

I. OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

The past year saw a series of events and actions that have had an impact on Madagascar and its USAID program. At the country level, there have been a series of political and economic events that may presage Madagascar's becoming the next African success story. On the Mission-side, the Agency RIF and the downsizing to Limited Program status have made ongoing program implementation a managerial challenge at all levels, requiring a high level of innovation, reinvention and attention to morale.

A. The Country Level:

January 1996 started inauspiciously with continuing political stalemate between the President and the National Assembly. However, rising in the background was a growing societal consensus on the necessity of structural economic reforms coupled with the view that the Zafy regime would never be capable of moving the country forward. The watershed event was the week-long visit last May of IMF Managing Director Camdessus, who persuaded a broad spectrum of political and economic leaders and groups that Madagascar must regain its lost credibility and return to the rigor and standards of the world economic community. The timely Camdessus intervention helped lead to the appointment of a new Prime Minister with a strong program whose actions have convinced both the IMF and the World Bank of Madagascar's seriousness of purpose after five years of political turmoil and drift.

In quick order, a Policy Framework Paper (PFP) was signed by the Government, the IMF and the World Bank in September 1996. The IMF then approved an Enhanced Structural Adjustment Facility (ESAF) in November 1996, the first disbursement taking place in December 1996. The Government of Madagascar has met all conditions for a Structural Adjustment Credit (SAC) which is expected to be approved by the World Bank's Governing Board on March 14, 1997. A Paris Club rescheduling is set for March 24, 1997 and a Consultative Group Meeting will be held in Antananarivo in April 1997.

The year 1996 saw the country deepen the democracy and civil society gains made since 1991. The impeachment of President Zafy in August by the National Assembly and the peaceful transfer of power after December's presidential election as former President Didier Ratsiraka defeated ex-President Albert Zafy by the razor thin margin of 45,000 votes among 3.1 million cast are testimony of growing democratic maturity and commitment to rule of law in Madagascar.

A. The USAID Mission/Program Level:

The positive political and economic events bode well for the future of the country and USAID's prospects for achieving significant results. Over the past year, there have been positive program impacts linked to the newly forged consensus on national issues, notably the Prime Minister approving and chairing a public-private legal reform commission proposed by USAID and the collaborative GOM-donor-NGO process leading to the approval of the second phase of the National Environmental Action Plan last September.

However, there were also negative impacts on the Mission's ability to implement its program.

The major downside involved two full changes in the President's cabinet along with the turmoil surrounding the presidential impeachment and elections. Thus, the GOM was unable to complete the process of officially naming five new National Parks in 1996. This caused the Mission to not meet one target measuring habitat protected under Strategic Objective No. 3. The recent good news is that President Ratsiraka used the first cabinet meeting of his new government to approve Masoala National Park, the country's largest, on March 2, 1997.

A second series of negative impacts resulted from decisions exogenous to USAID/Madagascar. First, the Agency announced a 10% reduction-in-force (RIF) of all its direct-hire employees. Second, reduced development program funds for Africa, coupled with Madagascar's lack of signed structural adjustment agreements (and despite much improved economic management), led the Mission to be denominated a Limited Program. Combined, these two events led to a 40% cut in USDH staff, from 13 to 8, within a five month period. Also, three senior FSNs, unsure of the Mission's future, sought and gained employment with the World Bank (2) and USIS (1), respectively. This was compounded by staffing approval delays which did not allow the Mission to fill important slots needed for the Mission's regional agriculture and judicial reform activities. The major impact was felt on new LRJ activities which suffered a seven-month implementation delay.

USAID/Madagascar was sustained during this period by three factors. First, our country experimental laboratory (CEL) and New Partnerships Initiative work has allowed us to leverage other resources and push responsibilities out to other groups and institutions. Second, our FSN staff has stepped forward to take on many tasks formerly handled by direct-hire Americans. Third, the Mission has used alternative staffing, such as a Presidential Management Intern, summer hires, locally-hired spouses, and other central programs such as TAACS, Population Fellows and Free Market Development Advisors (FMDAP) to carry critical activities forward and gain important results.

In fact, with a new Government fully committed to economic reform and growth combined with strong implementation structures in place, especially in family health and environment, the conditions are favorable for even more accelerated results in future years.

II. PROGRESS TOWARDS OBJECTIVES

A. Strategic Objective #1: Foster an Environment in which Private Action Can Flourish

1. Performance Analysis

In 1996, USAID contributed significantly to achievement of Strategic Objective No. 1: Foster an Environment in which Private Action can Flourish. Of vital importance to the recovery of the Malagasy economy has been the dramatic improvement in macroeconomic management, a precondition for the successful launching of sustained growth and poverty reduction. USAID's financial sector activities contributed significantly to the improvement in macroeconomic conditions.

