed completely by donors. The GOM has approved the creation of a Forestry Fund from timber cutting fees to support community forest management, which is directly related to sustainable financing of the forestry sector.

On the policy front, the GOM has recently passed an NGO law (November 1996) recognizing the legal status of NGOs and a natural resources management law (September 1996) which creates and clarifies the rights of individuals and communities with respect to real property access, ownership and management of natural resources. Both of these laws are critical to the sustainable management of the natural resources sector in Madagascar.

### **3. USAID/Madagascar Lessons Learned**

USAID has worked in partnership with the GOM and the donor community from the initial preparation of the fifteen-year NEAP, through EP1 (1991-1996) implementation and the design of EP2 (covering 1997-2001). USAID provided a total of \$86 million to support EP1 to create a national institutional and policy framework for the environment, test approaches to sustainable resource management and biodiversity conservation such as integrated conservation and development projects (ICDPs), increase involvement of communities in natural resource management and work with

them to identify sustainable alternatives to destructive practices.

The Malagasy developed EP2, the second phase of the NEAP, through an intensive participatory preparation and planning effort that included numerous national and regional workshops to assess EP1 and define options and priorities for EP2. This intensive review, carried out with USAID participation, brought to light a number of lessons which needed to be factored into both the EP2 and future USAID interventions. These were:

- ▶ Education is key to making the Malagasy people more aware of the uniqueness and importance of their natural heritage. Not enough attention was paid to environmental education messages of wildlife protection and sustainable use of resources.
- ▶ Integrated conservation and development projects (ICDPs) in the peripheral zones of parks demonstrated the importance of the linkage between conservation and development in order to alleviate the poverty which exacerbates the spiral of environmental degradation. While the approach is valid and the ICDPs served as an excellent testing ground for various approaches, the ICDPs are not a sustainable answer as they are too costly for the limited population reached. Proven strategies and activities must be focused, cost effective, professionalized and expanded within a larger landscape to effectively address the pressures on the natural resource base.
- ▶ Community participation in natural resource management is a key to success of any conservation movement.
- ▶ Too little emphasis was placed on finding technical and economically feasible alternatives to traditional methods of natural resource use by Malagasy farmers.
- ▶ EP1 paid inadequate attention to agriculture despite Madagascar's agrarian crisis and its clear relationship to environmental degradation.
- ▶ The private sector was not sufficiently involved, nor were private sector incentives emphasized to promote private sector involvement.
- ▶ Modern sectoral environmental policies were developed by ONE, but not implemented.

Drawing on these lessons learned from EP1, the multi-donor/GOM EP2 design included improved consideration of social and cultural dimensions; better integration with the ongoing decentralization process; improved emphasis on customer focus to address immediate needs; and better integration with other sectoral activities particularly in

the area of regional rural development and economic growth. As a consequence, EP2 will (a) expand conservation and development activities beyond national parks into a regional landscape approach focused on identifying and protecting biological corridors; (b) identify key areas for agricultural intensification in order to address the growing agrarian crisis using the private sector as a catalyst; and (c) include a new coastal zone management and marine resources component which was absent in EP1. The final phase (EP3) of the NEAP will further deepen ongoing activities and institutions while integrating environmental concerns into macro-economic management and sectoral programs.

USAID's biodiversity strategy has incorporated these EP1 lessons learned and EP2 design changes as follows:

**a. Broader Landscapes:** USAID is developing a broader regional development and conservation strategy focused on protecting biodiversity rich habitats and linking protected areas and other non-protected areas with high levels of biodiversity through biological corridors and watersheds. This has the potential to reach larger populations and to address threats and opportunities in broader landscapes than existing protected areas.

**b. Proven Technical Interventions:** USAID and its partners will develop a short-list of proven technical interventions which increase agricultural productivity and/or reduce destructive agricultural systems and focus on the widest extension of those interventions.

**c. Partnership with the Private Sector:** We will explicitly include the private sector and private sector incentives in the program, particularly ecotourism and commercialization of sustainable agricultural activities. We will work to develop public-private partnerships to improve technology development and diffusion.

**d. Sectoral Policy Application:** Each sectoral policy study developed in EP1 will be reviewed for technical and administrative feasibility with specific sectoral ministries responsible for implementation. Working closely with each technical ministry, procedures and regulations for implementation of each will be developed that are feasible, economic and necessary.

**e. Sectoral Integration:** We are explicitly including agriculture and family planning results in our environment program as part of our broader, regional strategy.

#### **4. Building on Momentum**

**Positive Implementation Environment:** SO#3 is operating within an exceptionally positive implementation environment. A common vision of EP2 is shared among the Malagasy, donors and implementing partners. The GOM provides increasing financing support, has embarked on a program of increased local participation in natural resource management and is favorable to cost recovery mechanisms such as the

National Forestry Fund. The Malagasy have clearly taken over the driver's seat from the donors in EP2. Malagasy ownership of natural resource conservation at all levels is evident.

**National Institutional Framework for the Environment:** Great strides have been made to create national institutions capable of formulating and implementing environment policies and management practices which protect biodiversity and improve sustainable management of the environment with SO#3 resources.

- ▶ **National Environment Office: ONE,** a new institution starting from ground zero, formulated policies for tourism, energy and industry and legislation was enacted for rigorous environmental impact assessment of investment projects, the equivalent of the U.S. National Environmental Policy Act. ONE demonstrated exceptional leadership in developing EP2.
- ▶ **National Forestry Service:** The increased ability of the National Forestry Service (DEF) to formulate global and sectoral policy and sound management practices is evident. DEF formulated a new forest policy which decentralizes forest management, rationalizes multiple use forest management plans and logging permits, revises stumpage fees to reflect the replacement value of timber harvested and reactivates the National Forestry Fund for reinvestment in forest management.
- ▶ **National Parks Service:** A National Parks Service (ANGAP) was created from scratch and adopted a long-term institutional vision "to establish, conserve, and manage in a sustainable manner a network of National Parks and Reserves representative of the biological diversity and the natural environment unique to Madagascar". ANGAP is developing management plans for a system of 39 national parks and reserves (with 5 more in the process of classification) in collaboration with national and international NGO field operators and local populations. Direct management of these parks will be progressively transferred during EP2 from the operators to ANGAP. ANGAP has already assumed direct management of 7 parks.
- ▶ **First Foundation Created and Capitalized:** Landmark legislation was enacted enabling creation and capitalization of the first private Malagasy foundation, an environment foundation called "Tany Meva" or "Beautiful Country." A totally new development concept in Madagascar, the Tany Meva will be the model for foundations in other sectors. It will be fully operational in 1997.
- ▶ **Modern NGO Code:** A participatory process in which 300 Malagasy NGOs provided input and feedback resulted in the reformulation of a new NGO law which meets the needs of both local and international NGOs.

- ▶ **First Digital Maps:** Partnership between the U.S. Geological Survey and FTM, the Malagasy National Mapping Agency, produced Madagascar's first digital maps. These 1:500,000 map series are the first standardized base-line data which will be invaluable to environmental and regional development efforts.

**Partnership with Local Communities:** A key strategy in conserving biodiversity in national parks and reserves has been working with local communities living in the peripheral zones to involve them in the management of natural resources and provide them with alternatives to destructive practices. New legislation was passed permitting natural resource management by empowered local communities. Public-private partnership contracts have been negotiated which detail management responsibilities and rights as well as providing for local community use of revenues. Communities are benefitting from ecotourism serving as local guides, selling handicrafts and receiving 50% of national park entrance fees. As a result, local communities realize for the first time the direct link between conservation and increased incomes. In addition, private sector involvement has stimulated vibrant small business and increased employment and income as alternatives to abusive use of natural resources. Improved agricultural techniques, such as intensive rice-based production systems, agroforestry, crop rotation, vegetable and other food crop techniques have provided local populations with increased food production while serving as sustainable alternatives to the destructive practice of slash and burn.

**Private Sector Leadership:** Although the GOM has not developed a coherent agrarian policy, nor explicit land-use policies, the private sector response to agricultural liberalization under structural adjustment, particularly in the non-traditional areas, has been highly positive. Liberalization and diversification of agricultural production and marketing has increased profit opportunities. Increased profits have generated increased investment and agricultural reflows despite low overall economic growth. Private sector agriculture leadership is expected to continue and expand in the future.

## **B. Strategy Presentation**

### **1. Strategic Objective #3 and Intermediate Results Presentation**

**SO#3:  
Unique Biological  
Diversity  
Conserved**

USAID/Madagascar SO#3 addresses the global concern to conserve Madagascar's unique biodiversity heritage by reducing natural resources depletion, and finding a balance between rational resource use and conservation. SO#3 contributes to the achievement of USAID/Madagascar's overall development assistance goal of "Broad-based Sustainable Economic Growth" by conserving the resource base upon which the productive capacity of the next generation of Malagasy and the sustainability of the country's future economic growth depend.

SO#3 will work within the framework of the NEAP, in partnership with the GOM, other EP2 donors, NGOs and local communities to achieve four Intermediate Results.

**IR#3.1:  
Improved  
Management of  
Critical Biodiversity  
Habitats**

The sustainable management of the biological resources and ecosystems incorporated within the national parks and the classified forests systems is critical to biodiversity conservation. Conserving these critical biodiversity habitats is essential to maintain the integrity of the biologically diverse ecosystems which are home to Madagascar's unique species.

***National Parks System:*** SO#3 will expand progress attained during EP1 in establishing national park management and ecotourism systems and procedures insuring ANGAP's (1) smooth transition into a National Park Service with an initial focus on the eleven Category A parks, and (2) integration into local, regional and national economic development planning to provide a transition from sustainable resource development and exploitation of peripheral zones to broader local, regional and national landscapes.

**Expected Results:**

- ▶ **Strengthened Park Management Systems:** Basic operational systems established, appropriate delegation of authority to local park managers, key personnel trained and in place; multi-purpose park management plans being implemented; effective technical support to parks from at least two regional ANGAP offices.
- ▶ **Ecotourism:** Guidelines established which encourage and are compatible with private sector ecotourism near Category A parks. These guidelines validated via execution of at least two investment agreements. Monitoring systems established to assess the impacts of tourism in and around four high-use parks.
- ▶ **Peripheral Zones:** Increased community knowledge and understanding of the value of the natural resources in and around the parks through environmental education outreach programs, the use of environmental interpretive centers, and new employment opportunities from ecotourism.

Sustainable environmentally-positive development efforts initiated under Phase I ICDPs will be refined, professionalized and extended on a more cost-effective basis using more local NGOs capacity to provide a transition from the ICDP to the regional approach for up to four priority parks.

- ▶ **Regional Approach:** ANGAP contributing to planning and execution of local, regional and national sustainable development approaches to ensure that strategies reduce unsustainable exploitation of resources.

***Classified Forests System:*** SO#3 will continue the momentum of EP1 to enhance the capacity of DEF, the National Forest Service, to (1) promote and improve the sustainable management of classified forest resources by local populations, (2) deepen the legal and regulatory framework for community forest management, and (3) increase the number and size of biodiversity habitats incorporated into protected area status.

**Expected Results:**

- ▶ **Forest Management Plans:** Model forest management plans prepared and implemented in selected classified forest sites with local DEF cadre trained to work with local communities to encourage community based forestry management schemes.
- ▶ **DEF Cadre:** DEF has a core qualified, trained cadre including Nature Protection Agents (APNs) to: (1) provide the necessary technical input for multi-use forest management plans; and (2) train DEF field officers in how to work collaboratively with local communities in preparing and implementing forest management plans.
- ▶ **Use of Forest Fund:** At least 50% of Forest Fund monies collected from stumpage fees being used to increase DEF community forest management capacity at field locations.
- ▶ **Conditions and Tools for Local Resource Management:** Appropriate legal and regulatory framework for community management of natural resources established, increased national capacity to train participants at all levels in community management of renewable resources.

**IR#3.2:  
Sustainable  
Use of Natural  
Resources in  
Broader Landscapes**

Land area that is not officially protected is also essential for conserving biodiversity and is a critical base for sustainable development. These areas encompass most of the world's biological resources. If they are poorly managed, non-protected species are lost or endangered and neighboring protected areas risk becoming isolated islands and suffering inevitable degradation.

SO#3 will support the integration of biodiversity conservation with sustainable development in a biological corridor much larger than a protected area. This integration will highlight both the geographical links between ecosystems and regional development activities in areas of high agricultural potential, as well as the implications for biodiversity conservation of policy actions and activities in other sectors in the corridor.

At its heart, the regional approach is based on the fact that poverty alleviation needs to be a key part of the environmental strategy -- rural poverty is the enemy of intensification and land protection, hence widespread rural poverty is directly and

indirectly driving destruction of forests and hillsides. Poverty also exacerbates the dilemma by keeping population growth rates high. There are critical time and scale elements in this strategy. It must respond quickly enough for poor peasants on the margin of survival. And it must make substantial numbers of smallholders better off, rather than just reaching pockets of people in the buffer zones around forests. The rural development path suggested is: (1) intensify production in the valley floors and lower hillsides, and (2) protect the land through anti-erosion investments on hillsides and upper watersheds. Intensification will require much more fertilizer and manure use, and roads and jobs to generate cash to help buy agricultural inputs and to sell the products. Land protection will require extension and cash to hire labor and greater valley yields to buy breathing room to make more investments.

The program will examine whether selected community actions and incentives by government, the private sector and NGO entities can be stimulated which will combine to reduce pressures on biodiversity corridors and increase environmentally-desirable economic opportunities in landscapes larger than protected areas; and judge whether this approach is sufficiently successful and cost-effective to be applied in similar landscapes elsewhere in Madagascar. It will also encourage development and application of key technical interventions which individually or as coordinated inputs will both conserve natural resources and contribute to increased agricultural productivity. These interventions should a) increase productivity per land unit and/or b) reduce slash and burn agricultural practices and other extensive, resource-depleting, agricultural systems. The private sector, NGO and existing government programs will provide or stimulate use of these technologies.

#### Expected Results:

- ▶ **Regional Planning and Coordination:** An established low-cost process for compilation and sharing of natural resource and economic data for regional and local use in planning and coordinating activities among donors, NGOs, government and private sector entities that leads to improved coordination of actions.
- ▶ **Sustainable Economic Growth:** Environmentally-desirable economic and employment opportunities (e.g. investments) will be stimulated via government-private sector-NGO collaboration in the region, significantly reducing pressure on threatened or poorly used natural resources. Economic threats to forests and other natural resources, emanating from well beyond the threatened area will be successfully addressed and reduced.
- ▶ **Agro-ecological Technologies:** Focusing on a short-list of relatively simple agro-ecological innovations will improve the natural resource management and agricultural practices of a significant population in the landscape area.

**IR#3.3:  
Domestic  
Financial  
Mechanisms  
Mobilized**

Sustained sources of financing for biodiversity conservation are critical to increase the sustainability of indigenous institutions to support sound natural resources management under the NEAP. SO#3 will promote the development of independent, flexible and sustained sources of domestic financing such as user fees, green taxes, and grant-making foundations with endowments as well as strengthen financial management of key

Malagasy NEAP institutions.

**Expected Results:**

► **Financial Sustainability:** Sustainable financial mechanisms established for targeted NEAP executing agencies which permit autonomous institutional financial operations.

- a. DEF: Stumpage fees and improved National Forest Fund procedures increase revenues for community forestry management.
- b. TANY MEVA: Domestic and international resources attracted for endowment and grant making; effective sustainable financial management of grant - making operations.
- c. ANGAP: Use of tourist fees, green tax, ecotourism concession fees, window for private corporate donations at Tany Meva or establishment of separate trust.
- d. ONE: Use of Environmental Impact Assessment (EIA) fee for EIA staff requirements.

► **Effective Financial Management in Malagasy NEAP Institutions:**

- a. Further development and consolidation of effective financial management procedures focusing on gradually decentralized systems and service provision at the regional and local levels and financial transparency.
- b. Annual reviews of performance-based institutional indicators and financial audits.

**IR#3.4:  
Supportive  
Environmental  
Policies and  
Procedures**

Building on-going Malagasy human and institutional capability to formulate and implement essential environmental policies and procedures is critical for biodiversity conservation. SO#3 will continue the work initiated under EP1 to support the compilation, analysis and dissemination of natural resource and economic data for local use in planning and coordinating activities; monitor that investments and activities undertaken in EP2

are fulfilling their objectives; and ensure good exchange of information and communication among the different partners supporting SO#3 activities through use of internet and other improved communication methods.

**Expected Results:**

► **Environmental Policies**

- a. Key sectoral policies developed and in use (tourism, forests, energy, agriculture, water).
- b. Elaboration of policy analyses and agreement on policy action for specific and/or crosscutting issues (e.g. rural development, brushfire, tavy, mangrove and reef protection).
- c. Design and use of market-based mechanisms to complement the regulatory approach, such as taxation, quotas, licensing, etc for the exploitation of natural resources, particularly genetic resources.
- d. Adoption of key rural development and agriculture policies with a focus on liberalization.

► **Environmental Impact Assessments (EIAs)**

- a. Complete the development and application of EIA procedures at the national level.
- b. Enhance the manpower and institutional capacity of ONE and other selected entities to effectively implement EIA procedures for evaluating investment activities in Madagascar.

► **Information for Decision Making :**

- a. Establishment of technical units with functioning geographical information and analysis systems within targeted national and regional institutions so that data collection and management can be carried out by the individual organizations for planning and programming purposes.
- b. Improved monitoring and evaluation reporting systems which are used to report on the results of activities in the field, lessons learned, and update the baseline data set in a regular and coordinated manner.
- c. Information exchange among government, donor, NGO and private sector entities that leads to improved coordination of actions through the use of internet and other leading information technologies.

## **2. Linkage to Agency Strategy**

SO#3 supports the Agency's Environment Goal 4, specifically Objective 4.1, Biodiversity Conservation and Objective 4.5, Sustainable Natural Resource Management. The Agency biodiversity strategy is elaborated in the USAID Policy and Strategy for Biodiversity Conservation (draft) and targets a number of key approaches which are outlined in this document. Most importantly, SO#3 integrates biodiversity conservation solidly within the overall sustainable development goals of the Agency. This placement enables the Mission's biodiversity conservation program to examine natural systems in a larger landscape context and to better address the causal factors involved in biodiversity loss.

The biodiversity program will work (1) in and around protected areas (national parks and classified forests); and (2) in broader (regional) landscapes using a biological corridor approach for biodiversity conservation. This broader landscapes approach will demonstrate innovative approaches for managing forest and agricultural areas with an emphasis on local community participation and more sustainable use of natural resources for conservation and agricultural production. In addition, at the national level, it will support the development and application of essential environmental policies and procedures; the creation and utilization of sustainable financing mechanisms for targeted institutions that includes improved financial management capacity; and the use of information management and analysis for program planning, monitoring and evaluation. National level institution and policy level strengthening interventions will directly affect the success of the regional program implementation.

## **3. Critical Assumptions and Causal Relationships**

The overall development hypothesis of the USAID environment and natural resource program is that depletion of Madagascar's natural resource base can be reduced by changing the enabling policies, institutions, incentives, and other conditions so that government agencies can provide conservation-related public services and so that resource users have the authority and incentives to manage their own resources in a sustainable manner. The second hypothesis is that such an approach to protect the country's biodiversity can succeed only within the broader context of the GOM's growth and poverty alleviation strategy. A final hypothesis is that, if presented with economically and culturally viable alternatives, small farmers and other resource users will adopt those alternatives and abandon environmentally destructive production methods and systems.

Environmental outcomes are the by-product of land use management and production decisions. In the absence of a land management and agricultural production policy, there is no viable resource conservation policy, because how people utilize forest resources depends on how they manage land and production options. Therefore, the environmental strategy needs to integrate rural development and smallholder land management on farmland and open access lands.

Resource sustainability requires changing behavior on the part of millions of Malagasy, including the way in which people perceive and manage resources -- incorporating long-term objectives into the short-term calculus of resource users. It has been shown both here and elsewhere in Africa that this is possible to do, but it requires focusing on those enabling conditions that affect user behavior, and requires the flexibility to address the differences faced over the diversity of economic practices and ecosystems found in Madagascar.

#### **4. Other Donor Complementary Activities**

The NEAP provides an overall framework for the intervention of international donors in the environmental sector in Madagascar. Donor support for the first phase of the NEAP totaled about \$150 million and another \$150 million has been pledged by bilateral and multi-lateral donors for EP2. The World Bank is providing institutional support to key NEAP institutions and funds for micro projects to address the problems of soil and water conservation. The Swiss government has been instrumental in the development of the new forest policy, and with the German government, will promote its implementation within the Malagasy Forest Service. UNDP has been active in biodiversity priority setting and will support targeted parks and forests through funds from the Global Environment Facility. The French government provides primary support for establishing an effective environmental information management system. Donors such as the Dutch, German, Norwegian governments are providing support for the implementation of interactive conservation and development activities.

Unlike the environmental sector, there is no cohesive donor-GOM strategy in the agricultural sector. However, the French are active in agricultural research, UNIDO in non-traditional exports, World Bank in policy liberalization for a market economy and the European Union (EU) in primary and secondary roads. USAID's farm-to-market road program has benefitted from \$1.1 million in support from Japan, and \$1.2 million from the EU. USAID has worked closely with UNIDO and Germany on non-traditional agricultural exports promotion including organic products, essential oils and spices. Looking to the future, the World Bank's new Country Assistance Strategy includes plans to "...bring together central and local government units, rural citizens, the private sector and other donors to jointly define a rural development strategy."

#### **5. Expected Results and Impact**

If the critical assumptions discussed above hold, USAID expects to achieve significant results which contribute substantially to the conservation of the unique biodiversity of Madagascar. Over the five year planning period, USAID expects to significantly improve sustainable natural resource management and biodiversity conservation in critical habitats and broader landscapes in Madagascar, increase the size and number of critical habitats incorporated into protected areas, and establish a national enabling environment of policies, institutions and financial mechanisms which balances needed growth, environmental protection and sustainable resource use necessary for NEAP

program success.

By 2001, the number of hectares in protected status will increase by 620,000 ha. to 1.8 million ha. or 10% of all forested areas in Madagascar, a significant increase from the 1.18 million ha. currently under protected status. Over the next five years, as part of EP2, we will directly support ANGAP's, maturation from a central coordinating body for protected areas to a national park service. With USAID support DEF, the Malagasy Forest Service, will improve their management of classified forests with direct participation of the local populations.

USAID will work with the GOM to turn their current environmental policy law into a functioning and implementable regulation with operational environmental units in major technical ministries. We will work with the National Environment Office to ensure that environmental assessments be a regular process for investment decisions in Madagascar. At least two large capital investment projects a year will pass through environmental review compared to the current zero. Increased availability and use of environmental information for decision making will support an enabling environmental policy arena to balance economic growth and meeting subsistence needs with biodiversity conservation and habitat protection.

By 2001 community participation in regional planning for resource use will be the modus operandi. In addition, local communities will have access to markets and alternative sustainable agricultural practices such as improved seeds, green manure technology, organic processing techniques to replace the destructive slash and burn agriculture system so prevalent in most of Madagascar. User association groups will be used extensively in rural development efforts. Private sector will be the key to all local extension and intensification efforts. The groundwork for participatory development in natural resources use and management will be firmly in place.