Madagascar's macroeconomic environment improved markedly in 1996, largely in response to the stabilization measures taken in 1995 and 1996. The increasingly independent Malagasy Central Bank tightened money and credit growth in 1995 to reduce runaway inflation that had resulted from excessive public spending and lax monetary policy and banking supervision in 1994. These restrictive measures were highly effective in bringing down inflation from a high of 61.2% in 1994 to approximately 8.3% in 1996.¹ While painful in the short run, the stabilization measures were critical to establishing the macroeconomic foundation for sustained private sector growth.

USAID/Madagascar uses private investment and employment to track progress at the SO level. Growth in private investment was weak last year on account of the tight credit policies applied in 1995. Credit growth remained low in 1996 despite the gradual loosening of monetary policy during the year. While successfully wringing out inflationary pressures, the tight credit situation of 1995-96 inevitably dampened private investment. Real private investment grew by 1.6% in 1996.² As shown in Table A.1, private investment comprised roughly 4.7% of GDP in 1996, exceeding the planned figure for 1996 of 4% set by the IMF and GOM. More encouraging are the latest available figures on formal sector employment (Table A.2). In 1996, wage and salary employment grew by almost 9% indicating that business activity has begun to pick up. The robust employment growth in the formal sector gives cause to believe that economic operators are gaining confidence in the quality of the GOM's macroeconomic management.

USAID's past and ongoing support to the Malagasy Central Bank contributed significantly to its ability to apply sound monetary stabilization policies. The Central Bank's recently-

¹These are December-to-December figures based on an index of "traditional" goods. Another index measures price changes in the "modern" sector but there is no agreement on what weights to use in aggregating the two indices. The base year for the price index is 1971/72 and is expected to be updated this year.

It should be noted that the methods used to estimate investment in Madagascar are not well developed or consistently applied. Hence, Malagasy investment data are not highly reliable.

gained legal independence from the Treasury has facilitated a progressive reduction in the Central Bank's advances to the Treasury which in turn has reduced an important source of monetary instability in the Malagasy economy. As a percentage of GDP, the Central Bank advances to the Treasury fell from 9.8% in 1994 to 5.3% in 1995 and fell further to an estimated 4.0% in 1996 (see Table A.3).

USAID's training and technical support to the Central Bank over the past year has strengthened the analytical and operational capacity of mid-level professionals to conduct sound monetary policy. Assistance is helping the Bank shift from the use of direct to indirect monetary control, thus allowing greater expansion and deepening of Madagascar's underdeveloped financial markets. USAID/Madagascar has used bank credit to the private sector as a percentage of GDP as its measure of financial development. Table A.4 shows that this ratio has decreased from 11.3% in 1995 to 9.3% in 1996, reflecting the sharp tightening in monetary policy in 1995. This ratio is expected to recover in 1997 under a moderate credit expansion scenario.

Last year's Results Report noted that the Central Bank would begin publishing a steady flow of financial sector information and analyses for the business community in 1996. The work debuted in March by expanding the Central Bank's *Statistical Bulletin* to include a description of monetary conditions in 1995. The December issue had an article on the convertibility of the Malagasy Franc and its relationship to the economy's competitive position. This article was then discussed in a prominent Malagasy economic affairs magazine, thereby providing evidence of the public's interest in the new analytical pieces. With the addition of the new section, and a publicity campaign launched by the Central Bank, paying Malagasy subscribers of the Bank Bulletin increased by nearly two thirds (from 58 to 96) in 1996. The descriptive and analytical notes and their strong reception in Madagascar signify the Central Bank's strengthened role in disseminating client-useful economic information.

The *Bulletin* and its constituent reports are prepared by the Central Bank staff with technical assistance from a USAID-funded advisor seconded from the N.Y. Federal Reserve Bank. The Central Bank also teamed up with the National Statistical Institute to relaunch the *Review of the Malagasy Economy* which had last been published in the mid 1970s. The initial issue had articles ranging from "The Determinants of Foreign Direct Investment in Madagascar" to "The Determinants of Female Labor Force Participation."

In 1996, USAID continued to achieve significant results in helping expand financial services to low-income clients. Deposits at the National Savings Bank (the Caisse d'Epargne of Madagascar, or CEM) the primary financial institution serving low-income clients grew by over 48% over the past year (see Table A.5). This dramatic growth is in part attributable to a successful publicity campaign which the CEM first launched in 1995. The growth may also be partly attributable to a transfer in savings from other institutions in response to an increase in the penalty rates these institutions charge for early withdrawal of savings.