## **6. Results Monitoring**

Performance and impact will be monitored under indicators routinely reported through the NEAP program which is managed by ONE. Currently ONE is tracking 110 indicators for EP2. In addition, USAID indicators will be built into SO#3 implementation and collected through the SO#3 MIS system. It is expected that USAID implementing organizations will include MIS experts in their programs and that a USAID FSN MIS expert will ensure the integration of the new technologies and coordination with other donors, partners and GOM. Intermediate Result 4 is expected to directly address performance and results monitoring.

## **7. Sustainability**

To increase the sustainability of indigenous institutions to support sound natural resources management under the NEAP, SO#3 will continue to develop the program, policy and budget planning, monitoring, evaluation and implementation systems; and the management and administrative systems of NEAP institutions through training and

"best management practices" particularly financial management systems. In addition, IR#3.3 will directly address financial sustainability issues by working with various organizations to increase resource generation capacity and use of these resources to develop a constant financial stream.

## **PART VII. PERFORMANCE MONITORING PLAN**

The Mission will be managing for results. The foundation of the managing for results system is the management information system (MIS) of each strategic objective. The MIS is first and foremost a management tool for the Mission. Each MIS is a compilation of information obtained from contractors, grantees, the GOM and other sources.

Semi-annual reviews of program impacts will be held by the Mission in conjunction with the R4 process. The entire Mission will play an active role in the ongoing implementation reviews and monitoring, evaluation and reporting process in that each SO team will develop its MIS and assure that Mission management is aware of the both implementation status and progress in achieving results. MIS is the link between activity inputs and the results we are committed to achieving. Each SO team will have a full-time MER specialist. The team specialists will be supported by the Mission's MER expert.

The data set in the MIS will be sufficient to monitor progress at the activity level. The indicator tables which comprise most of this section are illustrative of the data we will collect and analyze. Our precision is a function of our experience in each of the sectors. As such, some of the indicators are well defined and have been part of the Assessment of Program Impact system for several years. Others are more tentative. These will be refined after the strategy is approved and we have more fully engaged our GOM counterparts.

## SO#1: Reduced Poverty

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
1. Proportion of people below the poverty line <sup>1</sup>  <i>Source: World Bank Poverty Assessment, 1995</i> <i>Source for updating: INSTAT</i>	1993/ 1994	70.3%	TBD	TBD	TBD	TBD	TBD	TBD
2. Number of Wage-earners <sup>2</sup>  <i>Source: CNAPS (National Social Security Fund), Projection</i>	1995	337,393	441,000	502,000	572,000	657,000	759,000	880,000

### Comments/Narrative:

1. With World Bank support, the National Statistics Agency (INSTAT) will conduct a biannual household survey using the 1993/94 household survey as a baseline. The next surveys are planned for 1997 and 1999. (See indicator corresponding to IR#2.3) With USAID support, INSTAT and Cornell will develop a simple model for projecting poverty reduction targets based on varying growth scenarios.

2. This figure only includes formal sector employment which comprises roughly 7.5% of total employment. We consider it important to track formal sector job growth since poverty alleviation depends on rapid job growth. The targets were derived from the investment growth targets given in the PFP and assuming that one job is created per \$8000 of new investment. We expect to be able to gender disaggregate these employment figures.

**SO#1: IR#1.1 - Expanded Access to Financial Services**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<p>1. Ratio of broad money (M2) to GDP</p> <p><i>Source: Central Bank of Madagascar and IMF Documents</i></p>	1996	17%	17%	18%	19%	20%	21%	22%
<p>2. Banking system's credit to private sector/GDP</p> <p><i>Source: Central Bank of Madagascar and IMF Documents</i></p>	1995	11.5%	10%	10.5%	11%	11.5%	12%	13%

**Comments/ Narrative:**

Targets based on those provided in the "Request For Arrangements Under The Enhanced Structural Adjustment Facility," with exception of last two years.

**SO#1: IR#1.1 - Expanded Access to Financial Services**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<b>1. Expanded Low and Medium-Income Household Access to Financial Services</b>  <b>a. Deposits and number of clients at the National Savings Bank</b>  - Deposits (FMG Million) - Number of Clients  <i>Source: CEM</i>	1992 1992	13,006 254,770	38,000 428,000	TBD	TBD	TBD	TBD	TBD
<b>b. Deposits and number of clients at the Postal Checking System (CCP)</b>  - Deposits (FMG Million) - Number of Clients  <i>Source: Central Bank Bulletin</i>	1995 1995	7,936 38,348	TBD	TBD	TBD	TBD	TBD	TBD
<b>2. Expanded Household and Business Access to Medium and Long-term Credit:</b>  Ratio of Medium and Long Term Private Credit to Total Credit  <i>Source: Central Bank</i>	1995	26%	TBD	TBD	TBD	TBD	TBD	TBD

Comments/Narrative:

1-2. Targets to be determined in collaboration with partners at CEM, CCP, and Central Bank

**SO#1: IR#1.2 - Strengthened Investor Confidence**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<p>1. Gross Domestic Investment as percent of GDP</p> <p><i>Source: PFP (Policy Framework Paper)</i> <i>Source for updating: SPPM, IMF</i></p>	1995	10.8%	12%	13.2%	14.5%	16.2%	18%	20%
<p>2. Share of Private Investment as percent of GDP</p> <p><i>Source: Policy Framework Paper</i> <i>Source for updating: SPPM, IMF</i></p>	1995	4.9%	5.2%	6.1%	7.3%	8.6%	10.3%	12.5%

Comments/Narrative:

**SO#1: IR#1.2 - Strengthened Investor Confidence**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<p>1. Legal Framework Improved in Four Areas:</p> <p>a. Legal code revised and modernized in four areas: Property, labor, finance, and company laws<sup>1</sup></p> <p><i>Source: Ministry of Justice, Primature: Direction de la Législation et du Contentieux, Bar Association</i></p> <p>b. Percentage of legal practitioners with access to basic laws and texts</p> <p><i>Source: Ministry of Justice, Primature de la Législation et du Contentieux, Bar Association</i></p>	1996	0	0	2	4	-		
	1996	50%	-	-	-	100%		
<p>2. Quicker Resolution of Commercial Cases: Time lapsed between the filing and resolution of commercial court cases</p> <p><i>Source: See comments<sup>2</sup></i></p>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
<p>3. More Informed Public Dialogue on Economic and Legal Issues:</p> <p>a. Number of civil society organizations strengthened using OCAT survey methodology as a source of information<sup>3</sup></p> <p><i>Source: PACT/RARY Project</i></p> <p>b. Number of quality economic studies disseminated and discussed in public fora per year<sup>4</sup></p> <p>c. Poverty Indicators Monitoring System in Place<sup>5</sup></p> <p><i>Source: Cornell, INSTAT</i></p>	1997	0		12	20			
	1996	0	4	5	TBD	TBD	TBD	TBD
	1996	--	Done by Project	Done by Project	Done by GOM	Done by GOM	Done by GOM	Done by GOM

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Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<p>4. Improved Public Sector Financial Accountability: Number of audits of public entities performed by the Court of Accounts and the Inspector General using modern audit methods<sup>6</sup></p> <p><i>Source: Court of Accounts and Inspector General</i></p>	1996	0	7	12	20	30	36	42
<p>5. Groundwork Prepared for Expanding Global and Regional Economic Integration: GOM takes discernable action towards liberalizing its trade and investment regime and increasing its participation in and compliance with global and regional trade agreements<sup>7</sup></p> <p><i>Sources:</i></p>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

Comments/Narrative:

1. With brief narrative describing significance of new or revised laws.
2. The Ministry of Justice does not yet have an information system that would yield this data, but we plan to help develop this system as part of our activities.
3. OCAT stands for Organizational Capacity Assessment Tool.
4. With brief narrative describing policy significance of studies and benefits gained from public dialogue. The studies enumerated will be those associated with USAID partner institutions.
5. The set of poverty indicators is being developed by INSTAT & Cornell, the goal of which is to provide quick, low-cost, easily collected indicators of welfare changes of vulnerable groups. It will include such indicators as unskilled rural wage rates and the prices of basic food commodities.
6. With brief narrative describing impact on public accountability.
7. This would include, for example, implementing the trade and investment reforms specified in the Policy Framework paper; increased compliance with WTO provisions; and increased participation in regional trade agreements, e.g., COMESA, Indian Ocean Rim Initiative, and possibly, SADC.

**SO#2: Smaller, Healthier Families**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
1. Total Fertility Rate: Average number of live births per woman over her reproductive life  <i>Source: DHS (1992, 1997, 2002) and National Census data (1993)<sup>1</sup></i>	1992	6.1	5.7	-	-	-	-	4.8

**Comments/Narrative:**

1. We have not set interim targets for this indicator because we do not expect measurable changes in the interim years and the indicator will only be measured in years when there is a DHS or a national census.

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no

**SO#2: IR#2.1 (Family Level) - Increased Use of Services and Healthy Behaviors**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<p>1. Contraceptive Prevalence Rate (CPR): Proportion of women in union age 15-49 who are using a modern contraceptive method</p> <p><i>Source: DHS (1992, 1997, 2002) and other surveys with prevalence data<sup>1</sup></i></p>	1992	5%	14%	-	-	-	-	24%
<p>2. Couple Years Protection (CYP): Protection provided during a period of one year through distribution of modern contraceptive methods<sup>2</sup></p> <p><i>Source: FP MIS, SOMARC activity reports, HIV/AIDS program data</i></p>	1992	72,000	240,000	300,000	350,000	400,000	450,000	500,000
<p>3. Use of Childhood Immunization Services</p> <p>a. DPT3 coverage: proportion of children receiving 3 DPT immunizations before 1 year of age<sup>3</sup></p> <p>b. Measles coverage: proportion of children receiving 1 measles immunization before 1 year of age<sup>3</sup></p> <p><i>Source: DHS (1992, 1997, 2002), UNICEF MICS surveys and activity reports</i></p>	1996	61%	65%	70%	75%	80%	TBD	TBD
	1996	58%	63%	68%	75%	80%	TBD	TBD
<p>4. Safer-sex Composite: Proportion of the population age 15-49 in target areas reporting abstinence from sex over the previous 12 months OR a single sex partner in the previous 12 months OR consistent condom use with all sex partners in the last three months</p> <p><i>Source: Surveys in target areas (frequency TBD)</i></p>	1997	TBD						

**Comments/ Narrative:**

1. Surveys to be carried out in addition to DHS include UNICEF MICS surveys (frequency and timing to be determined) and possibly others.
2. Rates are derived from standard factors applied to each contraceptive method.
3. Among survey population of children 12-23 months of age ( 1996 data from UNICEF survey, n=2,761).

**SO#2: IR#2.2 (Community Level) - Increased Community Participation Leading to Improved Health and Food Security**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<p>1. Transition to Community-Based Title II Food Aid Program: Number of communities with health committees and community workers who screen children, provide health education, and distribute food<sup>1</sup></p> <p><i>Source: Catholic Relief Services program documents and reports</i></p>	1996	70	132	204	276	336	TBD	TBD
<p>2. Outreach Services Available: Number of sites (factories, communities, or neighborhoods) where a community-based program distributes contraceptives</p> <p><i>Source: FP MIS, reports from sub-grantees and contractors</i></p>	1996	32	150	175	200	225	250	275
<p>3. Condom Sales: Number of condoms sold through the social marketing program in HIV/AIDS target areas</p> <p><i>Source: SOMARC activity reports</i></p>	1996	1,000,000	TBD See Comment 2					

**Comments/Narrative:**

1. The word "community" refers to one or more *fokontany*s -- the smallest administrative unit recognized by the government. In urban areas, "communities," for the purposes of this indicator, are likely to be equivalent to a single *fokontany*. In rural areas, however, a number of *fokontany*s have been grouped together to constitute a single "community."
2. USAID/Madagascar's condom social marketing program started in June of 1996. 1996 sales were generally limited to the capital city of Antananarivo and exceeded program targets by over 13%. Plans for program expansion are currently being developed and targets will be set soon.



## SO#2: IR#2.3 (Health Center Level) - Increased Access to Quality Health Services<sup>1</sup>

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
1. Access: Total number of sites providing FP services nationwide <i>Source: FP MIS, annual contractor reports</i>	1992	150	630	700	750	825	900	1000
2. Quality: Percentage of FP sites in USAID focus regions which meet MOH quality standards <sup>2</sup> <i>Source: FP MIS reports from USAID focus regions</i>	1997	TBD						
3. Access/quality: Number of sites nationwide offering at least two long-term methods for FP including Norplant, mini-lap and/or vasectomy <i>Source: FP MIS, annual contractor reports</i>	1993	1	14	16	20	24	26	30
4. Cold chain coverage: Percentage of MOH facilities with cold chain <i>Source: Annual UNICEF and MOH EPI reports</i>	1996	46%	59%	63%	67%	74%	TBD	TBD

### Comments/Narrative:

1. In addition to the measuring these performance indicators, program monitoring will include tracking all training provided to health personnel and community workers, by type of program, category of training, and gender.
2. Quality indicators for the FP MIS will be defined by the MOH in 1997 based on national norms and standards for FP service delivery.

**SO#2: IR#2.4 (Institutional Level) - Increased Capacity to Plan and Manage Programs<sup>1</sup>**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
1. FP MIS Reporting Rate: Proportion of FP MIS reports received per quarter over reports expected from all functional FP sites  <i>Source: FP MIS</i>	1997	TBD						
2. Management skills: Number of NGOs and MOH entities able to obtain USAID sub-grants and manage funds effectively <sup>2</sup>  <i>Source: Annual reports from contractors and sub-grantees, USAID controller office evaluations</i>	1993	0	20	25	25	30	35	35

**Comments/Narrative:**

1. In addition to these performance indicators, an institutional capacity checklist indicator is being developed which will be used to assess improvements in management capacity among counterpart institutions. This will require annual self-assessment by institutions and periodic verification.
2. To obtain sub-grants, institutions must submit a comprehensive planning document with clearly defined objectives, budget and indicators for success and undergo a financial management evaluation. The first series of sub-grants required substantial technical assistance before and after approval; institutions receiving follow-on funding will be expected to meet requirements with less hands-on assistance from contractors.

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SO#2: IR#2.5 (Policy Environment Level) - Improved Policies, Program Advocacy and Decision-Making

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
<p>1. National policy for Case Management of Childhood Illness developed, approved and implemented</p> <p><i>Source: Policy document/decree, activity reports from MOH, contractors and grantees</i></p>	1996	not yet developed	developed	approved and disseminated	implementation begun			
<p>2. Standard packages of key child survival messages:</p> <p>a. Standard package of nutrition interventions and messages developed, approved and implemented</p> <p>b. Standard package of child health messages developed, approved and implemented</p> <p><i>Source: Policy document/decree, activity reports from MOH, contractors and grantees</i></p>	1996	not yet developed	developed	approved and disseminated	implementation begun			
<p>3. Protocol for syndromic treatment of STDs developed and implemented in target areas</p> <p><i>Source: Policy document/decree, activity reports from MOH, contractors and grantees</i></p>	1996	not yet developed	developed, approved and disseminated	implementation begun				
<p>4. Policy barriers to effective FP, STI prevention or treatment, and/or child survival are identified and remedial actions taken<sup>1</sup></p> <p><i>Source: USAID RP managers, contractors and partners identify barriers as they emerge; contractor reports or MOH documents list measures taken to address them</i></p>	1996	will be discussed in R4						
<p>5. Use of data for planning improves, as evidenced in key documents of counterpart institutions and partners<sup>2</sup></p> <p><i>Source: Systematic analysis by HPN Office of health planning documents submitted to USAID</i></p>	1997	TBD						

Comments/Narrative: 1. Barriers will be addressed as they are identified. So targets cannot be specified in advance.  
 2. A checklist indicator to assess data usage by USAID's counterparts and partners will be developed and a baseline will be established for 1997. The checklist will show the extent data is incorporated into the work/decision-making of our partners by determining how documents reflect baseline information, the setting of realistic targets, data source citations etc.

### SO#3: Unique Biological Diversity Conserved

Performance Measures	Baseline		Performance Target					
	Year	Value	1997	1998	1999	2000	2001	2002
<b>1. Decreasing Rate of Annual Forest Loss in Conservation Priority Zones<sup>1</sup></b>  <i>Source: ANGAP/DIVB, Satellite image/Aerial photos</i> <i>Frequency: Every four (4) years</i> <i>Unit: Percentage (%)</i>	1994/95	2.25%	2.25%	2.10%	2.00%	1.85%	1.65%	1.50%
<b>2. Natural Habitat Contained in Malagasy National Park System</b>  <i>Source: ANGAP</i> <i>Unit: Hectares</i>	1989 1995	1,045,865 1,181,553	1,500,000 0	1,500,000	1,600,000	1,750,000	1,800,000	TBD

#### Comments/Narrative:

1. Baseline rate compares percentage of forest loss by measuring 1991/1992 total hectares of primary and secondary forests in priority zones versus 1994/1995 total hectares of primary and secondary forests in 14 conservation priority zones. Cf: December 1996: Baseline Data ICDP Protected Area Program (1994-1996), Tropical Research and Development.

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SO#3: IR#3.1 - Improved Management of Critical Biodiversity Habitats

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Performance Measures	Baseline		Performance Target					
	Year	Value	1997	1998	1999	2000	2001	2002
<b>1. Qualified park management plans developed and implemented</b>  <i>Source: ANGAP/DOGR</i> <i>Frequency: Annual</i> <i>Unit: Percent of completed elements (%)</i>	1993	0						
	1994	13%						
	1995	35%	60%	70%	80%	90%	100%	100%
	1996	50%						
<b>2. Qualified participatory forest management plans developed and implemented</b>  <i>Source: Unite de Suivi et d'Evaluation de la DEF</i> <i>Frequency: Annual</i> <i>Unit: Percent of completed elements (%)</i>	1995	0	35%	50%	65%	80%	95%	100%
	1996	21%						

Comments/Narrative: Proposed ONE indicators: - Protected Areas with Operational Structure and Funding (Number, ANGAP/DEF, PY5 target: 12)  
 - New Protected Areas Created ( Number, DEF, PY5 target 4)  
 - Degradation of Primary Forests in level-A Protected Areas (Ratio (%), ANGAP/FTM, PY5 target NA.  
 - Protected Areas under Direct Management by ANGAP (ANGAP, Number, PY5 target 11)

1. There are nine elements required for the development and implementation of qualified park management plans : (1) clearly defined and marked boundaries; (2) enforcement mechanisms in plan; (3) clearly defined relationships with the surrounding communities; (4) a management structure; (5) an ecotourism development plan; (6) system for reinvestment of park entrance fees into the local communities; (7) a biodiversity monitoring plan; (8) manual for management of the protected area; and (9) park management fully operational by National Park Service. Parks include Amber Mountain, Ankerana, Masoala/Nosy Mangabe, Ranomafana, Andasibe-Mantadia, Andohahela, Ankarafantsika, Bemaraha, Lokobe, Isalo, and Zahamena.

2. There are ten elements required for the development and implementation of qualified participatory forest management plans: (1) biophysical and socio-economic background studies completed; (2) objectives of management clearly defined through a participatory process; (3) expected results defined; (4) activities defined and scheduled; (5) forest standards and guidelines defined; (6) organization structure defined; (7) financial and economic analysis completed; (8) environmental impact study completed; (9) monitoring and evaluation plan developed; and (10) activities implemented.

**SO#3: IR#3.2 - Sustainable Use of Natural Resources in Broader Landscape**

Performance Measures	Baseline		Performance Target					
	Year	Value	1997	1998	1999	2000	2001	2002
<b>1. Functioning User Associations for Natural Resources Management<sup>1</sup></b>  <i>Source: DEF</i> <i>Frequency: Annual</i> <i>Unit: Number</i>	1996	0	5	10	15	20	25	30
<b>2. Village Households in Priority Zones that have Adopted Program-sponsored Alternatives to Destructive Practices<sup>2</sup></b>  <i>Source: USAID Development for Conservation Programs</i> <i>Unit: Percentage (%)</i>	1995	0	35%	40%	45%	50%	55%	60%
<b>3. Functioning User Associations for Roads<sup>3</sup></b>  <i>Source: CAP, Chemonics Report</i> <i>Frequency: Annual</i> <i>Unit: Number</i>	1995	0	23	32	32	32	32	32
<b>4. Hectares Planted to off-season food crops</b>  <i>Source: CAP, Chemonics Report</i> <i>Frequency: Annual</i> <i>Unit: Hectares</i>	1995	125,337	127,845	130,400	133,000	135,670	138,380	141,150
<b>5. Participative Multilocal Structures become operational<sup>4</sup></b>  <i>Source: AGERAS</i> <i>Frequency: Annual</i> <i>Unit: Number of Organizations</i>	1996	0	6	12	18	26	30	30

Comments/Narrative: Proposed ONE indicators: - Areas under Natural Resources Contracts (Sq.Km, DEF); - Operational Participative Multilocal Structures (AGERAS, Number, PY5 target NA); - Local Capacities Developed (AGERAS/RS, Quality ratio, PY5 NA); -Operational Regional Planning Units (AGERAS, Number, PY5 target NA)

1. Indicator 1 has been developed for SO3 performance measurements and will first be monitored beginning in 1997.

2. Indicator 2 measures success in altering the ecologically destructive practices of people in target zones in order to diminish pressures. A five step process is required to measure this indicator: (1) identification of priority target zones; (2) specialization and analysis of pressures; (3) identification of activities that would reduce pressure; (4) selection of sample households in priority zones to monitor impact of specific activities; and (5) analysis of the impact of activities to reduce pressures. Since all 5 steps must be in place to begin monitoring, results will first be reported in 1997.

3. Road User Associations will only be established through 1998 since the road work program is scheduled to be completed in 1998 and the CAP Project ends in 1999. However, all User Associations are expected to be functioning through 2002.

4. The Multilocal Structures are the local partners of AGERAS working towards the preservation of biodiversity at the local level.

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**SO#3: IR#3.3 - Domestic Financial Mechanisms Mobilized**

Performance Measures	Baseline		Performance Target					
	Year	Value	1997	1998	1999	2000	2001	2002
<b>1. Local Environmental Actions Financed by Tany Meva</b>  <i>Source: Tany Meva</i> <i>Frequency: Annual</i> <i>Unit: US\$</i>	1997	250,000	250,000	250,000	500,000	750,000	1,000,000	1,000,000
<b>2. Protected Areas Entrance Fees: % Reinvested into Local Population</b>  <i>Source: ANGAP, USAID Project Records</i> <i>Frequency: Annual</i> <i>Unit: Percentage</i>	1996	40%	50%	60%	70%	75%	80%	80%

Comments/Narrative: Proposed ONE indicators: - Self-financing of ANGAP ( ANGAP, Ratio (%), PY5 target:14)  
 - Amount of Entrance Fees Available for Mini-projects (ANGAP, US\$, PY5 target 89,000)  
 - Projects financed by FORAGE / Project Request ( FORAGE, Ratio (%), PY5 target NA)  
 - Annual increase in tourists visiting Level-A Protected Areas (ANGAP, Ratio (%), PY5 target 20)

(1).1US\$ = (+/-) 4000FMG

**SO#3: IR#3.4 - Supportive Environmental Policies and Procedures**

Performance Measures	Baseline		Performance Target					
	Year	Value	1997	1998	1999	2000	2001	2002
<b>1. Investment Projects Passed Through Environmental Review</b> <i>Source: ONE/Office de Guichet Unique</i> <i>Frequency: Annual</i> <i>Unit: Number</i>	1996	0	2	2	4	6	8	8
<b>2. EP II Implementing Institutions Using Data Analysis Network for Planning Purposes</b> <i>Source: ONE</i> <i>Frequency: Quarterly</i> <i>Unit: Number</i>	1996	0	1	4	6	8	10	10

Comments/Narrative: Proposed ONE indicators: - Total Investment subject to Environmental Impact Assessments (ONE, US\$, PY 5 target NA)  
 - Environmental NGOs and Associations ( ONE/Ministries, Number, PY5 target NA)  
 - Formulated Policies ( ONE, Number, PY5 target 11)  
 - Consultation of Database by Users ( NA, Number, PY5 target NA)  
 - International Conventions Ratified (ONE/Ministries, Number, PY5 target NA)  
 - Operational Environment Units Created ( ONE/Ministries, Number, PY5 NA)

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## **PART VIII: RESOURCE REQUIREMENTS**

### **A. Programming Options**

Under the May 1996-approved parameters, which include three SOs and a regular Title II program, the Mission has prepared two resource planning scenarios. The preferred option, shown in Table 8.1, provides for an average increase in DA of \$3.41 million above the 1998 level for the years 1998-2001. This is an increase of less than 21% over the final 1998 OYB level and less than 11% over the \$18 million level given at the parameter setting meeting. Option 1 also includes a new \$9.2 million Title II monetization program in support of our integrated family health objective. The monetization program reflects the continuing integration of Title II into family health, the availability of high-performing partners (CARE, ADRA and CRS) and structures, and the high need for increased food security. The second option involves a straight-lining of the Mission's FY 98 DA budget of \$16.5 million. The programmatic and staffing differences between the two options are described below for each strategic objective.

<p><b>SO#1: Reduced Poverty</b></p>
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**1. SO#1: What Gets Dropped?** Under a straight-lined budget, SO#1 would be reduced to one intermediate result, that is, IR#1.2 "Strengthened Investor Confidence." IR#1.1 "Expanded Access to Financial Services" would be eliminated. This choice is dictated by the fact that current IR#1.1 activities come to the end of their funding in FY 97. The activities under IR#1.2 are just getting underway now, with completion dates ranging between Fiscal Years 1999 and 2001.

**2. SO#1 Consequences:** The consequences of eliminating IR#1.1 are the following:

- ▶ An impaired ability of the GOM to carry out the full range of financial sector reforms and programs agreed to with the IMF and World Bank in the September 1996 Policy Framework Paper (PFP). Weak implementation capacity is a significant risk to achieving PFP targets. USAID assistance will reinforce the GOM's technical capacity.
- ▶ A reduced ability of Malagasy financial institutions, such as the National Saving Bank and the insurance industry, to channel savings into productive investments aligned with the economy's growth targets.
- ▶ The financial instruments needed to link micro-credit operators into the financial sector will not be developed. Micro-credit programs will, therefore, remain stand-alone donor projects.

- ▶ The entire rural economy will continue to operate on a cash-and-carry basis. Planned expansion of the payments system into rural areas will not take place. The Government would not resolve the problem of its inability to deliver salary payments to rural health and education workers.

**3. SO#1 Resources Gap:** Total spending on IR#1.1 during the CSP period is planned at \$7.3 million. Mission staffing requirements associated with IR#1.1 are: 1 U.S. PSC results package leader and 1 FSN financial sector specialist. The U.S. PSC RP leader position is program-funded. If the FSN financial support specialist were not needed, the Mission would hire an additional OE-funded automation support specialist for SO#1 (\$9,200 salary and \$6,800 support costs). Thus, there would be no net change in OE FSN staffing or funding.

**SO#2:  
Smaller,  
Healthier  
Families**

**1. SO#2: What Gets Dropped?** Under a straight-lined option, several important child survival and nutrition innovations in SO#2 would be phased out. First, the collaboration between Peace Corps and USAID, in which PC Health Education Volunteers support child survival programs, would end in 1998. Second, the level of current support for child survival programs would drop considerably by the end of FY 98. Third, nutrition efforts

not related directly to transformation of the current Title II program, such as the Baby Friendly Hospital Initiative, would be dropped. Finally, the proposed monetization program, which would greatly expand the food security impact of the Title II food program, would not go forward.

**2. SO#2 Consequences:**

- ▶ **Community Level:** Eliminating support to Peace Corps will reduce results at the community level, particularly in nutrition and child survival. The Peace Corps PASA allowed Peace Corps to initiate a health education program in collaboration with USAID's child survival partners and the Ministry of Health. These volunteers have provided in-depth community diagnosis and outreach capacity to complement child survival initiatives at selected health centers. There are 15 volunteers, each of whom reach a population of 10-15,000 persons, therefore the total population impacted is as many as 225,000.
- ▶ **Policy/Institutional Levels:** While some child survival efforts would continue, particularly support for immunization, there would be a reduction in technical leadership and support to child survival. This will mean that USAID influence, as the lead donor in policy development, setting of quality standards and pursuit of innovations in child survival strategies, will be significantly reduced.

**Table 8.1**  
**Option One:**  
**DA Increase Plus Expanded Title II**  
**(\$ 000)**

<b>STRATEGIC OBJECTIVE</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY TOTALS</b>
<b>SO#1:</b>	<b>900</b>	<b>4,500</b>	<b>4,300</b>	<b>3,500</b>	<b>3,000</b>	<b>16,200</b>
<b>SO#2:</b>	<b>11,800</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>	<b>12,600</b>	<b>63,400</b>
▶ DA	8,100	7,000	7,000	7,000	6,600	35,700
▶ Title II:						
-- Regular	3,700	3,700	3,700	3,700	3,700	18,500
-- Monetized	-	2,300	2,300	2,300	2,300	9,200
<b>SO#3:</b>	<b>7,250</b>	<b>9,000</b>	<b>9,250</b>	<b>9,500</b>	<b>9,000</b>	<b>44,000</b>
<b>Total DA</b>	<b>16,250</b>	<b>20,500</b>	<b>20,550</b>	<b>20,000</b>	<b>18,600</b>	<b>95,900</b>
<b>Total Title II</b>	<b>3,700</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>27,700</b>
<b>CSP Totals</b>	<b>19,950</b>	<b>26,500</b>	<b>26,550</b>	<b>26,000</b>	<b>24,600</b>	<b>123,600</b>

**Table 8.2**  
**Option Two:**  
**Straight-lined FY 98 OYB and Regular Title II**  
**(\$ 000)**

<b>STRATEGIC OBJECTIVE</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY TOTALS</b>
<b>SO#1:</b>	<b>900</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>8,900</b>
<b>SO#2:</b>	<b>11,800</b>	<b>9,700</b>	<b>9,700</b>	<b>9,700</b>	<b>9,700</b>	<b>50,600</b>
▶ DA	8,100	6,000	6,000	6,000	6,000	32,100
▶ Title II:						
-- Regular	3,700	3,700	3,700	3,700	3,700	18,500
-- Monetized	-	-	-	-	-	-
<b>SO#3:</b>	<b>7,250</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>41,250</b>
<b>Total DA</b>	<b>16,250</b>	<b>16,500</b>	<b>16,500</b>	<b>16,500</b>	<b>16,500</b>	<b>82,250</b>
<b>Total Title II</b>	<b>3,700</b>	<b>3,700</b>	<b>3,700</b>	<b>3,700</b>	<b>3,700</b>	<b>18,500</b>
<b>CSP Totals</b>	<b>19,950</b>	<b>20,200</b>	<b>20,200</b>	<b>20,200</b>	<b>20,200</b>	<b>100,750</b>

Specifically, USAID assistance to disseminate the national policy for Integrated Management of Childhood Illnesses, and to train health providers in its application, will be curtailed. Efforts supporting the refinement, development and dissemination of national nutrition policies will be eliminated. This will jeopardize our ability to achieve intermediate results at the institutional and policy levels, thereby also reducing our effectiveness at the health center and community levels.

- ▶ **Food Security/Nutrition:** The Title II monetization program will provide a unique opportunity to address food security issues in two extremely food insecure cities, Fianarantsoa and Tamatave, and their surrounding areas. USAID, in collaboration with three international PVOs, will finance innovative urban programming initiatives in support of food security. Planned activities will go beyond traditional Title II maternal and child health programs and include environmental and income-generation objectives. In the Tamatave region, Madagascar’s most cyclone-prone zone, activities will be linked with our disaster prevention and preparedness efforts. Without this complementary Title II program, USAID/Madagascar will remain dependent on annual support from the Office of Foreign Disaster Relief (OFDA) and will have missed an opportunity to incorporate effective disaster planning and mitigation into its development programming.

**3. SO# 2 Resources Gap:** The difference in SO#2 spending between the two options totals \$12.8 million. The DA funding requirement is \$3.6 million, while the Title II monetization program costs \$9.2 million. The Mission staffing requirement associated with the Title II monetization program is 1 U.S. PSC monetization coordinator (program-funded) and 1 FSN Title II monetization specialist (OE-funded). If the FSN monetization specialist were not required as a result of moving to Option 2, the Mission would hire an OE-funded GIS/demography specialist (\$16,000 annual cost). Thus, there would be no net change in OE FSN staffing or funding.

**SO#3:  
Unique  
Biological  
Diversity  
Conserved**

**1. SO#3: What Gets Dropped?** A straight-lined budget means a loss of \$3.0 million for SO#3 over the CSP period. As a consequence, we would drop IR#3.3 for mobilizing sustainable financing of sound natural resources management practices. Institutional support to Tany Meva Environmental Foundation, investigating and implementing the feasibility of tourist fees and green taxes to finance the National Park Service and continuing

our work in the area of collection and management of forest stumpage fees and the National Forest Fund would be effectively cut off.

**2. SO#3 Consequences:** The consequences of eliminating IR#3.3 in terms of results are the following:

- ▶ **General Institutional Sustainability:** Long-term sustainability across the entire range of Malagasy environmental institutions in Madagascar would not be specifically addressed unless another donor could be convinced to increase its participation in this area.
- ▶ **Financial Autonomy:** Key NEAP environment organizations such as ANGAP, DEF, FTM and ONE will continue to be 100% dependent on donors and the GOM for their operational sustenance. This IR germinates the seeds of financial autonomy for the organizations that we helped establish in EP1.

**3. Resources Gap:** Total CSP spending on IR#3.3 is planned at \$3.0 million. Mission staffing requirements associated with IR#3.3 are 1 senior FSN financial specialist. This position will be program-funded so that there is no OE savings between the two options. If the position were not utilized, the Mission would recruit for a GIS/mapping specialist for SO#3, so that overall FSN staffing would remain constant.

#### **B. Staffing Resources:**

USAID/Madagascar's personnel staffing history over the CPSP period is presented in Table 8.3 which is divided into Full Mission and Limited Mission eras.

As a result of absolute downsizing and in line with the transition to limited mission status, USAID/Madagascar has followed former Africa/AA John Hicks call to protect program staff resources and to fully staff our three Strategic Objective Teams to the extent possible . The principle vehicle to accomplish this will be the new ICASS (International Cooperative Administrative Support Services). While currently under analysis, there is a strong possibility that USAID will turn to State Department for general services, while the Mission's advanced automation group will become the service provider for Peace Corps, USIS and perhaps even State. Table 8.4 shows proposed Mission staffing under Option 1 for the FY 98 to FY 02.

As Table 8.4 shows, of 72 employees under our FY 98 approved level, 42 or 58% (48 out of 78 or 62% of total staff) will be dedicated to the work of our three Strategic Objective Teams. Moreover, this does not count those people under the program management and support category, such as the Director, Assistant Director/SPDO, PDO and the training unit (3) as well as the Controller and EXO (including procurement and contracting staff) who provide substantial program support. Thus, a fair assessment is that roughly of 75% of the Mission's staff will be focused on obtaining program results. Table 8.4 also shows how the Mission has allocated staff among the three Strategic Objective teams.

**Table 8.3**  
**USAID/Madagascar Recent Staffing History**  
 (end of FY figures)

STAFFING CATEGORY	Full Mission: Approved Levels				Limited Mission: Approved Levels		
	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
USDH	15	15	15	14	8	8	8
U.S. PSC	9	10	6	6	6	6	6
TCN/OE	3	2	2	2	*	*	*
FSN DH	1	1	1	1	-	-	-
FSN/OE	67	71	69	75	68	60	45
FSN/PROGRAM	6	8	7	7	15	14	12
MISSION TOTAL	101	107	100	103	97	88	71
Other: (IDI, TAACS, PASA, et al.)	-	1	-	1	3	6	5
STAFF TOTAL	101	108	100	104	100	93	77

\* TCNs are currently included under the FSN category; the Mission has 2 TCNs on board.

Accordingly, SO#3, Biodiversity Conservation, gets 42% of total SO Team staffing; SO#2, Family Health, gets 37%.; and SO#1, Poverty Reduction, get 21%. This allocation is based on both implementation complexity and amount of funding.

#### Staffing Issues:

► **USDH - Limited Program under Option 1:** If Option 1 or similar variant is accepted by the Africa Bureau, USAID/Madagascar hereby requests approval for additional slot to go to 9 USDH for the entire CSP period. Such a level is within the range of 4 to 9 USDH set for Limited Programs. Going to 9 USDH, would permit the Mission to have a second USDH technical officer position for our Biodiversity SO (currently filled by an environmental IDI), while retaining the current PDO slot set to expire at the end of FY 98.

**Table 8.4  
CSP Option 1: Summary Mission Staffing  
by Office and SO**

<b>OFFICE/ SO TEAM</b>	<b>U.S. DH</b>	<b>U.S. PSC</b>	<b>FSN: OE</b>	<b>FSN: PRG</b>	<b>SUB- TOTAL</b>	<b>OTHER</b>	<b>TOTAL</b>
Program Mgt.	3	-	6	2	11	-	11
Controller	1	-	8	-	9	-	9
Executive	1	-	9	-	10	-	10
<b>Mgt./Support Total</b>	<b>5</b>	<b>-</b>	<b>23</b>	<b>2</b>	<b>30</b>	<b>-</b>	<b>30</b>
SO#1	1	1	7	1	10	-	10
SO#2	1	2	7	3	13	5	18
SO#3	2	3	8	6	19	1	20
<b>SO Total</b>	<b>4</b>	<b>6</b>	<b>22</b>	<b>10</b>	<b>42</b>	<b>6</b>	<b>48</b>
<b>Mission Total</b>	<b>9</b>	<b>6</b>	<b>45</b>	<b>12</b>	<b>72</b>	<b>6</b>	<b>78</b>

► **USDH - Limited Program under Option 2:** If Option 2 or similar variant is decided upon, USAID/Madagascar hereby requests approval for retaining its current USDH level of 8 for the entire CSP period based on its current limited program status. Such a level is within the range of 4 to 9 USDH set for limited programs. Staying at 8 USDH, would permit a second USDH technical officer position for our Biodiversity SO, the Mission's most complex portfolio, and also would allow the current Environmental IDI to move into that position once her internship is finished in FY 98.

► **Other Staff - Limited Program:** No issues under either option. The Mission can live with its current FY 98 U.S. PSC and FSN levels if straight-lined for the CSP period, as long as other category resources, including ICASS, remain available. It is worth noting that Option 2 includes a U.S. PSC PDO to replace the deleted USDH PDO slot.

► **USDH - Full Mission:** Should USAID/Madagascar return to Full Mission status, USAID/Madagascar will request approval for a USDH level of 10 for the balance of the CSP period. A ten-person USDH-level, while less than other Full Missions, is consistent with current Agency staffing realities and is in the range of 8 to 19

USDH set for Full Missions. Going to 10 USDH, would permit a second USDH technical officer for our Family Health SO, the Mission's largest portfolio. It also would allow the Mission to retain its PDO slot, currently set to be deleted at the end of FY 98. Finally, we will request that (a) the Assistant Director/SPDO slot be reconfigured into a deputy director position and (b) the position be upgraded to SMG status.

► **Other Staff - Full Mission:** No issues at present. USAID/Madagascar would expect additional U.S. PSC, FSN and Other category relief depending on what additional intermediate results and activities were agreed upon for the remainder of the CSP period.

► **Support Staffing:** ICASS is a separate administrative support mechanism where service standards and costs are the key determinants. Each provider is allowed to set its own staffing levels, the idea being that customers will not pay exorbitant fees for over-priced services. However, we understand from the recent REFORM team visit that USAID may be considering setting ICASS staffing levels for field missions.

**Table 8.5**  
**CSP Option 2: Summary Mission Staffing**  
**by Office and SO**

OFFICE/ SO TEAM	U.S. DH	U.S. PSC	FSN: OE	FSN: PRG	SUB- TOTAL	OTHER	TOTAL
Program Mgt.	2	1	6	2	11	-	11
Controller	1	-	8	-	9	-	9
Executive	1	-	9	-	10	-	10
<b>Mgt./Support Total</b>	<b>4</b>	<b>1</b>	<b>23</b>	<b>2</b>	<b>30</b>	<b>-</b>	<b>30</b>
SO#1	1	-	7	1	9	-	8
SO#2	1	1	7	3	12	5	17
SO#3	2	3	8	6	19	1	19
<b>SO Total</b>	<b>4</b>	<b>4</b>	<b>22</b>	<b>10</b>	<b>40</b>	<b>6</b>	<b>46</b>
<b>Mission Total</b>	<b>8</b>	<b>5</b>	<b>45</b>	<b>12</b>	<b>70</b>	<b>6</b>	<b>76</b>

The Mission cannot argue strongly enough against this possibility which will

unnecessarily tie the field's hands and distort USAID staffing figures. If this happens, USAID/Madagascar will require relief for automation services at minimum and perhaps for all or parts of its GSO, depending on how ICASS negotiations go. We hope this will not be the case because it will send negative signals vis-a-vis ICASS empowerment and flexibility, while at the same time inflating USAID staffing figures for services that are received by other agencies. For example, depending on final service agreements with USIS, Peace Corps and State, we estimate we will have to add 2 to 4 additional automation staff to our current four specialists to cover their service demands. Moreover, a major FSN staff increase will be necessary here if USAID cannot get an acceptable ICASS service price from State and has to continue serving itself alone. If asked to operate our own GSO under current FSN control numbers, we would have to shut down major parts of the program and undertake a major FSN RIF.

Table 8.5 above presents minimum staffing requirements of the straight-line FY 98 budget option, where certain IR packages and Title II monetization are taken out of the Mission's program. As the difference between the two options is 1 USDH and 1 U.S. PSC, the Mission requests that FY 98 U.S. PSC staffing level of 6 (instead of 5 shown in the Table 8.5) be maintained throughout the CSP period to allow for implementation flexibility and unforeseen staffing needs.

### **C. Operating Expense Requirements:**

USAID/Madagascar has gone through an extensive budget reduction exercise over the past three years, looking for belt-tightening measures that save OE while not reducing quality services. Some of the measures used were: putting FSNs in former USDH and/or TCN positions (e.g., Program Officer, GSO, Automation Systems Manager), using sea freight in instead of air for all HHE (\$18,000 savings per move), competing for travel services and buying restricted tickets (\$1,000 to \$2,000 savings per ticket), using e-mail, internet and electronic fax rather than making long distance telephone calls (\$38,000 annual savings). As a result, we were able to drive OE costs downward markedly even before becoming a Limited Program. As can be seen in Table 8.6, operating expense funding was cut by 36% from FY 93 to FY 97. In real terms, this was equal to a 13% reduction in OE expenditures per year.

The Mission will continue to look for savings, starting with big ticket items. Thus, we will compete vigorously for transportation and travel services. We are also looking at other areas, such as cutting electricity costs. We will experiment with solar water heaters and low wattage security lamps to see whether residential security can be maintained while reducing electricity bills. At the same time, we have exhausted most of the major belt-tightening possibilities that are doable in the Madagascar context.

With the implementation of ICASS and increased FSN salary costs, OE will

increase in FY 98 to an estimated \$2.2 million. The Mission believes that is an acceptable annual OE base figure for the full CSP period. We will work with our ICASS partners to reduce costs in service areas. We expect that our two TCNs (personnel and chief accountant) will "graduate" in roughly two to three years. As FSNs take these positions, there will be significant annual savings of roughly \$80,000 per individual. At the same time, these may be offset by increased FSN salary costs (20% in FY 97), inflation and exchange rate fluctuations.

**Table 8.6**  
**USAID/Madagascar OE History and Requirements**  
**(\$ millions)**

Operating Expense	Full Mission:				Limited Program:		
	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
Regular OE	2.100	2.045	1.564	1.669	2.125	1.900	2.200
Trust Funds	0.847	0.943	1.023	0.864	-	-	-
<b>Total OE</b>	<b>2.947</b>	<b>2.988</b>	<b>2.587</b>	<b>2.533</b>	<b>2.125</b>	<b>1.900</b>	<b>2.200*</b>

\* Net increase in FY 98 due to Mission participation in ICASS

As a final comment on decentralized management, this Mission believes that Agency continues to do itself a disservice by its emphasis on counting non-USDH staffing in all its various permutations. The Agency's long-term liability is for direct-hire American staff alone. All other categories can be increased or decreased as program needs warrant. As a reinventing agency whose focus is on management for results, we should empower our field managers under a headquarters-mission management contract to perform within given program and OE budget control numbers. Then, headquarters would measure the results of field decisions on resource use against this contract. Mission management should not be unnecessarily constrained by being given sub-controls on OE and program-funded PSC personnel. At a minimum, we strongly recommend the distinction between OE and program-funded FSN PSCs be dropped. For USAID/Madagascar, low program-funded FSN control numbers have artificially limited needed SO Team staffing and have resulted in higher-than-necessary OE costs, as many FSNs could be legitimately program-funded.

## APPENDICES

### APPENDIX A. Development Dynamics and Challenges

The underlying forces and trends operating on the Malagasy socio-economic structure were examined in the Mission's last CPSP. Mission-funded studies, analysis, project implementation and field work have convinced the Mission that the 1992 examination remains broadly valid. This section is an updated version of the development dynamics and challenges section of the 1993-1998 CPSP.

Madagascar is still at a historic turning point, as it moves from a *dirigiste*, inward-looking, mercantilist economy under one party, socialist rule toward an outward looking, market-led, private-sector driven economy under a pluralist, more decentralized, democratic Third Republic. In September 1996, a critical choice was made with the signing of the PFP with the IMF and World Bank. Madagascar has opted to reinforce the policy directions of the late eighties and follow an outward-looking growth and poverty alleviation strategy. The choices made by the Malagasy Government since 1994 have moved the economy further and further in the direction of a liberal, open economy. The adherence of the two presidential candidates to the reform program of the Policy Framework Paper further reinforces the belief that Madagascar has made an irreversible choice to be a member of the global economy.