While deposit growth exceeded planned targets, client growth was slightly below the planned growth target. Nonetheless, the number of clients increased by an impressive 45,194 (14.1%) over the past year, only slightly below the targeted increase of 49,000 (15.1%). This smaller increase reflected the conscious decision by CEM management to not pursue as rapid an increase in its client base as originally envisioned to ensure that the expansion which does occur is profitable and thus sustainable. With USAID assistance, the CEM has focused its attention this past year on further tightening its operating and financial management practices in order to successfully complete its transition from a State-owned Enterprise to an Independent Company. The CEM has also concentrated on improving the quality of its services to existing clients, including the introduction of its first new product--a savings bond--which USAID helped the CEM to introduce. The launching of the new savings bond has been highly successful, with 5,040 purchases made over the past two years worth approximately \$270,000 in value.

Our work to strengthen GOM audit capability, aimed at better public funds accountability, began in 1996 with our hosting a series of seminars on modern audit techniques. Our GOM counterparts were unfamiliar with the concepts of internal control, materiality, and sampling. As a direct result of the seminars, these concepts are being introduced into the audit practices of the Inspectors General Office and the Malagasy General Accounting Office of Accounts. Full integration of the concepts will take place with programmed USAID support. At this early stage of our involvement, we have already provoked a change in how these audit organizations view their roles in promoting public accountability.

2. Expected Progress Through FY 1999 and Management Actions

Three new SO#1 activities commence in FY 1997. One activity will strengthen the capacity of Malagasy civil society organizations to advocate effectively on behalf of their constituents. A second activity strengthens the capacity of the Malagasy Government and economic community to construct quick poverty indicators and to conduct sound analysis of poverty data, with a particular focus on analyzing the impact of policy reforms on poor households. Disseminating the results of this work to policymakers and the wider public will help inform decision-making in favor of pro-poor policy implementation and inform the public of the benefits (and costs) of specific policy changes. The third and most important activity will improve the legal and judicial system in support of private sector development. This activity will result in improved commercial codes in four areas critical to private investors and traders and will be essential to creating the favorable investment environment required for rapid economic growth and poverty alleviation as outlined in the 1996 PFP. Judicial reform activities will also improve the quality of court decisions through increased dissemination of critical legal information to legal practitioners. Performance indicators of these results have been proposed in the Country Program Strategy 1998-2002.

Resources permitting, USAID will provide assistance to support expanded financial services, especially to low-income households. This will include a second phase of support to the National Savings Bank to ensure its successful transition to an independent company and to expand sustainable expansion of services to low-income clients. USAID

will also support other activities to increase small entrepreneur access to financial services. As described in the CSP, USAID/Madagascar also will support efforts to increase Madagascar's integration into the global and regional economy. Results expected are increased awareness and appreciation of the benefits of global economic integration and implementation of tangible measures in support of freer trade and harmonized investment policies. USAID will continue to contribute to improved public sector accountability via its work to expand knowledge and use of best-practice audit techniques by the Inspectors General and the General Accounting Office. USAID expects this work to continue to receive high publicity for its contribution to better governance.

Over the course of its current planning period, 1998-2002, if resources match requested levels, USAID/Madagascar expects to contribute substantially to the goals articulated in Madagascar's Policy Framework Paper. If these objectives and corresponding planned targets are achieved, Madagascar will have embarked on a path of sustained growth and poverty reduction. The performance achieved to date under SO#1 as reported in this document support the management plan elaborated in the Country Strategic Plan 1998-2002. Continued monitoring of performance towards achievement of these results will inform future management actions in implementing the strategy.

SO INDICATORS

Table A.1

<p>Strategic Objective 1: Foster An Environment In Which Private Action Can Flourish APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar</p>			
<p>RESULT NAME: Improved Environment for Private Action</p>			
<p>INDICATOR: Increased Investment</p>			
<p>UNITS OF MEASURES: Private Investment as Percent of GDP SOURCE: Ministry of Finance, National Statistics Institute INDICATOR DESCRIPTION: COMMENTS: * The targets derive from the Policy Framework Paper which was formulated and adopted in 1996 ** Provisional figure</p>	YEAR	PLANNED*	ACTUAL
	1992 (B)	-	3.7%
	1995	-	4.9%
	1996	4.0%	4.7% **
	1997	5.0%	
	1998	6.1%	