Madagascar is ill-prepared for this transition in terms of public administrative capacity, physical infrastructure, social services, financial services, transport, technology, human resources, and social organization. Madagascar is an agriculturally-based economy characterized by subsistence farming, regional isolation, market inefficiencies and threatened by depleted soils and forests. Production is not intensive, especially for the majority of small holders, and only one half of farm output is sold. The lack of transportation and communication systems and the absence of enforced and predictable rules governing market transactions perpetuate fragmentation, impede normal links between sectors and regions, interrupt multiplier effects, inhibit competition, and reduce profitability of expanded economic activity.

Madagascar is a rice-based economy. Rice is by far the most important crop in Madagascar in terms of area planted and value of production. Rice is the major staple throughout most of the country. The price of rice is a politically sensitive issue. Production has increased in the recent past, prices are stable, and imports are low. Meeting the food needs of a growing population remains a challenge for the Malagasy government.

The combination of rapid population increases and poor agricultural resource management practices has led to a growing body of landless poor for whom no other viable economic options exist at present other than slash and burn further up the slope, charcoal making, migration to urban areas, and crime (See Verin, Socio-Economic Factors in Economic Development in Madagascar, 1992).

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The structural reforms in the late 1980s demonstrated that they can create the conditions for economic growth. In attempting to reestablish and increase the rate of growth and sustain it over the long term, Madagascar will confront many challenges. USAID/Madagascar's assessment is that seven challenges stand out as the crucial ones which must be addressed by public policy makers, private businesses and individual households. The seven challenges are described in this section.

### 1. Demographic Pressure

Madagascar's intercensal growth rate was 2.8 % per year between 1975 and 1993 according to the 1993 National Census. If this rate holds constant, the nation's 13.9 million inhabitants (mid-1997 estimate) will double in less than 25 years. This growth rate presents a serious threat to the Madagascar's ability to improve living standards and alleviate poverty. Such rapid growth negates gains in real income, puts severe strains on the country's natural resources and public finances, and prevents food security.

The key components of population growth--mortality and fertility--have not shown significant improvements in the last two decades. Life expectancy was only 52 years in 1993. Declines in infant mortality--currently close to 100 deaths out of 1000 births in a year-- have been slight. Of the 542,000 live births in the year before the 1993 Census, 50,400 did not live a full year and an additional 37,400 will not reach age five. These deaths are an unnecessary loss for thousands of families, and, in most cases, could have been prevented by simple child survival interventions.

The 1992 Demographic and Health Survey provides the best estimate of the total fertility rate--a high 6.1 during the three years preceding the survey. Only 5 % of women in union in the reproductive ages used modern contraception at the time of the survey. However, current estimates show significant increases in contraceptive use during the last five years, thanks to important improvements in the family planning program. The number of sites providing family planning services has increased from less than 150 in 1992 to more than 600 in 1996, and the importation and distribution of modern contraceptives has improved. Carefully collected service statistics and independent health surveys indicate that contraceptive prevalence was over 10 percent in late 1996. USAID estimates suggest that fertility is likely to have fallen to under 5.8 in 1996. This estimate is based on the statistical relationship between TFR and contraceptive prevalence rate: a 15% increase in CPR is correlated with a decrease of one birth in TFR.

Madagascar has a youthful population, with 44% under age 15, and only 3% over age 65. The dependency ratio is .89, implying a close correspondence between potential wage earners and dependents. The World Bank's 1995 Poverty Assessment found that dependency ratios were higher in poor households. In addition, while the average Malagasy household contains 4.9 members, extreme poor households contain 6.2, poor households have 5.5, and non-poor have 4.0.

Population growth and other factors have already placed an unacceptable demand on strained social services. The need for health services is expanding rapidly. At current growth rates, the number of mothers and children requiring health care will increase to over 12 million in 2015, and primary schools will need to accommodate a 60% increase in the number of children reaching age six by 2000.

The impacts of population growth on the environment and the labor market are discussed below.

## 2. Environmental Degradation

Madagascar's natural resource base, upon which the vast majority of Malagasy depend directly, is seriously threatened. The scale and intensity of deforestation, loss of biological diversity, soil erosion and associated declines in overall land productivity are unparalleled. The Madagascar Second Environment Program (1996), "Rapport sur l'état de l'environnement à Madagascar (1994)" and the Madagascar Agricultural Sector Assessment (1992) document the following examples.

- ▶ **Deforestation:** Eighty percent of Madagascar's forest cover has been destroyed, half of it over the last forty years. If current trends continue almost all of the country's remaining forests will be degraded or destroyed within the next 25 years, with consequent loss of biodiversity, watershed protection, soil stability and forest products (with an estimated annual net worth of \$250 million). The principal cause of deforestation in Madagascar is slash-and-burn (tavy) agriculture.
- ▶ **Biodiversity Loss:** Because of its high levels of biodiversity and endemism, Madagascar has been termed "the single highest major conservation priority in the world", with 80% of its identified species being found nowhere else. Unfortunately, this biodiversity is becoming increasingly diminished and fragmented as habitats degrade and disappear, with unknown economic costs.
- ▶ **Soil erosion:** Average soil loss for the whole of Madagascar (which has generally poor soils) has been estimated at 25 tons/ha/yr. In contrast, maximum sustainable soil loss on good soils is 11 tons/ha/yr. The resulting economic losses due to destruction of irrigation, road and other infrastructure and siltation of hydroelectric dams and port facilities are enormous.
- ▶ **Brush Fires:** Deliberate burning is the proximate cause of many of the problems cited above, as well as leading to decreased soil fertility and potential permanent land loss for agricultural or forestry uses. An estimated 3-5 million hectares are burned each year.

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This alarming advance of environmental degradation is being pushed by the combination of population growth and the lack of economic growth that are increasing demands on the natural resource base. Over 80% of Malagasy depend on agriculture for their primary means of livelihood. Farmers and pastoralists continue to rely on land-extensive production practices which destroy vegetative cover and exacerbate soil erosion. Government administrators have applied policies and regulations which distort incentives towards over-exploitation rather than in favor of conservation of valuable resources. Development projects are often approved without due attention to their potential negative impacts on the environment. Even when appropriate policies and procedures exist, the Government frequently lacks the resources and institutional capacity to apply them. Private sector and NGO service capacity in the natural resources sector is poorly developed.

The negative impact of environmental degradation on the economy is very high. The economic cost of decreased agricultural productivity due to soil loss and fertility decline, loss of productive forests, damage to infrastructure because of soil erosion, and the costs of infrastructure maintenance and redesign is estimated to equal 5-to-15% of Madagascar's GNP annually.

### 3. Generating Jobs

Rapid labor force growth is a natural consequence of rapid population growth. The labor force participation rate is not known with any degree of accuracy. The rural labor force remains predominant and supplies about 75% of labor force entrants each year. However, this predominance is not characteristic in wage employment where urban growth predominates.

Every year, more and more entrants come to the labor market, while currently there is not adequate demand to absorb them. The problems of unemployment and under-employment are among the most serious problems facing Madagascar. In the labor market, an imbalance between supply and demand exists. The labor force grew by 2.9% between 1980 and 1990, and 3.2% between 1990 and 1994. Much of the labor force growth is absorbed into low productivity jobs in agriculture and the informal sector. Approximately 237,000 jobs should be created annually between 1995 and 2000. Although rural population represents the largest component of the labor force, urban labor force is growing more rapidly than rural, accounting for 25% of labor force growth.

The ratio of modern sector wage employment to the total labor force is displayed in Figure 1. It shows the inability of the modern sector to keep pace with labor force growth during the early period of structural adjustment. The upturn in 1990 was encouraging but was reversed by the political turmoil. Growth in the share of wage employment since 1993 is a promising indication that new, dynamic firms are beginning to have an impact on the labor market. Modern sector wage employment growth can come about only with an investment climate that encourages domestic and foreign investors to enter the Malagasy market.

**Figure 1**  
**Wage Employment and Labor Force**

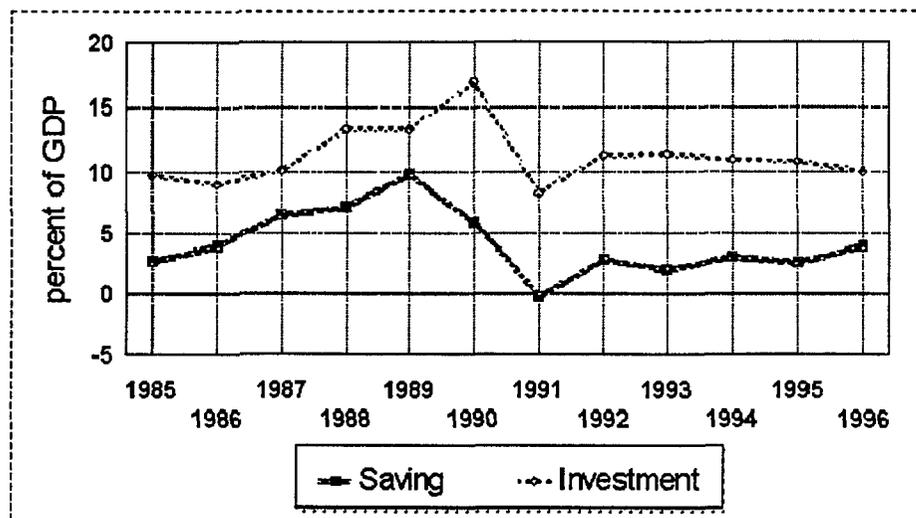


Investors in Madagascar are generally satisfied with the quality of workers, both men and women, hired for production jobs. However, technical, and especially managerial skills, are in short supply. Professional workers, who gained their business experience during the socialist period don't have the mid- and senior-level managerial experience that investors need to keep their factories running efficiently. Public and private spending on skills upgrading will be needed to increase the pool of managers.

A longer-term and very serious threat to the quality of the labor force is the declining quality of the education system. The adult literacy rate has declined precipitously to 46%. Reported figures for primary school enrollment rates have been falling as well.

These rates reflect the deterioration of the education system. Budgetary allocations are inadequate to provide textbooks and supplies and to pay teachers' salaries. Schools are closing, especially in rural areas, because of a lack of teachers and supplies. If the quality of labor market entrants declines, Madagascar will lose its appeal as a low-wage but skilled labor force.

Figure 2  
Saving and Investment



#### 4. Financing Growth

Gross Domestic Saving as a percentage of GDP was 4% in 1996 in Madagascar as shown in Figure 2. The comparable figure for low-income countries (excluding China and India) was 11%. Clearly, one reason for low savings rate is the low income level of households. The average savings rate can be expected to increase in the future if per capita income rises. A second factor for the low savings rate is the state of the financial sector. Until recently, the public sector played a preponderant role in mobilizing domestic and foreign resources and in allocating them to investment projects. As the private sector's role in the economy increases, the financial system will have to assume a greater role in mobilization and allocation of resources and in ensuring efficiency in investment.

Institutions in the future will need to mobilize small-scale savings. Recent evidence indicates increased monetization of the rural sector in response to liberalization of the economy. Madagascar is at the early stage of developing an effective large-scale grassroots savings system that can capture the considerable savings potential of the rural and informal sectors.

Resources mobilized from domestic sources will be important but not adequate to finance required investments during and beyond the CSP period. Gross domestic investment is below the low income country average of 17% and below the level necessary to create jobs for entrants into the labor force. Foreign aid will contribute

to closing the savings-investment gap in the public sector. The source of funds to close the private sector savings-investment gap must be foreign savings. Foreign commercial banks are unlikely to resume lending on a significant scale in sub-Saharan Africa in the near term. Foreign direct investment (including the repatriation of capital held abroad by Malagasy) is left as the only major potential source of investment financing. Domestic savings, foreign aid and foreign direct investment, taken together, comprise the resources that will be available for investment. Public authorities will indirectly determine the level of foreign direct investment by their selection of macroeconomic policies, their administration of the legal, regulatory and judicial system and the efficiency of public investment. Foreign direct investment in Madagascar was \$6.4 million in 1996. To achieve a 1% increase in the Investment/GDP ratio requires \$35 million in investment. For Madagascar to achieve the low-income country average ratio of 18% requires an additional annual flow on the order of \$245 million. Under favorable conditions, this level will not be reached until 2001.

## **5. Reducing Market Failures**

Markets fail because there are inadequate numbers of buyers or sellers, or because of a lack of information, or because transactions costs are too high. All these causes of market failure are found in Madagascar. As a result, market linkages are weak. Market links are the transmission mechanisms by which income growth in one area or sector raises incomes in other areas or sectors. Successful income generating activities will remain "enclaves" unless market failures are reduced so that a network of market linkages can emerge.

Much of the Malagasy economy is operating below capacity because markets are fragmented. The poor state of two sets of infrastructure are the cause of the fragmentation: physical infrastructure and institutional infrastructure. Market fragmentation exist in four spheres; interregional, intersectoral, rural-urban, and Madagascar with the rest of the world.

Interregional fragmentation has divided zones of high economic potential into low-income enclaves barely able to get above subsistence agriculture. Transportation and communication among these zones are difficult -- in some cases impossible. Yet the GOM has made substantial progress in infrastructure development during the past four years. Trunk roads connecting the capital with the east, south and northwest have been rehabilitated. The quality of rail service has improved. The principal port, Tamatave, has installed new cargo-handling equipment. Using an updated Master Plan financed by USAID and in collaboration with the U.S. high-technology advisor Mitre Corporation, the Ministry of Post and Telecommunications is successfully implementing a major upgrade of the telephone system based on a domestic satellite system backbone. Phone service for the Tamatave-Antananarivo-Antsirabe axis has been upgraded. Five major secondary cities now have DOMSAT installations providing reliable phone service between these cities and the capital and 8 more

towns will be connected in 1997. A U.S.-owned operator is providing cellular phone service in Antananarivo and Tamatave. USAID's Leland Initiative will bring expanded internet to the capital and the regions.

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Intersectoral fragmentation is also perpetuated by the inadequate legal, regulatory and judicial infrastructure. Contract enforcement and adjudication are so weak in Madagascar that firms exhibit a preference for their traditional foreign suppliers over new Malagasy sources. High transaction costs for contract enforcement lead firms to provide their own ancillary services (transportation, customs clearance, etc.). Potential economies of scale in the provision of services are lost and firms unable to self-finance ancillary services have fewer suppliers to choose from.

Madagascar's isolation from the rest of the world stemmed from deliberate government policy during the socialist period. Trade links were cut to accelerate import-substitution investments. As the economy has opened, Malagasy businesses have had to learn how to operate in world markets. Knowledge of prices, costs, quality standards, and financing options must be researched. A small number of trading companies which survived the socialist period maintain control over much of the import/export trade. Fortunately, in recent years the Government has rethought its trade policy and Madagascar has become interested in regional trade organizations; notably the Indian Ocean Commission and the Commission for East and Southern Africa (COMESA).

Fragmented markets create and perpetuate monopolies and cartels in a full range of businesses, from paddy rice collectors to commercial banking. Private monopolies have replaced abolished public monopolies. Analysts in Madagascar agree that these monopolies can be reduced by improving the transportation, communication, legal and financial systems.

## **6. Exploiting Regional Comparative Advantage in Agriculture**

Madagascar contains a half-dozen agro-climatic zones within which the process of income growth could begin. These were discussed in more detail in the 1992 CPSP document. The deterioration of infrastructure and the suppression of market activities during the socialist period drove these zones into conditions of autarky and virtual subsistence agriculture. Agriculture in these zones was cut off from technological advance for fifteen years. Technology and production practices in the rural economy are predominantly traditional; low labor productivity, low levels of capital and intermediate inputs, resulting in low yields and deteriorating product quality. Despite this legacy, some of these zones have begun to respond positively to market liberalization.

Madagascar's decision makers must recognize and exploit the opportunities available for increasing rural incomes by taking advantage of each region's comparative advantage. The market liberalization that has begun to produce positive impacts in

the regions must be followed up by infrastructure investments, agricultural research, advice and assistance to exporters and to local business associations.

## 7. Unleashing the Private Sector

The emerging private sector is a key to Madagascar's growth prospects. Most private sector activity remains centered around labor-intensive, family-owned operations characterized by low productivity. (See J.E. Austin Associates, Madagascar: MAPS for a fuller description of the private sector.) Small firms dominate the private sector and the economy in general. Of the approximately 30,500 registered and active firms in 1987, only 6% employ more than 10 people.

The modern private sector employs only 5% of the total work force; it provides employment for 70% of the workers in the modern sector. Of those employed in the modern private sector, nearly 24% are involved in industrial activities.

In general, small private firms in Madagascar tend to sell their products directly to consumers or to other small firms. Large firms appear to buy overwhelmingly from other large Malagasy firms or from overseas suppliers. Agribusinesses are the exception to this trend, often buying from small farmers and operators.

Malagasy investors own about 90% of all registered firms. These firms are small: 94% of Malagasy-owned enterprises employ fewer than 10 persons. Roughly 57% of firms employing under five people are women-owned. By contrast, the average foreign-owned firm employs about 140 persons.

Most enterprises are located around Antananarivo, and over 50% of the formal wage earners reside in and around the capital. A number of export-oriented businesses are located in the coastal areas, especially in and near the port of Tamatave.

Malagasy entrepreneurs are taking advantage of new opportunities and are moving into new areas of business. Small firms, especially, have experienced high growth in the areas of agribusiness, fisheries/aquaculture, mining of non-traditional minerals, and garments. Overall, however, the private sector response is still tentative. Surveyed firms assert that government tax policies and regulations, the legal system, poor transport and communications systems and finance are constraints to private sector expansion. These mixed findings were confirmed in a World Bank survey in 1993. That survey identified a "new generation" of more dynamic private firms, much more confident and optimistic about future growth prospects for the medium term. These firms anticipated rapid expansion (by 50-100%) in their business activities. However, survey respondents cited infrastructure, access to finance and political uncertainty as the major constraints to private sector growth. The September 1996 PFP is focused on addressing the major constraints and bottlenecks to private sector growth. Efforts will be targeted on modernization and simplification of regulatory systems, increased transparency, and increased budgetary allocations to infrastructure.

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Madagascar has a vibrant group of business associations that offer a channel to assist and inform the business community and to motivate and institutionalize economic reforms. More than a dozen national and regional business associations are actively representing private sector interests. After decades of open suspicion and distrust, the Government of Madagascar has begun to collaborate actively with these associations as shown by the January 1997 National Economic Policy Conference (which built on six regional conferences) where the private sector played the lead role in preparing a series of policy recommendations in twelve areas to the Government, some of which, such as the privatization of Chambers of Commerce, were acted on the following week.

**APPENDIX B. 1992 CPSP Approval Cable: 93 STATE 346858**

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AID/AFR/EA:BBABL (DRAFT) AID/AFR/DP:MBOONER (DRAFT)

AID/GC/AFR:MAKLEINJAN (DRAFT) AID/AFR/ONI:WWEINSTEIN (DRAFT)

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TAGS:

SUBJECT: PROGRAM WEEK REVIEW OF MADAGASCAR CPSP

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1. SUMMARY  
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MADAGASCAR'S PROGRAM WEEK WAS HELD SEPTEMBER 9-14, CHAIRED

BY DAA/AFR COBB AND ATTENDED BY REPRESENTATIVES FROM AFR/EA, AFR/DP, AFR/ONI, AFR/ARTS, GC/AFR, AF/E, FA/B, POL/CDIE, R&D/EN, AND R&D/POP. THE MISSION WAS REPRESENTED BY DIRECTOR GEORGE CARNER, AGRICULTURE DEVELOPMENT OFFICER JOHN THOMAS, AND PROGRAM ECONOMIST FRANK MARTIN. THE ISSUES PAPER DIVIDED THE DISCUSSION INTO FOUR CATEGORIES WITH A MEETING DEVOTED TO EACH: ANALYSIS OF THE DEVELOPMENT SETTING, THE PROGRAM LOGFRAME, PROGRAM MANAGEMENT, AND WRAP-UP. THERE WERE SEVERAL SIDE MEETINGS ON STRATEGY, MANAGEMENT, AND RESOURCE LEVELS. THE MISSION WAS COMMENDED FOR THE EXCELLENT QUALITY OF ITS CPSP, PROGRAM WEEK PRESENTATIONS, AND DISCUSSION OF ISSUES. PROGRAM WEEK CONCLUDED WITH AN APPROVED MADAGASCAR CPSP AND MISSION-BUREAU MANAGEMENT CONTRACT. THIS CABLE DOCUMENTS THE PROCESS AND THE RESULTS.

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2. MAJOR DECISIONS  
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AT THE WRAP-UP SESSION, AA/AFR ROSENBERG AND DAA/AFR COBB ENDORSED THE FOLLOWING DECISIONS:

A. THE PROPOSED MISSION STRATEGY WAS APPROVED BASED ON MISSION REFINEMENT OF THE CPSP PROGRAM LOGFRAME TO MORE CLEARLY EMPHASIZE EMPLOYMENT GENERATION AND TO STRENGTHEN THE LINKS BETWEEN GOAL, SUB-GOAL NUMBER ONE, STRATEGIC OBJECTIVES ONE AND TWO, AND TARGETS (SEE BELOW);

B. MISSION AGREED TO FOCUS ON PEOPLE-LEVEL IMPACT OF STRATEGY AS IT IS IMPLEMENTED, AND MEASURABLE,

DEMONSTRABLE RESULTS THEREOF (SEE PARAGRAPH 9, BELOW);

C. BUREAU ACCEPTED THE REVISED LOGFRAME AND AGREED WITH MISSION PURSUIT OF FOUR STRATEGIC OBJECTIVES;

D. BUREAU APPROVED MISSION REORGANIZATION PROPOSAL, SUBJECT TO CONCURRENCE FROM FA/B/SB;

E. BUREAU SET PROGRAM RESOURCE PLANNING LEVEL (AAPL) THROUGH FY 95 AT DOLS 30 MILLION, NOT INCLUDING AEPRP OR OTHER NON-DFA RESOURCES;

F. MISSION WILL BE CONSIDERED A CANDIDATE FOR FY 93 AEPRP FUNDS;

G. FTE STAFF LEVEL APPROVED AT FOURTEEN (14) WITH A FIFTEENTH (15) POSITION TO BE ESTABLISHED, BUT STAFF RESOURCES TO BE MANAGED BY MISSION SO THAT CEILING OF FOURTEEN FTE IS NOT EXCEEDED.

H. MADAGASCAR IS A LOW PRIORITY CANDIDATE FOR FY 93 TITLE III RESOURCES AND SHOULD NOT COUNT ON THESE TO IMPLEMENT THE STRATEGY, ALTHOUGH THE OUTLOOK FOR FY 94 MAY BE MORE FAVORABLE.

I. AUTHORITY TO DESIGN AND APPROVE THE PID/PAIP AND PP/PAAD FOR TWO NEW STARTS IN FY 93, COMMERCIAL AGRICULTURE PROMOTION AND FINANCIAL MARKETS DEVELOPMENT, IS DELEGATED TO THE FIELD.

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3. PROGRAM WEEK SETTING  
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DAA/AFR COBB OPENED THE INITIAL MEETING ON SEPTEMBER 10 BY STATING THE PARAMETERS WHICH GOVERNED THE PROGRAM WEEK PROCESS: HE REMINDED PARTICIPANTS THAT THE PURPOSE WAS TO COMPLETE A COLLABORATIVE REVIEW BY THE BUREAU AND THE MISSION OF THE MADAGASCAR CPSP WITH THE INTENT OF REACHING MUTUAL AGREEMENT ON THE DIRECTION, EMPHASES, AND FOCUS OF THE PROGRAM AND THE GENERAL LEVEL OF RESOURCES REQUIRED FOR PROGRAM IMPLEMENTATION. THE OUTCOME OF PROGRAM WEEK WOULD BE A MANAGEMENT CONTRACT BETWEEN AID/W AND USAID/MADAGASCAR. AGREEMENT ON THE TERMS OF THE CONTRACT WOULD MEAN THAT THE AGENCY, BUREAU, AND MISSION JOINTLY ADOPT THE STRATEGY AND PLEDGE SUPPORT FOR ITS IMPLEMENTATION. THE DAA/AFR IDENTIFIED FIVE KEY CRITERIA TO DIRECT THE REVIEW:

A. STRATEGIC FIT OF THE PROGRAM TO ADDRESS KEY COUNTRY CONSTRAINTS IN THE CONTEXT OF THE ANALYTICAL FRAMEWORK PROVIDED BY THE CPSP AND SUPPORTING DOCUMENTS;

B. ALLOCATION OF RESOURCES ACCORDING TO COUNTRY PRIORITY NEEDS, U.S. COMPARATIVE ADVANTAGE, USAID MANAGEMENT CAPACITY, AND COMPLEMENTARITY WITH OTHER DONOR PROGRAMS AND PLANS;

C. PROPOSED PROGRAM CONFORMITY TO DFA LEGISLATIVE MANDATE, BUREAU DFA ACTION PLAN AND SECTORAL PRIORITIES, AND BUREAU DIRECTIVE TO FOCUS AND CONCENTRATE;

D. POTENTIAL OF THE PROPOSED PROGRAM TO GENERATE TANGIBLE, MEASURABLE, DEMONSTRABLE, AND REPORTABLE RESULTS;

E. EXTENT TO WHICH THE PROGRAM FALLS WITHIN MISSION MANAGEABLE INTEREST.

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4. MISSION OVERVIEW

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THE MISSION REPRESENTATIVES PROVIDED AN OVERVIEW OF THE SETTING FOR DEVELOPMENT IN MADAGASCAR AND INTRODUCED THE MISSION STRATEGY. THE MISSION DIRECTOR DESCRIBED RECENT GOM PROGRESS WITH POLITICAL AND ECONOMIC REFORM; THE POTENTIAL FOR ECONOMIC GROWTH; AND THE ROLE THAT USAID IS POISED TO PLAY. MADAGASCAR'S DEVELOPMENT DYNAMICS WERE THEN PRESENTED FROM TWO PERSPECTIVES.

FIRST, THE MISSION ECONOMIST CITED EIGHT OVERALL CHALLENGES THAT MUST BE ADDRESSED TO ACCELERATE

MADAGASCAR'S DEVELOPMENT: DEMOGRAPHIC PRESSURE, ENVIRONMENTAL DEGRADATION, JOB CREATION, INVESTMENT FINANCING, REDUCING MARKET FAILURES, EXPLOITING COMPARATIVE AGRICULTURAL POTENTIAL, PRIVATE SECTOR MOBILIZATION, AND MACROECONOMIC STABILIZATION.

SECOND, THE AGRICULTURE DEVELOPMENT OFFICER DESCRIBED THE KEY ROLE OF AGRICULTURE IN THE ECONOMY, CITING THE SECTOR'S EMPLOYMENT OF 80 OF THE LABOR FORCE AND

GENERATION OF 80 OF FOREIGN EXCHANGE EARNINGS. HE ALSO COMMENTED ON THE GROWTH IN THE SECTOR THAT LIBERALIZATION HAS SPARKED AND THE GREAT POTENTIAL FOR COMMERCIAL AGRICULTURE THAT PROPER DEVELOPMENT INTERVENTIONS CAN HELP REALIZE.

5. ISSUES

SEVEN ISSUES WERE ADDRESSED DURING PROGRAM WEEK MEETINGS:

A. ISSUE NO. 1: IS POLITICAL PROGRESS IN THE COUNTRY ADEQUATE FOR CPSP TO BE APPROVED FOR START-UP IMPLEMENTATION?

DISCUSSION: REVIEWERS WERE INFORMED THAT THE AUGUST CONSTITUTIONAL REFERENDUM WAS SUCCESSFULLY EXECUTED; PRESIDENTIAL ELECTIONS ARE SCHEDULED FOR 0/A NOVEMBER 4; THERE HAS BEEN SOLID PROGRESS IN HUMAN RIGHTS OVER RECENT YEARS; AND FREEDOM OF ASSEMBLY AND A LIVELY PRESS PREVAIL. TNUS, AFE AND AFR ARE GUARDEDLY OPTIMISTIC ABOUT AN ORDERLY TRANSITION TO A THIRD REPUBLIC.

BOTH THE BUREAU AND THE MISSION CONSIDER A THIRD REPUBLIC GOVERNMENT WITH A MANDATE AND COMMITMENT TO CONTINUE REFORM ESSENTIAL FOR IMPLEMENTATION OF A GROWTH-ORIENTED STRATEGY.

DECISIONS: ALTHOUGH UNCERTAINTIES SURROUND THE PROCESS OF POLITICAL TRANSITION, PROGRESS TO DATE IS SUFFICIENT TO

WARRANT APPROVAL AND START-UP IMPLEMENTATION OF THE CPSP.

ACTION: THE MISSION WILL MONITOR THE TRANSITION OVER THE NEXT NINE MONTHS, KEEP AFR/W INFORMED OF THE STATUS OF PROGRESS, DETERMINE THE IMPLICATIONS FOR CPSP IMPLEMENTATION IF PROGRESS STALLS, AND SHARE ITS CONCLUSIONS WITH AFR/W. THE BUREAU WILL REVIEW PROGRESS DURING THE ANNUAL BUDGET ALLOCATION PROCESS.

ACTION: THE MISSION WILL MONITOR PROGRESS TOWARD AN UPDATED MACROECONOMIC FRAMEWORK BEFORE OBLIGATING ITS NEW FY 93 PROGRAM OF FMD AND CAP.

B. ISSUE NO. 2: WILL ATTAINMENT OF SUB-GOAL 1 AND STRATEGIC OBJECTIVES 1 AND 2 RESULT IN A POSITIVE IMPACT ON PEOPLE, PARTICULARLY THROUGH JOBS AND INCREASED INCOMES?

DISCUSSION: PARTICIPANTS QUESTIONED THE IMPLICIT ASSUMPTION OF LINKS BETWEEN SUB-GOAL 1 (STIMULATE AND MULTIPLY COMPETITIVE MARKET LINKAGES); STRATEGIC OBJECTIVES 1 (INCREASE PRIVATE INVESTMENT) AND 2 (HIGH POTENTIAL ZONE GROWTH MULTIPLIES NATIONAL MARKET ACTIVITY); TARGET 1.1, FINANCIAL MARKET REFORMS; AND THAT THE PROPOSED INTERVENTIONS WILL PRODUCE POSITIVE AND MEASURABLE PEOPLE-LEVEL IMPACT VIA EMPLOYMENT AND WAGE INCREASES. IT WAS SUGGESTED THAT THE EXPANSION OF COMPETITIVE MARKET LINKS IS NECESSARY BUT NOT SUFFICIENT CONDITION FOR INVESTMENT, RATHER THAN A RESULT THEREOF. IT WAS NOT CLEAR TO REVIEWERS THAT ACHIEVEMENT OF THE SUB-GOAL, STRATEGIC OBJECTIVES, AND TARGETS WOULD RESULT IN

EMPLOYMENT GENERATION OR INCREASED INCOMES. THUS, THE FIT OF THE STRATEGY WITH THE DFA LEGISLATIVE MANDATE WAS CHALLENGED. IT WAS SUGGESTED THAT REVISION OF THE OBJECTIVE TREE COULD IMPROVE THE LOGIC OF THE LOGFRAME AND CLARIFY THE LINKAGES BETWEEN SUB-GOAL 1 AND STRATEGIC OBJECTIVES 1 AND 2, AND PROJECTED RESULTS THAT WILL PROVIDE PEOPLE WITH DIRECT BENEFITS.

DECISIONS: TO RESPOND TO THE DFA MANDATE AND TO BUREAU NEEDS, MISSION AGREED TO MODIFY THE LOGFRAME, SPECIFICALLY SUB-GOAL 1 AND STRATEGIC OBJECTIVE 1, ALONG WITH RELEVANT TARGETS AND INDICATORS AS APPROPRIATE.

ACTION (COMPLETED): SUB-GOAL 1 WAS REVISED TO READ BEGIN QUOTE INCREASE INVESTMENT AND EMPLOYMENT IN THE PRIVATE SECTOR END QUOTE. STRATEGIC OBJECTIVE 1 WAS REVISED TO BEGIN QUOTE ESTABLISH A COMPETITIVE PRO-BUSINESS CLIMATE AND RELATED SERVICES AT THE NATIONAL LEVEL END QUOTE.

ACTION: MISSION WILL CONTINUE TO REFINER INDICATORS AT THE SUB-GOAL, STRATEGIC OBJECTIVE AND TARGET LEVELS TO MEASURE PEOPLE-LEVEL IMPACT AT ALL THESE LEVELS. REVISED INDICATORS FOR THE SUB-GOAL WILL INCLUDE A FIGURE ON EMPLOYMENT CREATION. NEW PROJECT DESIGNS WILL ALSO INCLUDE PEOPLE-LEVEL INDICATORS WHICH WILL HELP AT THE TARGET LEVEL.

C. ISSUE NO. 3: IS TARGET 1.1, FINANCIAL MARKETS REFORM, APPROPRIATE FOR ACHIEVEMENT OF STRATEGIC OBJECTIVE 1, I.E., INCREASE PRIVATE INVESTMENT?

DISCUSSION: SOME PARTICIPANTS NOTED THAT FINANCIAL MARKETS IS NOT DESIGNATED AS A PRIORITY SECTOR BY DFA OR THE BUREAU. GC/AFR STATED THAT THE DFA STATUTE REQUIRES THAT MOST (ALTHOUGH NOT NECESSARILY ALL) DFA RESOURCES BE USED FOR THE CRITICAL SECTORAL PRIORITIES, AND THAT THE CRITICAL SECTORAL PRIORITY, AS RELEVANT TO THE PRIVATE SECTOR, LISTED IN THE STATUTE FOCUSES ON JOB-CREATION MEASURES FOR THE UNDER- AND UN-EMPLOYED. IN RECENT LEGISLATIVE HISTORY CONGRESS STATED THAT FOR FY 92 A LL NPA SHOULD FOCUS (AGAIN AS RELEVANT TO THE PRIVATE SECTOR) ON JOB-CREATION MEASURES. IN SPECIFIC CASES, CONGRESS HAS WANTED TO SEE THE CREATION OF JOBS FOR POOR PEOPLE FROM PRIVATE SECTOR NPAs, AND IT MAY BE A CHALLENGE TO SHOW THIS FROM THE PROPOSED FINANCIAL MARKETS NPA. OTHERS PICKED UP THE POINT THAT THE DFA DOES NOT PRECLUDE A I.D. FROM ADDRESSING FINANCIAL MARKET CONSTRAINTS AND THAT GROWTH, INVESTMENT, AND EMPLOYMENT WILL BE ACCELERATED, AT LEAST IN PART, BY ENTREPRENEURS WHO ARE CONFIDENT THAT INVESTMENT RULES WILL BE TRANSPARENT SO THAT RISKS CAN BE

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READILY IDENTIFIED AND POTENTIAL REWARDS THUS CALCULATED.

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THE MISSION EXPLAINED THAT--IN ADDITION TO RESTRUCTURING THE OPERATIONS OF THE CENTRAL BANK--THE PROPOSED ACTIVITIES WILL HELP REFORM THE NATIONAL SAVINGS BANK WHICH SERVES SMALL BUSINESS PEOPLE AND THE RURAL POPULACE THROUGH A NETWORK OF 208 BRANCHES AND IS THE ONLY INSTITUTION OFFERING SUCH SERVICES ON A NATIONWIDE BASIS. BECAUSE THE IBRD AWAITS A DECISION FROM MISSION REGARDING A.I.D.'S PARTICIPATION IN THE FINANCIAL MARKETS REFORM EFFORT, THE BUREAU WAS ASKED TO PROVIDE CLEAR GUIDANCE ON WHETHER AND HOW THE MISSION SHOULD PROCEED WITH THESE

PLANS.

DECISION: THE BUREAU AGREED THAT A STRATEGY TO PROMOTE GROWTH IS APPROPRIATE FOR MADAGASCAR. THE STRATEGY CAN THEREFORE INCLUDE FINANCIAL MARKETS REFORM AS AN APPROPRIATE TARGET. FURTHER, THE BUREAU AGREED TO CONSIDER THE MISSION AS A CANDIDATE, ALONG WITH GHANA, FOR FY 93 AEPFP FUNDS, THUS ENDORSING THE USE OF NFA TO EFFECT CHANGE IN THIS SECTOR.

HOWEVER, THE BUREAU CAUTIONED THE MISSION THAT THE FINANCIAL MARKETS TARGET SHOULD BE CONSIDERED VULNERABLE, IF FURTHER FOCUS AND CONCENTRATION IS DEEMED NECESSARY BY CHANGING CIRCUMSTANCES (E.G., BUDGETS, LEGISLATIVE

CONCERNS). ALTHOUGH ENDORSING THE NPA MODE AS AN OPTION, BUREAU SUGGESTS THE MISSION CONSIDER ADDRESSING THE FINANCIAL MARKETS TARGET BY PROVIDING TECHNICAL ASSISTANCE AND TRAINING VIA THE PROJECT MODE AND DROPPING THE POLICY COMPONENT, LEAVING IBRD TO TACKLE THAT PROBLEM. IF, HOWEVER, FURTHER ANALYSIS CONCLUDES THAT NPA WILL BE THE MOST EFFICIENT MODE FOR EFFECTING REFORM, MISSION SHOULD MAKE SURE THERE WILL BE A CLEAR LINK BETWEEN FINANCIAL MARKET POLICY REFORMS AND PEOPLE-LEVEL IMPACT, ESPECIALLY JOB-CREATION, AT THE TARGET (NPA) LEVEL.

REGARDING THE NPA MODE, THE BUREAU NOTED THAT AN UPDATED NPA GUIDANCE IS IN THE CLEARANCE PROCESS AND WILL BE ISSUED SHORTLY. ALSO, THE BUREAU AGREED TO INFORM THE USAID WITH RESPECT TO THE AVAILABILITY OF AEPFP FUNDING AS SOON AS POSSIBLE SO THAT THE MISSION CAN RESPOND TO THE

IBRD AND DECIDE IF AND HOW TO PROCEED WITH THE DESIGN.

D. ISSUE NO. 4: WHAT IS THE OUTLOOK FOR OTHER DONOR SUPPORT DURING THE PERIOD 1993-98 AND WILL THE USAID STRATEGY SUFFICIENTLY COMPLEMENT OTHER DONOR EFFORTS?

DISCUSSION: ALTHOUGH THE CPSP PRESENTED INFORMATION ON OTHER DONOR PROGRAMS, CLARIFICATIONS WERE REQUESTED BY REVIEWERS. MISSION REPRESENTATIVES RESPONDED THAT ODA HAD ATTAINED A LEVEL OF DOLLARS 440 MILLION IN 1992, BUT A LARGE PIPELINE REMAINS TO BE DISBURSED. THE IBRD, FRANCE, EC, JAPAN, SWITZERLAND, THE AFDB, AND UNDP ARE KEY DONORS IN VARIOUS SECTORS. USAID IS THE MAJOR DONOR SUPPORTING ENVIRONMENTAL POLICY, THE PROMOTION OF BIODIVERSITY, AND NATURAL RESOURCE MANAGEMENT IN AND AROUND PROTECTED AREAS

MISSION NOTED THAT THE IBRD WAS NOT SATISFIED WITH THE RECENT PACE OF IMPLEMENTATION OF REFORMS TO WHICH THE GOM HAS ALREADY AGREED. IT IS EXPECTED THAT IF POLITICAL EVOLUTION CONTINUES FAVORABLY AND THE THIRD REPUBLIC IS PEACEFULLY INSTALLED, THE REFORM EFFORT WILL BE BACK ON COURSE AND THE PACE WILL QUICKEN.

THE MISSION DIRECTOR DESCRIBED THE NATURE OF DONOR CONSULTATION AND COLLABORATION AS GOOD AND EXPECTED TO

IMPROVE VIA A REGULARIZED SCHEDULE OF MEETINGS DEVOTED TO INFORMATION EXCHANGE AND COOPERATION. CONCLUSION OF A MACROECONOMIC FRAMEWORK WITH THE NEW GOVERNMENT WAS CITED AS A PRIORITY DONOR AGENDA ITEM ONCE THE THIRD REPUBLIC IS IN PLACE.

DECISION: THE CLARIFICATIONS PRESENTED BY THE MISSION WERE SEEN AS HIGHLY INFORMATIVE AND USEFUL. THE BUREAU

BELIEVES THAT GOM-IBRD AGREEMENT ON THE MACROECONOMIC FRAMEWORK IS CRUCIAL TO THE SUCCESSFUL IMPLEMENTATION OF THE CPSP. BUREAU URGES THE MISSION TO PROMOTE THE IDEA OF A FORMAL CONSULTATIVE GROUP MEETING (CGM) AS EARLY AS POSSIBLE, ALTHOUGH THE LEAD TIME REQUIRED TO PLAN AND EXECUTE A CGM IS RECOGNIZED. THE CGM WOULD BE AN IMPORTANT SIGNAL THAT THE GOM HAS MADE PROGRESS ON POLITICAL AND ECONOMIC REFORM AND THAT DONORS SUPPORT THESE ACTIONS. IN THE ABSENCE OF A CGM, BUREAU ASKS THE MISSION TO ENCOURAGE OTHER DONORS TO CONTINUE AND EXPAND THE PROCESS OF DIALOGUE AND COLLABORATION THAT CURRENTLY PREVAILS.

E. ISSUE NO. 5: WILL RESOURCES BE ADEQUATE TO ENABLE THE MISSION TO ADD TWO NEW STRATEGIC OBJECTIVES?

DISCUSSION: PARTICIPANTS IN THE REVIEW NOTED THAT THE MISSION'S PROPOSED NEW ACTIVITIES SPAN SEVERAL SECTORS. EXPANSION OF THE PROGRAM IS BASED ON THE MISSION'S CPSP BUDGET PROJECTIONS OF DOLS 40 MILLION FLUS (INCLUDING AEPFP FUNDS), THOUGH THE USAID'S APPL IS STRAIGHTLINED AT DOLS 30 MILLION. MOREOVER, THE MISSION CURRENTLY HELPS THE BUREAU MEET SUBSTANTIAL CONGRESSIONAL TARGETS FOR OBLIGATIONS IN SUPPORT OF NATURAL RESOURCE MANAGEMENT, BIODIVERSITY, AND POPULATION ACTIVITIES. GIVEN THE NEED TO CONTINUE TO MEET THE NRM AND POP TARGETS, AND IN LIGHT OF THE APPL, WILL THE MISSION BE ABLE TO PURSUE TWO NEW OBJECTIVES AND ADEQUATELY FUND AND MANAGE THE PROPOSED

ACTIVITIES?

MISSION REPRESENTATIVES RESPONDED THAT THE CPSP WAS CONCEIVED UNDER THE ASSUMPTION THAT THE BUREAU WOULD ALLOCATE MORE RESOURCES TO MADAGASCAR AS A FOCUS COUNTRY. THE EXPANDED PROGRAM WAS THUS DESIGNED TO EFFICIENTLY ABSORB ADDITIONAL RESOURCES. MISSION REPRESENTATIVES REMINDED THE BUREAU THAT MANAGEMENT PROBLEMS FORMERLY CONFRONTED BY THE STAFF HAD BEEN RESOLVED AND THE MISSION WAS TODAY FUNCTIONING MORE EFFECTIVELY. IT WAS NOTED ALSO THAT THE MISSION HAD PROPOSED A STRUCTURAL REORGANIZATION TO BETTER MANAGE CURRENT AND FUTURE PROGRAM RESOURCES AND THAT THE PLAN HAD ALREADY BEEN APPROVED BY THE BUREAU.

THE MISSION FURTHER NOTED THAT MOST OF ITS PROGRAM RESOURCES NOW HELP TO MEET CONGRESSIONAL TARGETS IN NRM AND POP. THE DIRECTOR STATED THAT WITH BUDGET RESOURCES OF DOLLARS 40 MILLION HE WOULD EXPECT TO OBLIGATE UP TO 50 PERCENT OF THE FUNDS TO THE NRM AND POP TARGETS. AT LOWER PROGRAM BUDGET LEVELS, HE FORESEES NO LESS THAN ABOUT DOLLARS 15 MILLION BEING DEVOTED TO MEETING THE TARGETS.

WITH RESPECT TO GOM CAPACITY TO ABSORB HIGHER LEVELS OF FUNDING FOR POP AND NRM, THE MISSION STATED THAT THIS IS AN UNKNOWN. HENCE, THE ABILITY OF THE MISSION TO EFFECTIVELY PROGRAM MORE FUNDS FOR THESE TARGETS IS UNCERTAIN. IN THE CONTEXT OF THIS DISCUSSION, REVIEWERS SUGGESTED THAT USAID/MADAGASCAR IS DOING ITS SHARE TO HELP THE BUREAU MEET ITS TARGETS. THEY URGED THE BUREAU TO ASK OTHER MISSIONS TO ASSUME A GREATER SHARE OF THIS OBLIGATION.

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IN THE DISCUSSION, IT WAS ALSO POINTED OUT THAT TITLE III RESOURCES WERE IN SHORT SUPPLY. CURRENT AND FUTURE PROGRAMS ARE OVERSUBSCRIBED AND UNDERFUNDED, LARGELY BECAUSE OF REQUIREMENTS TO RESPOND TO DROUGHT CONDITIONS IN SOUTHERN AND EASTERN AFRICA, AND THE NEED TO FUND ALREADY-APPROVED MULTI-YEAR PROGRAMS. MADAGASCAR WOULD BE CONSIDERED A LOW PRIORITY COUNTRY FOR FY 93 TITLE III AND SHOULD NOT COUNT ON THESE RESOURCES TO IMPLEMENT THE CFSP. HOWEVER, SEVERAL MULTI-YEAR TITLE III PROGRAMS WILL BE COMPLETED BY THE END OF FY 93 AND THE OUTLOOK FOR FY 94 MAY BE BETTER, ALTHOUGH STILL UNCERTAIN.

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WITH REGARD TO A QUERY ABOUT PROPOSED LOAN GUARANTEES, THE MISSION RESPONDED THAT THE SOURCE OF FUNDS WAS THE BUREAU FOR PRIVATE ENTERPRISE. MISSION NOTED THAT PRE WOULD ASSUME MOST OF THE MANAGEMENT BURDEN FOR THIS ACTIVITY, IF FUNDS WERE PROVIDED FOR MADAGASCAR ACTIVITIES.