Table A.2

<p>Strategic Objective 1: Foster An Environment In Which Private Action Can Flourish APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar</p>			
<p>RESULT NAME: Improved Environment for Private Action</p>			
<p>INDICATOR: Increased Employment</p>			
<p>UNITS OF MEASURES: Number of Wage and Salary Earners in Formal Sector</p> <p>SOURCE: National Social Security Fund (CNAPS)</p> <p>INDICATOR DESCRIPTION:</p> <p>COMMENTS: * Revised figure ** Provisional figure</p> <p>Unfortunately, it is not yet possible to report these figures on a gender-disaggregated basis.</p> <p>The targets are based on the assumption that planned investment targets are achieved and that one new job is created per \$8000 of investment.</p>	YEAR	PLANNED	ACTUAL
	1992	-	282,387
	1995	-	373,593*
	1996	-	406,489* *
	1997	477,200	
	1998	538,400	

IR INDICATORS

Table A.3

<p>Strategic Objective 1: Foster An Environment In Which Private Action Can Flourish APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar</p>			
<p>RESULT NAME: Broader Access to Savings and Credit</p>			
<p>INDICATOR: Central Bank Advances to Treasury as Share of GDP</p>			
<p>UNITS OF MEASURES: Central bank Advances to Treasury as percent of GDP SOURCE: Central Bank INDICATOR DESCRIPTION: Central Bank loans to the Government minus Government deposits at the Central Bank COMMENTS: * As revised by Central Bank ** Provisional figure</p>	YEAR	PLANNE D	ACTUAL
	1992 (B)	-	14.1%
	1993	-	11.5%
	1994	-	9.8%*
	1995	-	5.3%*
	1996	4.0%	4.0%**
	1997	3.0%	

Table A.4

Strategic Objective 1: Foster An Environment In Which Private Action Can Flourish APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: Broader Access to Savings and Credit			
INDICATOR: Banking System Credit to Private Sector as Share of GDP			
UNITS OF MEASURES: Banking System Credit to the private sector as percent of GDP SOURCE: Central Bank INDICATOR DESCRIPTION: COMMENTS: * Provisional figure ** Adjusted to conform to adjustment program targets	YEAR	PLANNED	ACTUAL
	1992 (B)	-	16.4%
	1995	-	11.3%
	1996	10.0%	9.3%*
	1997	9.9%**	
	1998	10.4%	
	1999	11.0%	

IR INDICATORS

Table A.5

Strategic Objective 1: Foster An Environment In Which Private Action Can Flourish			
APPROVED: 09/14/1992		COUNTRY/ORGANIZATION:	
USAID/Madagascar			
RESULT NAME: Broader Access to Savings and Credit			
INDICATOR: Deposits in National Savings Bank			
UNITS OF MEASURES: Deposits (FMG million)	YEAR	PLANNE D	ACTU AL
SOURCE: National Savings Bank			
INDICATOR DESCRIPTION:	1992 (B)	-	13,006
COMMENTS:	1993	14,300	16,150
* Note that this does not include the National Savings Bank's	1994	17,200	23,456
sales of Savings Bonds.	1995	22,360	32,818
	1996	29,000	48,644*
	1997	38,000	

Table A.6

Strategic Objective 1: Foster An Environment In Which Private Action Can Flourish APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: Broader Access to Savings and Credit			
INDICATOR: Clients of National Savings Bank			
UNITS OF MEASURES: Number of Clients	YEAR	PLANNE D	ACTUA L
SOURCE: National Savings Bank			
INDICATOR DESCRIPTION:	1992 (B)	-	254,770
COMMENTS:	1993	267,500	273,950
* Note that this does not include individuals or companies which have purchased Savings Bonds from the National Savings Bank.	1994	294,300	292,540
	1995	323,700	320,365
** Male clients: 196, 837 (53.84%)	1996	372,700	365,559*
Female clients: 168, 722 (46.15%)	1997	428,000	

B. STRATEGIC OBJECTIVE 2: SMALLER, HEALTHIER FAMILIES

1. PERFORMANCE ANALYSIS

IR 2.1: Increase Modern Contraceptive Use

Madagascar's Total Fertility Rate (TFR) declined to an estimated 5.7 in 1996 (Table B.1), while Contraceptive Prevalence Rate (CPR) increased to over 11% (Table B.2). Both indicators met or exceeded planned targets. These estimates are based on survey data and information from Madagascar's national Family Planning Management Information System (FP/MIS). Couple Years of Protection (CYP) increased from 137,000 in 1995 to a preliminary 170,000 in 1996 (Table B.3). This translates into a 24% increase in CYP for 1996 as compared to 9% in 1995. The 1996 CYP data are not yet complete. Thus, the current CYP shortfall of 5% is only temporary. The final CYP figures are expected to exceed the 1996 target.