DECISION: THE BUREAU APPROVED THE ADDITION OF TWO NEW STRATEGIC OBJECTIVES. IT WAS AGREED THAT MISSION WOULD BE EXPECTED TO ALLOCATE 50 PERCENT OF ITS DFA RESOURCES TO HELP MEET CONGRESSIONAL TARGETS IN NRM AND POP. ALTHOUGH NO TITLE III RESOURCES ARE LIKELY TO BE AVAILABLE FOR MADAGASCAR IN FY 93, THE BUREAU WILL MAINTAIN THE MISSION REQUEST WITH THE INTENT OF DEMONSTRATING UNMET NEEDS. THE MISSION MAY WANT TO PREPARE AND SUBMIT A REQUEST FOR FY 94 BUT SHOULD KEEP ABREAST OF THE STATUS OF TITLE III RESOURCE AVAILABILITY BEFORE DEVOTING SIGNIFICANT STAFF TIME TO THIS ACTIVITY.

F. ISSUE NO. 6: WHAT ARE THE MISSION'S ALTERNATIVE STRATEGY SCENARIOS TO DEAL WITH STALLED POLITICAL PROGRESS OR FUNDING SHORTFALLS?

DISCUSSION: IN THE CPSP, THE MISSION PROVIDED AN ESTIMATE OF RESOURCE NEEDS TO SUPPORT IMPLEMENTATION OF THE STRATEGY. HOWEVER, REVIEWERS NOTED THAT EVEN IF BUDGET REQUESTS WERE TO BE APPROVED, THE UNCERTAINTY WHICH CHARACTERIZES PLANNING AND OPERATIONS IN AID/W MEANS THAT

THERE ARE NO GUARANTEES. WHAT ALTERNATIVES HAD THE MISSION CONSIDERED TO REVISE THE STRATEGY AND ITS IMPLEMENTATION, IF CHANGING CIRCUMSTANCES SO REQUIRED?

IN RESPONSE, THE MISSION PRESENTED THREE POLITICAL AND FIVE BUDGET SCENARIOS. THE POLITICAL SITUATIONS WERE: FIRST, A SUCCESSFUL TRANSITION TO A THIRD REPUBLIC, WHICH WOULD FACILITATE IMPLEMENTATION OF THE USAID STRATEGY; SECOND, POLITICAL DRIFT DURING WHICH THE INSTALLATION OF THE THIRD REPUBLIC WOULD BE DELAYED, OR TAKE PLACE IN CIRCUMSTANCES WHICH RENDERED THE GOVERNMENT TOO WEAK TO OPERATE EFFECTIVELY, THAT IS WITHOUT A CLEAR MANDATE; OR A THIRD SCENARIO WHICH MIGHT BE CONSTITUTED BY A FAILED POLITICAL TRANSITION DISTINGUISHED, FOR EXAMPLE, BY THE ASSUMPTION OF PDVER BY UNDEMOCRATIC FORCES.

RELATED TO THE POLITICAL SCENARIOS, THE MISSION OUTLINED THE FIVE BUDGET ALTERNATIVES AS HIGH, HIGH MEDIUM, MEDIUM, LOW MEDIUM, AND LOW. THE RANGE OF FUNDING WAS PRESENTED AS DOLS 40 MILLION FOR THE HIGH SCENARIO TO DOLS 20 MILLION FOR THE LOW SCENARIO. HIGH MEDIUM WAS SET AT DOLS

35 MILLION, MEDIUM AT DOLS 30, AND LOW MEDIUM AT DOLS 25 MILLION. UNDER THE DECREASING BUDGET ALTERNATIVES, THE PACE OF IMPLEMENTATION WOULD SLOW; STRATEGIC OBJECTIVES 1 OR 2, OR BOTH, WOULD BE DROPPED; ACTIVITIES WOULD BE CURTAILED OR DROPPED, WITH PERHAPS TWO PROJECTS, BEST AND

MIX, BEING SHELVED; AND STAFF WOULD BE CUT BY AS MANY AS FOUR USDH POSITIONS AND SEVERAL PSC'S IF MISSION HAD TO ADOPT THE LOWEST ALTERNATIVE. IN THE LATTER BUDGET SCENARIO, THE PROGRAM WOULD REVERT TO ADDRESSING CONGRESSIONAL TARGETS ONLY WITH NO DIRECT EFFORT DEVOTED TO PROMOTING OR SUSTAINING ECONOMIC GROWTH.

DECISIONS: THE BUREAU ACCEPTED THE MISSION'S ALTERNATIVE PLANS; CONCLUDED THAT THE USAID/MADAGASCAR PROGRAM SHOULD RIGHTFULLY FALL IN THE HIGH MEDIUM TO MEDIUM LEVEL OF BUDGETARY RESOURCES; AND REAFFIRMED THE MISSION'S APPL'S AT A STRAIGHTLINED DOLS 30 MILLION, NOT INCLUDING AEP RP, TITLE III, OR OTHER RESOURCES. THE BUREAU ALSO REAFFIRMED THE USAID FTE STAFFING LEVEL AT 14 AND APPROVED THE MISSION PROPOSAL TO PROCEED WITH THE ESTABLISHMENT OF A FIFTEENTH POSITION. THE BUREAU DIRECTED THE MISSION TO MANAGE AGGREGATE STAFF RESOURCES SO THAT THE FTE LEVEL OF 14 WILL NOT BE EXCEEDED.

G. ISSUE NO. 7: SHOULD THE MISSION ENGAGE IN AIDS ACTIVITIES TO PREVENT THE SFREAD OF THIS DISEASE IN MADAGASCAR?

DISCUSSION: THE BUREAU COMMENTED ON THE LACK OF AIDS ACTIVITIES IN MADAGASCAR. THE MISSION DIRECTOR REMINDED PARTICIPANTS THAT THE USAID STAFF HAD BEEN MINDFUL OF THE

NEED TO FOCUS AND CONCENTRATE. HE NOTED THAT AIDS HAD NOT BECOME A SERIOUS PROBLEM IN MADAGASCAR, STATING THAT ONLY 25 OFFICIAL CASES OF AIDS HAVE BEEN RECORDED TO DATE. FURTHER, OF 25,000 PEOPLE WHO RECENTLY UNDERWENT BLOOD TESTING, ONLY 5 WERE DETERMINED TO BE SEROPOSITIVE. HOWEVER, A RECENT STUDY IDENTIFIED A RELATIVELY HIGH INCIDENCE OF SYPHILIS IN THE SAMPLE POPULATION, NOTED ONE PARTICIPANT, CITING THE ACKNOWLEDGED CORRELATION BETWEEN THE INCIDENCE OF SEXUALLY-TRANSMITTED DISEASES AND CONTRACTION OF THE AIDS VIRUS. REVIEWERS EMPHASIZED THE IMPORTANCE OF PREVENTING AIDS FROM BECOMING A PROBLEM IN MADAGASCAR AND SUGGESTED THE MISSION TAKE A PROACTIVE STANCE. THE MISSION COULD CONSIDER INCORPORATING AIDS INFORMATION, EDUCATION, AND COMMUNICATIONS ACTIVITIES IN THE POPULATION PROJECT, A FORMULA WHICH IS BEING INCREASINGLY ADOPTEED IN COUNTRY PROGRAMS.

DECISION: THE MISSION IS NOT OBLIGED TO ADD AIDS PREVENTION ACTIVITIES TO THE PORTFOLIO AT THIS TIME.

THE BUREAU NONETHELESS URGES THE MISSION TO EXAMINE THE POPULATION PROJECT WITH THE INTENT OF SEEKING TARGETS OF OPPORTUNITY TO INCORPORATE AIDS EDUCATION WITH SEXUAL REPRODUCTION EDUCATION WHERE FEASIBLE. THE BUREAU ALSO ADVISES THE MISSION TO MONITOR THE INCIDENCE OF AIDS IN ORDER TO BE PREPARED TO RESPOND IF NEED BE.

THE AGENCY IS IN THE PROCESS OF UPDATING THE AIDS POLICY GUIDANCE. THIS SHOULD BE DISPATCHED TO THE FIELD IN NOVEMBER. DEPENDING ON THE SUBSTANCE OF THE AGENCY REVISION, CHANGES IN THE BUREAU STRATEGY, AND

CIRCUMSTANCES IN MADAGASCAR, THE BUREAU AND THE MISSION MAY JOINTLY CONCLUDE THAT U.S. ASSISTANCE SHOULD ALSO ADDRESS THE AIDS THREAT.

6. NEW STARTS/DELEGATIONS OF AUTHORITY

TWO NEW STARTS ARE PLANNED FOR FY 93. AA/AFR HEREBY DELEGATES AUTHORITY TO THE MISSION DIRECTOR, USAID/MADAGASCAR, TO APPROVE THE PID AND AUTHORIZE THE PP

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FOR THE CAPS PROJECT IN AN AMOUNT NOT TO EXCEED DOLS 48  
MILLION, AND TO APPROVE THE PAIP AND APPROVE THE FAAD FOR  
THE FINANCIAL MARKETS PROGRAM IN AN AMOUNT NOT TO EXCEED  
DOLS 14.5 MILLION. THESE AD HOC DOAS SHALL BE EXERCISED

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REQUEST ASSISTANCE FROM AFR/W IF NEEDED. MADAGASCAR IS  
NOT INCLUDED ON A PRELIMINARY LIST OF COUNTRIES INDICATING  
THEIR NEED FOR ASSISTANCE FOR MONITORING, EVALUATION, AND  
REPORTING (MER). HOWEVER, BECAUSE THE LIST HAS NOT BEEN  
FINALIZED, USAID/MADAGASCAR CAN STILL REQUEST SUCH  
ASSISTANCE--TO BE PROVIDED BY THROUGH A BUY-IN TO  
POL/GDIE'S PRISM CONTRACT--IF THE MISSION DEEMS IT  
NECESSARY.

IN ACCORDANCE WITH ALL THE TERMS AND CONDITIONS OF DOA  
551, EXCEPT FOR THE REQUIREMENT THAT AID/W APPROVE THE  
PID/PAIP AND THE DOLLAR AMOUNT LIMITATIONS.

THE BUREAU UNDERSTANDS THAT THE CAPS PROJECT IS UNLIKELY  
TO INCLUDE A NPA ELEMENT (WHICH WOULD INCLUDE A CIF). IF  
IT DOES CONTAIN AN NPA COMPONENT, THE FULL AFR NPA  
GUIDANCE, INCLUDING FULL SECTOR ANALYSIS AND ADDRESSING  
THE MOST IMPORTANT SECTOR (NOT JUST PROJECT) CONSTRAINTS  
VIA POLICY REFORMS, NEEDS TO BE FOLLOWED. THE BUREAU  
URGES THE MISSION TO REGULARLY CONSULT WITH AID/W AS THE  
DESIGNS PROGRESS AND PROVIDE IT WITH SUFFICIENT  
INFORMATION, BOTH TO ENABLE THE BUREAU TO MAKE A JUDGMENT  
AS TO WHETHER TO PROVIDE AERPP FUNDS AND TO HAVE  
SUFFICIENT INFORMATION AT THE CN STAGE. THE MISSION IS

ALSO URGED TO REVIEW THE LATEST REVISION TO THE NPA  
GUIDANCE CAREFULLY, AT AN EARLY POINT, PARTICULARLY WITH  
RESPECT TO PEOPLE-LEVEL IMPACT AND PROGRAM PURPOSE.

THE BUREAU ALSO SUGGESTED THAT AUTHORIZATION BE SCHEDULED  
FOR THE FOURTH QUARTER SO THAT MADAGASCAR'S POLITICAL  
EVOLUTION WILL BE FULLY DISCERNABLE AND THE MISSION WILL  
BE REASONABLY CERTAIN OF WHAT POLITICAL SCENARIO WILL  
PREVAIL. THE PROPOSED FY 94 NEW STARTS, BEST AND MIX, ARE  
APPROVED FOR STRATEGY IMPLEMENTATION AND FORWARD PLANNING.  
HOWEVER, AUTHORITY TO APPROVE FIDS/FAIPS AND PPS/PAADS FOR  
THESE ACTIVITIES IS RESERVED BY THE BUREAU PENDING THE  
NEXT ANNUAL BUDGET SUBMISSION AND REVIEW. THE AUTHORITY  
MAY BE DELEGATED TO THE FIELD AT THAT TIME.

7. MISSION REORGANIZATION

THE BUREAU HAS APPROVED THE MISSION'S PROPOSED  
REORGANIZATION WITH THE REVISION THAT THE CONTRACTING  
OFFICER WILL WORK UNDER THE SUPERVISION OF AND REPORT TO  
THE DEPUTY DIRECTOR. UPON BEING NOTIFIED THAT THE CPSP  
HAS BEEN APPROVED, FA/B/SB IS EXPECTED TO CONCUR WITH THE  
BUREAU'S DECISION.

8. MISSION STAFFING

AS NOTED ABOVE, BASED ON CURRENT AFRICA BUREAU FTE LEVELS,

THE MISSION FTE LEVEL IS APPROVED AT FOURTEEN (14). PER  
MISSION'S PROPOSAL, A FIFTEENTH POSITION MAY BE

ESTABLISHED. HOWEVER, STAFF MUST BE MANAGED BY THE  
MISSION SO THAT THE FTE LEVEL OF 14 IS NOT EXCEEDED.

9. PROGRAM IMPACT

EXPANDING ON THE DISCUSSION ABOVE, THE MISSION WILL BE  
EXPECTED TO REFINE ITS CFSP PROGRAM INDICATORS EARLY IN  
FISCAL YEAR 93 SO THAT SUBMISSION OF THE FY 93 API WILL  
REFLECT THE TRACKING AND MEASUREMENT OF INTERIM RESULTS  
ACHIEVED UNDER THE NEW CPSP. BUREAU EXPECTS THE MISSION  
TO DEVELOP AND TRACK PEOPLE-LEVEL INDICATORS AT THE SUB-  
GOAL, STRATEGIC OBJECTIVE, AND TARGET LEVELS. MISSION CAN

10. ADDITIONAL BUREAU CONCERNS

SEVERAL OTHER CONCERNS WERE RAISED IN THE PROGRAM WEEK  
MEETINGS. THESE ARE HIGHLIGHTED HERE.

A. OBLIGATIONS TARGETS: THE SHARE OF THE BUREAU BUDGET  
THAT MUST BE DEVOTED TO MEETING CONGRESSIONAL TARGETS IN  
THE EARMARKED AREAS IS LIKELY TO INCREASE. AS SUCH,  
MISSION MAY BE ASKED TO INCREASE THE PERCENTAGE OF THEIR  
OYB'S TO HELP MEET TARGETS. THE PRELIMINARY THINKING IN  
THE BUREAU AT THIS POINT IS THAT MAJOR FOCUS COUNTRIES  
SHOULD PLAN TO OBLIGATE HALF OF THEIR OYB'S TO MEET  
CONGRESSIONAL TARGETS. THE REMAINDER MAY BE PROGRAMMED TO  
MORE DIRECTLY PROMOTE ECONOMIC GROWTH. OTHER COUNTRIES  
MAY EVENTUALLY BE LIMITED TO ADDRESSING CONSTRAINTS ONLY  
IN THE EARMARKED SECTORS WITH THEIR ENTIRE OYB'S DEVOTED  
TO MEETING MANDATED TARGETS.

B. NON-PROJECT ASSISTANCE: WE MUST BE ABLE TO  
DEMONSTRATE A PEOPLE-LEVEL IMPACT FROM NPA WITH TANGIBLE  
RESULTS SUCH AS EXPANDED EMPLOYMENT OPPORTUNITIES,  
INCREASED INCOMES, IMPROVED EDUCATIONAL OR HEALTH STATUS,  
AND OTHER SIMILAR BENEFITS, PARTICULARLY FOR WOMEN. AFR

WILL BE INCREASINGLY ATTENTIVE TO MISSION PLANS TO EMPLOY  
THE NAPA MODE. THE BUREAU WILL EXPECT MISSIONS TO ENGAGE  
IN A REGULAR DIALOGUE WITH AFR/W AS THE DESIGN PROCESS  
EVOLVES SO THAT THERE WILL BE NO SURPRISES.

C. STAFFING: BECAUSE OF THE UNCERTAINTY THAT  
CHARACTERIZES OUR PLANNING AND DECISION-MAKING, THE USAID  
SHOULD BE AWARE THAT APPROVED FTE LEVELS ARE NOT  
SACROSANCT. THE BUREAU IS NOT YET CERTAIN OF OVERALL  
BUREAU FTE LEVELS FOR FY 93. IF REQUIRED BY OMB TO REDUCE

LEVELS, THE AGENCY MAY REQUEST THE BUREAU TO DOWNSIZE AND  
THE MISSION MAY ACCORDINGLY BE ASKED TO DECREASE ITS FTE  
LEVELS.

D. BUY AMERICA: THE AGENCY CONTINUES TO BE PRESSED ON  
THIS ISSUE. NEW LEGISLATION NOW PENDING MAY NO LONGER  
EXEMPT THE BUREAU FROM CERTAIN PROCUREMENT REQUIREMENTS.  
WHETHER OR NOT THE LEGISLATION AFFECTS THE DFA, THE  
MISSION SHOULD GIVE CLOSE ATTENTION TO ASSURE THAT U.S.  
PROCUREMENT IS MAXIMIZED.

10. CONCLUSION

THE BUREAU APPLAUDS THE STAFF OF USAID/MADAGASCAR FOR THE  
QUALITY OF THE MISSION CPSP AND COMMENDS MISSION  
REPRESENTATIVES FOR THEIR VERY HELPFUL PARTICIPATION IN  
THE REVIEW. WE LOOK FORWARD WITH HIGH EXPECTATION TO THE  
RESULTS OF CPSP IMPLEMENTATION AND THE MISSION'S REPORT ON  
CPSP IMPACT IN THE ANNUAL ASSESSMENT OF PROGRAM IMPACT.  
EAGLEBURGER

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**APPENDIX C. 1996 Parameter Setting Cable: 96 STATE 136495**

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AFEA: /tell../96/07/01/01267m  
!AFEA AAG AFDP AFPE AFFW AFMS AFSA AFSD AFSO BHR DRCO DUTY FFP GAFS GCAF  
GENR GEO MBBS OPA OPCC OPE OPOD OPSS OPTR PAUL PDSP POP PPCE PPEV PPPC  
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ORIGIN AID-00

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SOURCE: KODAKA.020025

DRAFTED BY: AID/AFR/EA: SPULASKI

APPROVED BY: AID/DAA/AFR: OPEASLEY

AID/AFR/EA: SPULASKI

AID/AFR/DP: JGOVAN (DRAFT)

AID/AFR/SD: JWOLGIN (DRAFT)

AID/AFR/AMS:BLRYNER (DRAFT)

AID/PPC/PC : RDELANEY

AID/M: DHARRISON (DRAFT)

AID/M/QC:BBURNETT (DRAFT)

STATE/AF/E: SSPRIGG (DRAFT)

CLEARANCES - CONTINUED

AID/G/ENV: PCRAWFORG (DRAFT)

AID/PPC/ENV:GPRICKETT (DRAFT)

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TO AMEMBASSY ANTANANARIVO

INFO AMEMBASSY NAIROBI

AMEMBASSY GABORONE

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AIDAC NAIROBI FOR REDSO; GABORONE FOR RCSA

E.O. 12958: N/A

TAGS:

SUBJECT: MADAGASCAR LIMITED PROGRAM TRANSITION

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1. SUMMARY: AT A MEETING CONVENED BY THE AFRICA BUREAU ON MAY 17, REPRESENTATIVES OF AFR, G, M AND PPC AGREED ON THE MISSION'S PROPOSED TRANSITION PLAN TO THREE STRATEGIC OBJECTIVES: DEMOCRACY/GOVERNANCE, ENVIRONMENTAL SUSTAINABILITY, AND FAMILY HEALTH. MISSION IS ASKED TO REFLECT THE TRANSITION IN TWO PHASES: (1) SUBMIT A RESOURCE PLAN AS PART OF THE R2, INCLUDING A LOWER BUDGET FOR A "WORST-CASE" SCENARIO IN THE EVENT STAFF LEVELS ARE REDUCED FURTHER; (2) A PROGRAM REVISION DOCUMENT IS REQUESTED BY NOVEMBER 1996. FINAL DETERMINATION OF STAFF PLANNING LEVELS CANNOT BE MADE AT THIS TIME. MISSION IS ADVISED TO ASSUME NO MORE THAN EIGHT BY THE END OF FY 1996 AND SIX BY END OF FY 1997. WORST-CASE SCENARIO SHOULD BE BASED ON FIVE USDH BY THE END OF FY 1998. END SUMMARY.

2. DAA/AFR CAROL PEASLEY CHAIRED A MEETING TO REVIEW USAID/MADAGASCAR'S PROPOSED TRANSITION TO LIMITED PROGRAM STATUS ON MAY 17, 1996. REPRESENTATIVES OF AFR/DP, AFR/SD, AFR/EA, M/BUD, M/ROR, PPC/PC, PPC/DEM, PPC/ENV, G/ENV, G/PHN, AND G/EG ATTENDED. USAID/MADAGASCAR DIRECTOR BUFF MACKENZIE LED OFF WITH A BRIEF BUT VERY IMPRESSIVE REVIEW OF THE PROGRAM AND ITS ACHIEVEMENTS. HE

CITED THE PROGRAM'S SUCCESS IN TEAMWORK AND PARTNERSHIP, THE MISSION'S LEADERSHIP AND CATALYTIC ROLE IN THE ENVIRONMENT SECTOR, THE PARTNERSHIP WITH 300 NGOS IN SUPPORT OF THE NEW PARTNERSHIP INITIATIVE (NPI), SUPERIOR DONOR COORDINATION AND LEVERAGE, AND THE PROMISE OF MORE AND BETTER RESULTS OVER THE NEXT TWO TO THREE YEARS.

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THE FOLLOWING ISSUES WERE DISCUSSED:

3. APPROPRIATENESS OF THE MISSION'S TRANSITION PLAN, ENTITLED "MADAGASCAR LIMITED PROGRAM TRANSITION OUTLINE", WHICH PROPOSES ELIMINATION OF SOME ACTIVITIES AND THE REORGANIZATION OF THE S.O. FRAMEWORK AROUND THREE PRINCIPAL THEMES: (1) THE DEMOCRACY/GOVERNANCE S.O. WILL CONTINUE WORK ON PARTICIPATION AND POVERTY AND SUPPORT TO

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MACRO-ECONOMIC MANAGEMENT AND CAPACITY BUILDING, IN CLOSE CONJUNCTION WITH BANK/FUND STRUCTURAL ADJUSTMENT OBJECTIVES: (2) THE ENVIRONMENTAL SUSTAINABILITY S.O. WILL CONTINUE ACTIVITIES IN ENVIRONMENTAL MANAGEMENT AND POLICY AND AGRICULTURAL PROMOTION; AND (3) THE FAMILY HEALTH S.O. WILL INCLUDE THE POPULATION AND CHILD SURVIVAL ACTIVITIES, AND TITLE II THROUGH CRS.

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A. MADAGASCAR HAS BEEN DESIGNATED A LIMITED ASSISTANCE MISSION. DRAFT RESTRUCTURING GUIDANCE LIMITS SUCH MISSION PROGRAMS NORMALLY TO TWO AGENCY GOALS OR PRIORITY AREAS. HOWEVER, GIVEN THE STRONG CROSS-SECTORAL INTEGRATION OF THE PROGRAM AND ITS EMPHASIS ON PRIORITY FOREIGN POLICY CONCERNS, PARTICIPANTS ENDORSED THE MISSION'S PROPOSAL TO PURSUE THREE STRATEGIC OBJECTIVES IN AS MANY PRIORITY AREAS.

B. PPC/ENV STATED THAT THE REVISED ENVIRONMENTAL S.O. REFLECTS THE AGENCY'S STRATEGIC DIRECTION. G/ENV SAID IT FULLY SUPPORTED THE CHANGE. AFR/SD SAID BIODIVERSITY GOALS REMAINED IMPORTANT BUT IT IS EQUALLY IMPORTANT TO SEE THE OBJECTIVES OF THE MULTI-DONOR ENVIRONMENTAL

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PROGRAM PHASE II (EPIL) SUCCEEDED BECAUSE THE PROGRAM'S SUCCESS WILL HAVE A POSITIVE IMPACT ON NATIONAL ENVIRONMENTAL PLANS IN OTHER AFRICAN COUNTRIES.

C. AFR/SD AND G/PHN STRONGLY SUPPORTED THE MISSION'S PLAN TO LINK FAMILY PLANNING AND CHILD SURVIVAL ACTIVITIES UNDER THE NEWLY ARTICULATED FAMILY HEALTH S.O. SD ALSO CITED THE IMPORTANCE OF THE LINKAGE OF ENVIRONMENTAL AND POPULATION ACTIVITIES, AND THE ROLE OF NGOS IN THE MISSION'S OVERALL PLANNING.

D. IN VIEW OF SOME POTENTIALLY DESTABILIZING FACTORS-- GOVERNANCE ISSUES AND THE HIGH INFANT MORTALITY RATE, THE D/G S.O. ALLOWS THE MISSION TO MONITOR THE POTENTIAL FOR CONFLICT AND UNREST. THE MEETING'S PARTICIPANTS ENDORSED THE S.O. AND AGREED TO GIVE HIGH PRIORITY TO THE MISSION'S RECRUITING A PROGRAM-FUNDED USPSC TO MANAGE THE DG PROGRAM.

4. STAFFING: WHILE THE MISSION DIRECTOR REQUESTED STRAIGHTLINING AT SEVEN USDH BY THE END OF FY 1997, IN VIEW OF THE UNCERTAINTY OF OE LEVELS AFTER 1997 THE MEETING WAS UNABLE TO PROVIDE PRECISE GUIDANCE ON FUTURE STAFFING LEVELS. THE MISSION IS ASKED TO ASSUME EIGHT USDH BY THE END OF FY 1996 AND SIX BY THE END OF FY 1997. HOWEVER, THE MISSION SHOULD DEVELOP A WORST-CASE SCENARIO WHICH WOULD BRING IT DOWN TO FIVE USDH BY FY 1998. THIS SCENARIO WILL INCLUDE A PROGRAMMATIC ANALYSIS OF WHICH ELEMENTS OF THE MISSION'S TRANSITION PROGRAM COULD BE MANAGED WITH FIVE USDH AND WHICH WOULD HAVE TO BE ELIMINATED OR PICKED UP BY OTHER DONORS.

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5. STATUS OF USAID PROGRAM IF MADAGASCAR FULFILLS THE BANK'S AND IMF'S CONDITIONS FOR AN ESAF AND SAC: WHILE THERE IS REASON FOR OPTIMISM IN THE WAKE OF THE RECENT CAMDESSUS VISIT, IT WAS AGREED THAT THE AGENCY'S PRESENT RESTRICTED BUDGET SITUATION DOES NOT PERMIT CONSIDERATION AT THIS TIME OF THE POSSIBILITY OF REVERSION TO FULL MISSION STATUS, BUT THIS COULD BE REVISITED IN THE FUTURE IF THE AGENCY'S RESOURCE SITUATION IMPROVES.

#### CONCLUSIONS AND DECISIONS:

6. MISSION TRANSITION PROGRAM: THE MISSION WILL SUBMIT A PROGRAM REVISION DOCUMENT, NOT A REVISED STRATEGY, BY NOVEMBER 1996 WHICH INCLUDES THE THREE S.O.S, BUT ALSO INCLUDES THE WORST-CASE SCENARIO, INCLUDING THOSE ELEMENTS IN WHICH THE AGENCY ENJOYS A COMPARATIVE ADVANTAGE AND WHAT ACTIVITIES MIGHT BE MANAGED FROM WASHINGTON. WHILE PARTICIPANTS AGREED WITH MACKENZIE THAT IN A WORST CASE, THE ENVIRONMENTAL SUSTAINABILITY S.O. WOULD BE THE PRIORITY, THE MISSION SHOULD CLEARLY ARTICULATE THE BASIS FOR ITS STRATEGIC CHOICES IN BOTH SCENARIOS.

7. RESOURCE PLANNING LEVELS: THE BUREAU AGREED ON A BEST CASE PLANNING LEVEL OF \$17-18 MILLION ANNUALLY BEGINNING

IN FY 1997 AND EXCLUSIVE OF TITLE II RESOURCES, CURRENTLY ESTIMATED AT \$4.8 MILLION. WHILE USAID/W IS SUPPORTIVE OF THE MISSION'S REVISED ECONOMIC GROWTH AND DIG ACTIVITIES,

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THESE DISCRETIONARY FUNDS ARE IN SHORT SUPPLY. AS THE MISSION DEVELOPS ITS DIG ACTIVITIES FOR "BEST" AND "WORST" CASE SCENARIOS, PLEASE NOTE THAT THE BUREAU WILL GIVE PRIORITY TO D/G ACTIVITIES IN THOSE COUNTRIES THAT ARE COMMITTED TO ADDRESSING CRISIS PREVENTION.

8. DAA/AFR PEASLEY THANKED MR. MACKENZIE FOR THE QUALITY AND THOUGHTFULNESS OF THE MISSION'S PROPOSAL AND THE SPIRIT OF COOPERATIVENESS WHICH CHARACTERIZED HIS PRESENTATION.

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CURRENTLY UNRESOLVABLE QUESTIONS RAISED:

9. STAFFING LEVELS (SEE PARA. 4 ABOVE). USAIDIW WILL PROVIDE FY 97/98 LEVELS IN THE UPCOMING RESOURCE REQUEST (R2B) GUIDANCE.

10. GUIDANCE ON POSSIBLE OTHER SOURCES OF PERSONNEL (E.G., POP/ENV OR DIG FELLOWS)

11. USE OF PROGRAM-FUNDED PSCS (HIGH PRIORITY FOR THE D/G S.O. HOWEVER, A DECISION ON THE MISSION'S REQUEST FOR A TWO-YEAR PSC FOR THE COMMERCIAL AGRICULTURAL PROGRAM WILL HAVE TO AWAIT FURTHER AGENCY GUIDANCE ON OVERALL CEILING IMPOSITIONS ON THIS CATEGORY.)

12. LEVEL OF FUTURE SUPPORT FROM REDSO AND/OR RCSA.

13. CODING OF ENVIRONMENTALLY SUSTAINABLE ACTIVITIES:

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G/ENV AND PPC/ENV WILL PROVIDE FURTHER GUIDANCE.  
TALBOTT

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## APPENDIX D. USAID MADAGASCAR VIRTUAL TEAM MEMBERS

### GENERAL:

Margaret Alexander, RCSA/OD  
Anthony Vance, REDSO/ESA/LEG  
Tony Pryor, AFR/SD  
John Martin, M/HR  
Joseph Mwangi, REDSO/ESA  
Steve Pulaski, AFR/EA  
Glenn Slocum, AFR/EA  
Ayanna Toure, AFR/DP  
Lane Smith, AFR/SD  
Jonathan Metzger, AFR/SD  
Paul Knepp, AFR/DP  
Jon Breslar, AFR/DP  
John Grant, BHR/PVC  
Sher Plunkett, IRT  
Rita Wollmering, G/HCD  
Yvonne Anduaem, G/HCD  
Hugh Maney, G/HCD  
Frank Donovan, REDSO/ESA

### SO#3: UNIQUE BIOLOGICAL DIVERSITY CONSERVED

Charlotte Bingham, REDSO/ESA  
Eric Loken, Zimbabwe/GD  
Mike Enders, G/ENV/UP  
Christine Lyons, M/OP/ENI/EE  
Carleene Dei, RHUDO/AFRICA  
Curt Reinstma, AFR/SD  
John Gaudet, AFR/SD  
Mike McGahuey, AFR/SD  
Dan Dworkin, AFR/SD  
Jerry Brown, AFR/SD  
Tim Resch, AFR/SD  
Walter Knausenberger, AFR/SD  
Carl Gallegos, AFR/SD  
Millie Morton, AFR/SD  
Curt Grimm, AFR/DP  
Glenn Prickett, PPC/ENV  
Dan Whyner, PPC/ENV  
Jim Hester, PPC/ENV  
Bruce Beyers, G/ENV  
Paul Crawford, G/ENV  
Cynthia Gill, G/ENV  
Shankar Gupta, REDSO/ESA  
Jason Matechak, G/EG/EM

### SO#1: REDUCE POVERTY

Jennifer Windsor, G/DG  
Yoon Lee, AFR/SD  
Ben Severn, AFR/SD  
Peter Thorman, AFR/SD  
Orest Koropecy, G/EG/EIR  
Rebecca Maestri, G/EG/EM  
Jason Matechak, G/EG/EM  
Larry Abel, R&D/EID  
Dana Ott, PPC/CDIE

### SO#2: SMALLER, HEALTHIER FAMILIES

Peggy Meites, G/PHN/HN  
Linda Lanckenau, G/PHN/HN  
Susan Anthony, G/PHN/HN  
Hope Sukin, AFR/SD  
Francis Davidson, G/PHN/HN  
Steve Hawkins, G/PHN/FPS  
Glenn Post, AFR/SD  
Subhi Mehdi, AFR/SD  
Kate Jones, BHR/PVC  
Tom Ray, BHR/FFP/DP  
Sylvia Graves, BHR/FFP/ER  
N. Helene Carlson, BHR/FFP  
Valerie Newsom, BHR/OFDA  
Peter McCormick, BHR/OFDA  
Jan Coffey, BHR/OFDA  
Mary Willis, G/PHN/POP  
Joanne Grossi, G/PHN/POP  
Susan Anthony, G/PHN/HN  
Victor Barnes, G/PHN/HN  
John Burdick, G/PHN/FPS  
Rochelle Thompson, G/PHN/FPS  
Carla Ragland, G/PHN/FPS  
Murray Trostle, G/HPN/HN  
Melinda Wilson, REDSO/ESA/HPN  
Mary Harvey, AFR/SD  
Oscar Picazo, REDSO/ESA/HPN  
John Novak, G/PHN/HIV  
Victoria Wells, REDSO/ESA/HPN

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## APPENDIX E. CUSTOMERS AND JOINT PLANING

### 1. Customer Focus

USAID/Madagascar has used a variety of methods to get to know, listen to, and engage its customers during the design and implementation of its CPSP. The first cut began with comprehensive national and regional surveys and studies, including the 1992 Demographic and Health Survey (DHS), the 1993 National Census (with technical assistance from the U.S. Bureau of the Census), the World Bank's series of national household surveys focused on poverty indicators, assessments, coordinated through the Global Bureau, of the climate for private sector investment (IRIS) and of democracy/governance, and USAID-financed regional household surveys carried out by Clark University and the Malagasy Planning University (IMATEP), all complemented by expanded use of geographic information systems to map environmental, economic and demographic data.

As part of its CEL activities, USAID/Madagascar held one of the Agency's first customer service workshops in the field in March 1995, and developed the first formal version of the Mission's Customer Service Plan. Facilitated by the Reengineering Task Force's Sher Plunkett, the workshop told us we were doing a good job identifying and getting feedback from customers. At the same time, it was clear we could and should do more. Accordingly, the Mission, with its partners, undertook further in-depth client analysis and listening as shown by the following examples.

Under SO#1, the National Savings Bank started a marketing plan which includes ongoing customer surveys. U.S. NGO PACT undertook a survey of civil society organizations to inform our three-year civil society program and to allow us to measure its impact.

Under SO#2, a variety of mechanisms have been used to ensure that clients of family planning and other health services are consulted, and that their needs are being addressed. The COPE or Customer-Oriented Provider Efficient exercise is a simplified, practical version of Total Quality Management (TQM). COPE is used to help clinics assess their responsiveness to clients' family planning needs and motivate clinic staff to resolve identified problems. The reaction of clinic health workers, who never before solicited client feedback nor felt empowered to seek solutions to clinic problems on their own, has been overwhelmingly positive. Rural and urban focus groups of married women, unmarried women, men and adolescents are also used to identify attitudes, concerns and rumors regarding family planning services in order to refine approaches. The Mission's social marketing of contraceptives program (SOMARC) also uses a variety of survey methods to get client feedback. Finally, the 1997 Demographic Health Survey (DHS) will add additional customer and service related questions and will test the use of direct survey input into portable computers in urban areas to provide more accurate and timely feedback.

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Under **SO#3**, a series of participatory processes took place to ensure the involvement of the clients in planning and setting priorities for activities within the context of the multi-donor National Environmental Action Plan (NEAP). A Participatory Options and Priorities Process was developed to involve a wide range of stakeholders in the design of second phase of the EAP (EP2). This involved interviews with local environmental stakeholders to identify environmental problems and possible solutions. This was followed by multi-local workshops at the regional level, involving farmers, local government administrators, private businesses, NGOs, and church groups to further prioritize problems and possible solution. A national level workshop synthesized the regional results with the involvement of key national policy makers. One of the primary results of this process has been the implication in EP2 of local resource managers in resource decision-making, planning and governmental regulations.

**NEAP:** The second significant participatory process was a beneficiary assessment of Environmental Program I activities which took place between July and November 1995 and included interviews with 1,746 beneficiaries and numerous key informants. The first objective for the "user evaluation" was to have different levels of beneficiaries assess the impact of EP1 and its success in attaining defined goals. The second objective was then to identify problems and make recommendations in preparation for the EP2. This proved to be an effective tool to improve program design through a better understanding of participants and their perceptions.

These participatory processes will be continued through the implementation of EP2 and USAID's biodiversity strategy. The processes will move each of the priorities identified towards intervention in the field in an effort to produce coordinated multi-local approaches to the environmental problems facing Madagascar.

**Regional Development:** For the economic growth side, client tracking and follow-up systems were put into place, Regional Infrastructure Committees (RIC) provide fora for national and local Government officials, private sector representatives and local road-user groups to exchange views and provide feedback on selection of tertiary roads for priority rehabilitation. In addition, the Lions and Rotary Clubs are used extensively in our two priority regions as vehicles for discussing regional and national issues of importance to the business sector.

**Kitchen Cabinet:** Finally, it is worth noting that USAID/Madagascar has used since March 1992 and will continue to use an informal, five-person (three of whom are U.S.-trained) "kitchen cabinet" of concerned and civic-minded Malagasy citizens, who represent different ethnic groups, regions and sectors, to give group and individual feedback and reality testing to the Mission's program and its evolution. Members include the third-place finisher in the November presidential election, a university president, a technical advisor to the current Prime Minister, a high potential zone business woman and successful Antananarivo exporter of non-traditional agricultural products. Their advice and counsel, particularly in the areas of rule of law, governance, judicial reform and private sector development, has been invaluable.

## 2. Partners and Joint Planning

Similar to its customer outreach efforts, USAID/Madagascar has endeavored to improve coordination, communication, collaboration and joint planning with its many U.S., international, donor and Malagasy partners. Following its CEL partnership broadening experience, USAID/Madagascar became a New Partnership Initiative (NPI) Partner Mission. The Mission's November 1996 NPI Final Report gives in-depth partnership examples. 129

**Donor Collaboration/Coordination:** One area of special mention is the improved and effective donor collaboration over the past five years. Bilateral and multi-lateral donors have worked in close concert with their IMF and World Bank colleagues to speak with one voice, educate and inform, and move their Malagasy counterparts to take ownership and put the necessary, fundamental macro-economic and sectoral changes into place. The USAID core values have played well here. Without such donor unity, including subjecting individual portfolio decisions to the collective good, it is doubtful Madagascar would have undertaken the fundamental economic and institutional reforms over the past three years, not to mention signing an ESAF with the IMF.

**Virtual Teams/Partnerships:** The Mission cannot talk about partnership without mentioning the broader partnership and joint planning carried out throughout its portfolio with the Africa Bureau (including AFR/SD, AFR/DP, AFR/AM, and AFR/EA), PPC, CDIE, the Management Bureau broadly, including Reengineering and Procurement staff, the Global Bureau, REDSO/ESA, RIG/Nairobi, RCSA, other regional FSOs stationed in Zimbabwe and South Africa, and finally our colleagues in other bilateral missions, especially our sister CELs. Receiving the Administrator's Award for Reengineering in 1996 reflected the efforts of more than the Mission's in-house staff. These virtual teams have worked extraordinarily well and have sustained the Mission in its hour of need while providing seemingly limitless hours of support to help identify new areas of assistance, new synergies and new approaches, besides the nitty-gritty of USAID's contracting and legal business. A list of the USAID people who have contributed to and are owed a great measure of our collective success for this CSP document and our program results can be found in Annex B.

**Under SO#1,** a wide variety of partnerships have been developed. At the donor level, USAID instigated a private-sector working group whose members include the World Bank, France, Switzerland, Germany, UNDP, UNIDO, and ILO, European Union, which coordinates all donor-supported activities and research in the sector. This has avoided a large amount of duplication of effort and reinvention of the wheel, while getting valuable studies and lessons learned into the hands of development practitioners. Other good examples are the World Bank, USAID and Swiss Cooperation tripartite efforts to strengthen and reform the Malagasy Central Bank with important performance results already. USIS has played a key role by sponsoring monthly business roundtables which allow dialogue and communication of key topics. In

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addition, USAID has helped to turn Malagasy institutions outward for new partnerships. For example, the National Savings Bank just joined the World Council of Savings Institutions and has developed a close link with Indonesia's major rural development bank (USAID/Indonesia-supported). Finally, USAID and the World Bank joined forces with the Ministry of Justice (MOJ) to enable the Ministry to put forward a credible budget for 1997, leading to a 27% increase in the MOJ operating budget.

Under SO#2, the Mission has succeeded in breaking down institutional barriers and increasing public-private partnerships. An initial step, starting in 1991, was the organization of quarterly meetings at USAID of the principal Malagasy NGOs involved in family planning services. This led to the formal creation of ASSONG, the Association of NGOs for Family Planning in Madagascar. From the ten founding NGOs, the Association has grown to over 27-member NGOs. Many of these organizations have since applied for and received sub-grants to expand or improve family planning services.

Under the APPROPOP Project (a precursor to the Strategic Objective Agreement for Smaller, Healthier Families signed in 1996) inter-sectoral partnership for family planning was formalized through creation of a Technical Advisory Committee (TAC), composed of representatives of different Malagasy ministries, NGOs, USAID and the Cooperative Agreement team. The TAC defines priorities, approves work plans and sub-grants, and monitors overall progress of family planning services. The membership and role of the TAC was expanded in 1996 to include oversight of Mission-sponsored child survival activities.

Intensive partnerships between USAID, Ministry of Health and NGOs have been developed in both focus regions for SO#2 activities. USAID and its partners were instrumental in fostering development of regional intersectoral committees which now meet regularly to identify priorities, develop annual work plans and budgets, coordinate activities across organizations, and monitor progress in the region.

As a CEL, USAID took a lead role in expanding donor coordination in the HPN sector at the national level. Greatly increased donor collaboration in HPN has helped break down inter-organizational jealousies and improved coordination and feedback. This has now been formalized by monthly meetings, chaired by the WHO representative, and attended by USAID, UNFPA, Germany, France, World Bank, UNICEF and other donor representatives. In addition, USAID formed a group of Child Survival Partners which meets monthly, and includes representatives of the MOH, USAID, UNICEF, Peace Corps, international NGOs such as CARE and CRS, and USAID contractors for child survival activities. These partnerships were deepened by the participatory process used to develop the recent Mission's Strategic Objective Agreement for Smaller, Healthier Families. The extended SO#2 Team includes representatives from the key groups mentioned above.

Under SO#3, the capstone event was the completion in September 1996 of the

second-phase design for Madagascar NEAP, Africa's first. Unlike EP1, the Malagasy lead the process for the formulation of the second phase program. The design culminated with a full program appraisal that involved ten donors, four international NGOs and the seven Malagasy executing agencies of the EAP. Strong emphasis was put on the participatory preparation and appraisal, integration of activities into one single program.

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As part of reengineering, the USAID Madagascar Natural Resources Office also went through a one-year participatory process which brought together NEAP Malagasy executing agencies, international and national NGOs, and contractors to develop a results framework and strategy for the USAID/Madagascar NR program within the context of the NEAP. As this process was happening simultaneously with the design of the EP2, participants stressed the importance that the participatory process being used by USAID serve as a working model and basis for the parallel process being undertaken by the Government in defining their environment program priorities for the next five years.

The importance of the Malagasy-donor-NGO partnership and the two-year, participatory process which led to the EP2 cannot be underestimated. An essentially subservient and unhealthy relationship has been replaced by level partnership, based on mutually defined goals, activities and ways of working with one another. While the Malagasy environment institutions have a long and challenging road ahead, partnership efforts will assure long-term sustainability and deepen results.

Another important level of partnership concerns the Mission and its U.S. environmental partners. Here, the Mission has developed with the assistance of Conservation International, an informal Madagascar Environmental Consultative Group made up of the leading institutions (CI, Smithsonian, WWF, Missouri Botanical Garden, Wildlife Conservation Society, Peregrine Fund, etc.) and individuals (e.g., Dr. Russell Mittermeier, Dr. Allison Jolly, Dr. Patricia Wright et al.) who were responsible for putting Madagascar on the map of world biodiversity "hot spots." This group has already helped the Mission in April 1995 wind its way through the thorny issue of biodiversity trade. A similar meeting is planned right after the CSP review to present the Mission's revised environmental strategy within the context of the Malagasy Environment Program II and directly, enlist assistance in helping provide the scientific grounding for defining and implementing the Mission's "broader landscapes" regional strategy, and looking for ways to improve outreach to other U.S. partners.

The Mission's Commercial Agriculture Project (CAP), now under SO#3, uses partnerships as the primary way to catalyze regional economic growth and reverse twenty years of inefficient central planning. Working with agribusinesses, grower associations, road-user associations, local, regional, and national authorities, and a series of local and international technical specialists, CAP has used a teamwork and customer-focus approach to alleviate many constraints to regional agricultural growth. Rural road rehabilitation has been a win-win situation for collaborating partners as new

roads have almost doubled farm-gate prices to small farmers, lowered transportation costs by 30% and cut transport times in half. Local governments have empowered user-associations to collect tolls and operate rain barriers and private and municipal entities have contributed to road maintenance funds. Particularly exciting has been the fact that once a partnership is created it begins to create other partnership opportunities. One road-user association expanded its horizons to garner an Ambassador's Special Self-Help Fund for a rural health center. The group also negotiated several small loans from the UNDP and World Bank for fertilizer and other agricultural inputs and developed links with USAID's family planning program. Also, as noted elsewhere, donor partnerships with the European Union and Japan, have allowed the Mission to partially bridge rural roads funding shortfalls.

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This document provides findings and recommendations of a participatory stakeholder process addressing social and programmatic issues that generated national conservation priorities identified in two major categories: (1) the conditions in which management systems function; and (2) modification of the system of biodiversity resources management.

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U.S. AGENCY FOR  
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**MEMORANDUM**

**DATE:** February 12, 1997

**TO:** See Distribution

**FROM:** Philip-Michael Gary Director, AFR/E

**SUBJECT:** The Madagascar Proposed Country Strategy Plan and Review Schedule

The Program Week review for the Madagascar Proposed Country Strategy Plan (CSP) is scheduled for **March 4 (Tuesday) through March 7 (Friday), 1997**. This will be preceded by the Issues Meeting on **February 26, 1997**. Information on these meetings can be obtained from the Madagascar Country Development Officer, Steve Pulaski, at 647-6331, or from Curt Grimm in AFR/DP, at 647-9891.

**I. Schedule of Meetings**

**ISSUES MEETING:** Wednesday, February 26, 1997  
2:00 p.m. - 4:30 p.m., Room 6941, NS

**PROGRAM WEEK:** Tuesday, March 4, 1997  
2:00 p.m. - 4:00 p.m., Room 6941, NS

Thursday, March 6, 1997  
2:00 p.m. - 4:00 p.m., Room 6941, NS

Friday, March 7, 1997  
10:00 a.m. - 12:00 noon, Room 6941, NS

## II. Introduction

Based on the 1996 REGO II exercise, the Agency decided to transform USAID/Madagascar from a Full Mission to a Limited Mission. This transformation meant that the Country Strategic Plan and its four Strategic Objectives needed to be revised significantly in light of reductions in resources and staff. The current plan takes account of these programmatic changes.

USAID/Madagascar's Limited Mission CSP for FY 1998-2002 addresses a number of critical development challenges at both country and the regional levels:

- o Rapid population growth, inadequate or under-utilized health service delivery, child and maternal health, etc., which strain social services and employment creation, and fuel unsustainable use of environment and destruction of critical ecosystems.
- o Poor infrastructure and a weak financial sector that inhibits private sector growth and job opportunities, despite impressive economic performance of recent years, and leaves the population (especially in rural areas) in poverty.
- o Limited Government of Madagascar technical capability to implement macro-economic policy and the sectoral reforms of the Bank/Fund supported structural adjustment program.
- o Natural resource degradation on a scale that threatens a unique biodiversity environment.

In May, 1996 the Bureau reviewed USAID/Madagascar's proposed transition plan entitled "Madagascar Limited Program Transition Outline" which proposed elimination of some activities and the reorganization of the SO framework around three principal themes: (1) the Democracy/Governance SO would continue work on participation and poverty and support to macro-economic management and capacity building, in close conjunction with Bank/Fund structural adjustment objectives; (2) the Environmental Sustainability SO would continue activities in environmental management and policy and agricultural promotion; and (3) the Family Health SO would continue the population and child survival activities, and Title II through CRS.

Assistance to Madagascar supports U.S. interests by promoting free enterprise, opening new or formerly protected markets for American firms (e.g. tourism, exotic natural materials) and U.S. products (e.g. telecommunications, construction and agriculture); fostering democratic values and institutions; and preserving one of the earth's most extraordinary sources of biodiversity.

The CSP proposes to address these challenges through a multi-faceted approach focusing on the overarching goal of "Broad-based

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Sustainable Economic Growth". This goal is supported by three strategic objectives (SOs):

**SO1: Reduced Poverty**

**SO2: Smaller, Healthier Families.**

**SO3: Unique Biological Diversity Conserved**

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These goals and SOs form the basis for the strategy review.

### **III. The Strategy Review**

As detailed below, the formal elements of the Madagascar CSP Review are: (1) an Issues Meeting prior to Program Week; and (2) a series of overview and wrap-up meetings during the Program Week. Since the ultimate goal of the CSP review is for USAID/W and the Mission to come to terms on a management contract, we encourage all concerned Bureaus/Centers/Offices to participate fully at each step of the process.

As it was done with other strategy reviews, the Africa Bureau will limit the number of participants at each formal session. While we realize that this might not allow everyone interested to attend, it does help us manage the process in a way that promotes representativeness, continuity, and closure. It also helps us fit in an average meeting room! Proposed participation is as follows:

USAID/M:	4	GC/AFR:	1
DAA/AFR:	1	PPC/PC:	3
AFR/EA:	5	PPC/CDIE:	1
AFR/SD:	4	M/ROR:	1
M/B:	1	Global:	7
AFR/DP:	4	State:	2
AFR/AMS:	1	Treasury:	1
BHR:	2	OMB:	1

Please note that attendance at the "Wrap-up" session, which is a decision-making meeting held on the last day of Program Week, is limited to senior managers from the respective Bureaus/Centers/Offices.

#### **Issues Meeting**

The purpose of the Issues Meeting on February 26th is to reach agreement on issues and concerns for program week and to finalize the agenda. Centers and Offices are invited to submit suggested issues or concerns, preferably one set of issues for each Center or Office.

**Issues should be submitted via e-mail attachments to Steve Pulaski, AFR/EA, by noon Friday, February 21.**

We encourage you to develop your issues based on the proposed CSP as well as your knowledge of Madagascar. To facilitate preparation of the issues paper, each suggested issue should be presented in the following standard manner:

- a. **Issue:** in a few words, state the issue you would like to see addressed during program week.
- b. **Discussion:** in a short paragraph, provide background for the issue and your reason for raising it.
- c. **Recommendation:** in a few words, state your recommendation or preferred option.

For concerns, describe what they are, using no more than a few sentences for each.

Following the issues meeting, a final issues paper will be drafted which will be distributed prior to the first meeting of Program Week.

**Program Week - Procedure and Purpose**

Program Week is designed to enable senior Agency and Bureau management to review the operational unit's plan for programming assistance over the next few years and to agree on programs, priorities, and to some degree on implementation actions. We will also examine broader programmatic issues, i.e., policy dialogue, donor coordination, macro and sectoral environment, the synergistic effects of various centrally and regionally funded activities, etc. The review also allows us to assess Madagascar's contributions to Agency goals, as well as AFR's DFA goal of sustainable, broad-based, market-oriented economic growth.

The strategic plan should be assessed based on guidelines in the attached "parameters" cable and the following six criteria:

- (1) the degree of analytical support evident;
- (2) the way the Mission proposes to match USAID/Madagascar's needs and available resources, focusing on consistency between the underlying analysis on the one hand and the selection of problems to be addressed on the other;
- (3) the degree of focus that the proposed program achieves in defining strategic objectives, ensuring that they are in the manageable interest of the Mission;

- (4) the extent to which the accomplishment of the objectives is measurable;
- (5) how the proposed program reflects the interests and unique capacities of the U.S. and the American people; and, 150
- (6) the responsiveness of the proposed strategy to the Agency strategic goals and Africa Bureau priorities.

Since USAID/Madagascar is presenting a Limited Mission rather than a Full Mission CSP, it is anticipated that fewer review meetings will be required. Program week will thus consist of two review days, instead of the usual three, and a wrap-up meeting.

**The outcome we seek from Program Week is a management contract.**

#### **IV. Program Schedule and Objectives**

**Issues Meeting: Wednesday, February 26, 1997, 2:00 - 4:30 p.m., Room 6941 N.S.**

The purpose of this meeting is to identify issues and concerns for the strategy review and to finalize the agenda for Program Week.

- Introductory remarks by Chairperson: Patricia Rader, Deputy Director, AFR/EA;
- Discussion of issues;
- Finalization of the Program Week Agenda.

#### **PROGRAM WEEK**

**Tuesday, March 4, 1997, 2:00 - 4:00 p.m., Room 6941 N.S.**

- Introductory remarks by the Chairperson, Gary Bombardier, DAA/AFR;
- Presentation of the Limited Assistance Plan by USAID/Madagascar Deputy Mission Director and Mission staff;
- Discussion of SO 1 Reduced Poverty
- Discussion of SO 2 Smaller, Healthier Families

**Thursday, March 6, 1997, 2:00 - 4:00 p.m., Room 6941 N.S.**

- Discussion of SO 3 Unique Biological Diversity Conserved
- Discussion of management issues

Friday, March 7, 1996, 10:00 - 12:00 noon, Room 6941 N.S.

(Note: This session is limited to senior managers from the respective Bureaus)

- Summary and Recommendations from the Issues Meetings;
- Agreement on a USAID/Madagascar - USAID/Washington contract.

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Any additional meetings that are required between the issues meeting and the end of the program week will be identified at the issues meeting, or during program week, and will be scheduled accordingly. Requests for such meetings should be directed to Steve Pulaski, AFR/EA, ext. 7-6331, or Curt Grimm, AFR/DP, ext. 7-9891.

Attachments:

- A. STATE CABLE, USAID/Madagascar's Limited Program Transition: Program and Budget Parameters
- B. USAID/Madagascar's Limited Assistance Plan: Fiscal Years 1998-2002

Distribution for Country Strategies

<u>Office:</u>	<u># of Copies:</u>	<u>Room:</u>
AA/AFR, CPeasley	1	6936 NS
DAA/AFR, CDean	1	6936 NS
DAA/AFR, GBombardier	1	6936 NS
AFR/DP, JGovan	1	2495 NS
AFR/DP, RMahoney	1	2495 NS
AFR/DP/POSE, JBreslar	5	2495 NS
AFR/DP/PAB, GCauvin	1	2495 NS
AFR/DP/PFP, RGold	1	2495 NS
AFR/DP/OEFM, BLeonard	1	2484 NS
AFR/AM, BRyner	1	2668 NS
AFR/SD, JWolgin	17	2744 NS
AFR/DRC, DAdams	1	3909 NS
GC/AFR, DLuten	1	6889 NS
PPC/PC, KSchwartz	8	3952 NS
PPC/DEM, LGarber	1	3889B, NS
PPC/HR, WRenison	1	3645B, NS
PPC/PHD, NDaulaire	1	3673 NS
PPC/ENV, JHester	1	3947 NS
PPC/DP, CThorup	1	3637 NS
PPC/CDIE/DI, MPope	1	209E, SA-18
PPC/CDIE/FO, SROSier	2	309, SA-18
PPC/CDIE/PME, HDestler	1	305C, SA-18
M/MPI, RMDepp	2	3742 NS
M/B, SRyner	1	3756 NS
M/B, DHarrison	1	3841 NS
M/ROR, RByess	2	200, SA-2
G/PDSP, LDobbins	25	319, SA-18
G/DG, CCostello	1	5258 NS
G/DG, MBrown	1	5258 NS
G/EG/EIR, MMcKnight	2	501, SA-2
G/PHN/FPS, RThompson	1	714, SA-18
BHR/FFP/D, TOliver	1	337, SA-8
BHR/PPE, FAlejandro	3	361, SA-8
BHR/OFDA, RMeyer	1	1700, SA-14
AF/E, BBodine	1	5240 NS
AF/E, TCraig	1	5240 NS
AF/EPS, EEwing	1	5242 NS
AF/DAS, JJohnson	2	6234A, NS
OMB, JPiller	1	1725 17th Street, NW Wash., DC 20503
Treasury, EBarber	1	DIR, African Nations Paris Club Dept. of Treasury Room 5221 15th & Pennsyl- vania, NW Wash., DC 20523

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APPROVED BY: AID/DAA/AFR: OPEASLEY  
AID/AFR/EA: SPULASKI AID/AFR/DP: JGOVAN (DRAFT)  
AID/AFR/SD: JWOLGIN (DRAFT) AID/AFR/AMS: BLRYNER (DRAFT)  
AID/PPC/PC: RDELANEY AID/M: DHARRISON (DRAFT)  
AID/M/QC: BBURNETT (DRAFT) STATE/AF/E: SSPRIGG (DRAFT)  
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TAGS:

SUBJECT: MADAGASCAR LIMITED PROGRAM TRANSITION

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1. SUMMARY: AT A MEETING CONVENED BY THE AFRICA BUREAU ON MAY 17, REPRESENTATIVES OF AFR, G, M AND PPC AGREED ON THE MISSION'S PROPOSED TRANSITION PLAN TO THREE STRATEGIC OBJECTIVES: DEMOCRACY/GOVERNANCE, ENVIRONMENTAL SUSTAINABILITY, AND FAMILY HEALTH. MISSION IS ASKED TO REFLECT THE TRANSITION IN TWO PHASES: (1) SUBMIT A RESOURCE PLAN AS PART OF THE R2, INCLUDING A LOWER BUDGET FOR A "WORST-CASE" SCENARIO IN THE EVENT STAFF LEVELS ARE REDUCED FURTHER; (2) A PROGRAM REVISION DOCUMENT IS REQUESTED BY NOVEMBER 1996. FINAL DETERMINATION OF STAFF PLANNING LEVELS CANNOT BE MADE AT THIS TIME. MISSION IS ADVISED TO ASSUME NO MORE THAN EIGHT BY THE END OF FY 1996 AND SIX BY END OF FY 1997. WORST-CASE SCENARIO SHOULD BE BASED ON FIVE USDH BY THE END OF FY 1998. END SUMMARY.

2. DAA/AFR CAROL PEASLEY CHAIRED A MEETING TO REVIEW USAID/MADAGASCAR'S PROPOSED TRANSITION TO LIMITED PROGRAM STATUS ON MAY 17, 1996. REPRESENTATIVES OF AFR/DP, AFR/SD, AFR/EA, M/BUD, M/ROR, PPC/PC, PPC/DEM, PPC/ENV, G/ENV, G/PHN, AND G/EG ATTENDED. USAID/MADAGASCAR DIRECTOR BUFF MACKENZIE LED OFF WITH A BRIEF BUT VERY IMPRESSIVE REVIEW OF THE PROGRAM AND ITS ACHIEVEMENTS. HE

CITED THE PROGRAM'S SUCCESS IN TEAMWORK AND PARTNERSHIP, THE MISSION'S LEADERSHIP AND CATALYTIC ROLE IN THE ENVIRONMENT SECTOR, THE PARTNERSHIP WITH 300 NGOS IN SUPPORT OF THE NEW PARTNERSHIP INITIATIVE (NPI), SUPERIOR DONOR COORDINATION AND LEVERAGE, AND THE PROMISE OF MORE AND BETTER RESULTS OVER THE NEXT TWO TO THREE YEARS.

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THE FOLLOWING ISSUES WERE DISCUSSED:

3. APPROPRIATENESS OF THE MISSION'S TRANSITION PLAN, ENTITLED "MADAGASCAR LIMITED PROGRAM TRANSITION OUTLINE", WHICH PROPOSES ELIMINATION OF SOME ACTIVITIES AND THE REORGANIZATION OF THE S.O. FRAMEWORK AROUND THREE PRINCIPAL THEMES: (1) THE DEMOCRACY/GOVERNANCE S.O. WILL CONTINUE WORK ON PARTICIPATION AND POVERTY AND SUPPORT TO

MACRO-ECONOMIC MANAGEMENT AND CAPACITY BUILDING, IN CLOSE CONJUNCTION WITH BANK/FUND STRUCTURAL ADJUSTMENT OBJECTIVES: (2) THE ENVIRONMENTAL SUSTAINABILITY S.O. WILL CONTINUE ACTIVITIES IN ENVIRONMENTAL MANAGEMENT AND POLICY AND AGRICULTURAL PROMOTION; AND (3) THE FAMILY HEALTH S.O. WILL INCLUDE THE POPULATION AND CHILD SURVIVAL ACTIVITIES, AND TITLE II THROUGH CRS.

A. MADAGASCAR HAS BEEN DESIGNATED A LIMITED ASSISTANCE MISSION. DRAFT RESTRUCTURING GUIDANCE LIMITS SUCH MISSION PROGRAMS NORMALLY TO TWO AGENCY GOALS OR PRIORITY AREAS. HOWEVER, GIVEN THE STRONG CROSS-SECTORAL INTEGRATION OF THE PROGRAM AND ITS EMPHASIS ON PRIORITY FOREIGN POLICY CONCERNS, PARTICIPANTS ENDORSED THE MISSION'S PROPOSAL TO PURSUE THREE STRATEGIC OBJECTIVES IN AS MANY PRIORITY AREAS.

B. PPC/ENV STATED THAT THE REVISED ENVIRONMENTAL S.O. REFLECTS THE AGENCY'S STRATEGIC DIRECTION. G/ENV SAID IT FULLY SUPPORTED THE CHANGE. AFR/SD SAID BIODIVERSITY GOALS REMAINED IMPORTANT BUT IT IS EQUALLY IMPORTANT TO SEE THE OBJECTIVES OF THE MULTI-DONOR ENVIRONMENTAL

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PROGRAM PHASE II (EPIL) SUCCEEDED BECAUSE THE PROGRAM'S SUCCESS WILL HAVE A POSITIVE IMPACT ON NATIONAL ENVIRONMENTAL PLANS IN OTHER AFRICAN COUNTRIES.

C. AFR/SD AND G/PHN STRONGLY SUPPORTED THE MISSION'S PLAN TO LINK FAMILY PLANNING AND CHILD SURVIVAL ACTIVITIES UNDER THE NEWLY ARTICULATED FAMILY HEALTH S.O. SD ALSO CITED THE IMPORTANCE OF THE LINKAGE OF ENVIRONMENTAL AND POPULATION ACTIVITIES, AND THE ROLE OF NGOS IN THE MISSION'S OVERALL PLANNING.

D. IN VIEW OF SOME POTENTIALLY DESTABILIZING FACTORS-- GOVERNANCE ISSUES AND THE HIGH INFANT MORTALITY RATE, THE D/G S.O. ALLOWS THE MISSION TO MONITOR THE POTENTIAL FOR CONFLICT AND UNREST. THE MEETING'S PARTICIPANTS ENDORSED THE S.O. AND AGREED TO GIVE HIGH PRIORITY TO THE MISSION'S RECRUITING A PROGRAM-FUNDED USPSC TO MANAGE THE DG PROGRAM.

4. STAFFING: WHILE THE MISSION DIRECTOR REQUESTED STRAIGHTLINING AT SEVEN USDH BY THE END OF FY 1997, IN VIEW OF THE UNCERTAINTY OF OE LEVELS AFTER 1997 THE MEETING WAS UNABLE TO PROVIDE PRECISE GUIDANCE ON FUTURE STAFFING LEVELS. THE MISSION IS ASKED TO ASSUME EIGHT USDH BY THE END OF FY 1996 AND SIX BY THE END OF FY 1997. HOWEVER, THE MISSION SHOULD DEVELOP A WORST-CASE SCENARIO WHICH WOULD BRING IT DOWN TO FIVE USDH BY FY 1998. THIS SCENARIO WILL INCLUDE A PROGRAMMATIC ANALYSIS OF WHICH ELEMENTS OF THE MISSION'S TRANSITION PROGRAM COULD BE MANAGED WITH FIVE USDH AND WHICH WOULD HAVE TO BE ELIMINATED OR PICKED UP BY OTHER DONORS.

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5. STATUS OF USAID PROGRAM IF MADAGASCAR FULFILLS THE BANK'S AND IMF'S CONDITIONS FOR AN ESAF AND SAC: WHILE THERE IS REASON FOR OPTIMISM IN THE WAKE OF THE RECENT CAMDESSUS VISIT, IT WAS AGREED THAT THE AGENCY'S PRESENT RESTRICTED BUDGET SITUATION DOES NOT PERMIT CONSIDERATION AT THIS TIME OF THE POSSIBILITY OF REVERSION TO FULL MISSION STATUS, BUT THIS COULD BE REVISITED IN THE FUTURE IF THE AGENCY'S RESOURCE SITUATION IMPROVES.

#### CONCLUSIONS AND DECISIONS:

6. MISSION TRANSITION PROGRAM: THE MISSION WILL SUBMIT A PROGRAM REVISION DOCUMENT, NOT A REVISED STRATEGY, BY NOVEMBER 1996 WHICH INCLUDES THE THREE S.O.S, BUT ALSO INCLUDES THE WORST-CASE SCENARIO, INCLUDING THOSE ELEMENTS IN WHICH THE AGENCY ENJOYS A COMPARATIVE ADVANTAGE AND WHAT ACTIVITIES MIGHT BE MANAGED FROM WASHINGTON. WHILE PARTICIPANTS AGREED WITH MACKENZIE THAT IN A WORST CASE, THE ENVIRONMENTAL SUSTAINABILITY S.O. WOULD BE THE PRIORITY, THE MISSION SHOULD CLEARLY ARTICULATE THE BASIS FOR ITS STRATEGIC CHOICES IN BOTH SCENARIOS.

7. RESOURCE PLANNING LEVELS: THE BUREAU AGREED ON A BEST CASE PLANNING LEVEL OF \$17-18 MILLION ANNUALLY BEGINNING

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IN FY 1997 AND EXCLUSIVE OF TITLE II RESOURCES, CURRENTLY ESTIMATED AT \$4.8 MILLION. WHILE USAID/W IS SUPPORTIVE OF THE MISSION'S REVISED ECONOMIC GROWTH AND DIG ACTIVITIES,

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THESE DISCRETIONARY FUNDS ARE IN SHORT SUPPLY. AS THE MISSION DEVELOPS ITS DIG ACTIVITIES FOR "BEST" AND "WORST" CASE SCENARIOS, PLEASE NOTE THAT THE BUREAU WILL GIVE PRIORITY TO D/G ACTIVITIES IN THOSE COUNTRIES THAT ARE COMMITTED TO ADDRESSING CRISIS PREVENTION.

8. DAA/AFR PEASLEY THANKED MR. MACKENZIE FOR THE QUALITY AND THOUGHTFULNESS OF THE MISSION'S PROPOSAL AND THE SPIRIT OF COOPERATIVENESS WHICH CHARACTERIZED HIS PRESENTATION.

CURRENTLY UNRESOLVABLE QUESTIONS RAISED:

9. STAFFING LEVELS (SEE PARA. 4 ABOVE). USAIDIW WILL PROVIDE FY 97/98 LEVELS IN THE UPCOMING RESOURCE REQUEST (R2B) GUIDANCE.

10. GUIDANCE ON POSSIBLE OTHER SOURCES OF PERSONNEL (E.G., POP/ENV OR DIG FELLOWS)

11. USE OF PROGRAM-FUNDED PSCS (HIGH PRIORITY FOR THE D/G S.O. HOWEVER, A DECISION ON THE MISSION'S REQUEST FOR A TWO-YEAR PSC FOR THE COMMERCIAL AGRICULTURAL PROGRAM WILL HAVE TO AWAIT FURTHER AGENCY GUIDANCE ON OVERALL CEILING IMPOSITIONS ON THIS CATEGORY.)

12. LEVEL OF FUTURE SUPPORT FROM REDSO AND/OR RCSA.

13. CODING OF ENVIRONMENTALLY SUSTAINABLE ACTIVITIES:  
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G/ENV AND PPC/ENV WILL PROVIDE FURTHER GUIDANCE.  
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