Madagascar continues to make remarkable progress in increasing the number of family planning sites where modern contraceptive methods are available. There was an eight-fold increase in family planning sites between 1987, when only 72 sites were functioning, and 1996, when 575 sites were providing services. In early 1997, 596 sites were offering services, continuing this positive trend (Table B.4). Fully 48% of public sector medical sites are providing family planning services, greatly exceeding the 1996 target of 35%, and demonstrating the GOM's strong commitment to the national family planning program. These increases in new sites providing family planning services further supports estimated increases in contraceptive use.

A major trend during 1996 was the rapid increase in Community Based Distribution (CBD) of contraceptives, a strategy tested and proven effective during a 1995 pilot program. In 1996, enterprise-based CBD expanded from 12 to 50 factory or business sites, and should result in up to 25,000 new family planning acceptors. CBD outreach programs in semi-urban and rural sites increased from 22 to 48. The number of sites offering Norplant, mini-laparoscopy or vasectomy has increased from 1 in 1993 to 38 in 1996. In short, Madagascar's family planning program is making tremendous strides in increasing access to quality services by employing alternative delivery systems, and expanding the range of contraceptive methods available.

USAID and the Social Marketing Project (SOMARC) officially launched Madagascar's condom social marketing program on International AIDS Prevention Day, December 1, 1996. During 1996, while laying the program foundation, over 1 million condoms were sold, exceeding targets by over 30%. The program is focused on those cities and transportation routes considered at highest risk for HIV transmission. The World Bank and German Cooperation have expressed strong interest in providing resources for expanding the program nationwide. Injectable contraceptives and oral contraceptives will be added to the program in 1997.

IR 2.2: Increased Use of Effective Child Survival and Nutrition Interventions by Health Workers and Care Takers

In 1996, DPT3 coverage rose to 55% and measles coverage to 52%, exceeding and matching targets of 54% and 52%, respectively (Tables B.5 and B.6). USAID provides approximately half of donor assistance to Madagascar's Expanded Program for Immunization (EPI) through a grant to UNICEF. Much of USAID's financial assistance is directed to improving cold chain coverage. By the end of 1996, 42% of immunization sites nationwide had cold chain equipment, up from 39% in 1995, and six regional EPI committees were operational.

The Title II food-aid program, managed locally by Catholic Relief Services and fully integrated into SO#2, has met or surpassed all results planned for the reporting period. CRS receives supplementary child survival funding from USAID/Madagascar to promote the transition to a developmentally-oriented, community-based food-aid program. In 1996, the first year of full implementation of this innovative program, CRS initiated the new program orientation at 70 of its 336 sites nationwide, exceeding its target of 66 sites (Table B.7).

USAID/Madagascar's Title II program is a model for future food aid programming. Prior to 1996, food resources were distributed through a facility-based program, with limited targeting. Beginning in 1996, CRS initiated several revolutionary changes in its program. Food aid is now targeted to malnourished children age two and under and food distribution and screening for malnutrition will be progressively transferred to the community level. With complementary USAID grant funding, a strong community-level child survival program complements targeted food aid. CRS will phase out school feeding and general distribution programs by 1999, thereby increasing the resources available to the community program by almost 35%.

SO#2 supports localized child survival programs implemented by BASICS, 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 has conducted a representative baseline Knowledge, Practices and Coverage (KPC) survey containing the full range of child survival indicators for measuring site-specific impact. Endline surveys will be conducted by CARE and CRS (1999) and Peace Corps (2001) and reported in the R4.

Finally, the child survival component of SO#2 has established targets for development and dissemination of several important national policies. These include a national policy for Integrated Management of Childhood Illness (IMCI), a standard nationally approved package of nutrition interventions, and a standard, nationally-approved package of child survival messages. Development of the IMCI policy, package of nutrition interventions, and standard child survival messages got well underway during 1996. Final development is planned for 1997, with dissemination commencing in 1998.

2. Expected Progress through FY 1999 and Management Actions

USAID expects to meet or exceed FY 1999 program targets for TFR, CPR, total sites offering services, and proportion of public sector sites offering services, and believes that 1997 DHS data will substantiate estimated program progress. FY 97-99 targets for CYP, however, appear extremely ambitious, and the strength of the relationship between this lower level indicator and the higher level TFR and CPR is unclear. USAID will, thus, use 1997 DHS data to examine the relationship between the program indicators of contraceptives distributed (CYP), and the impact indicators of CPR and TFR. If the program achieves its higher level indicators, but lags behind on program-level indicators, the latter will be adjusted accordingly. Targets for the percentage of public sector sites offering family planning services, which have far exceeded original expectations, will also be reviewed and adjusted.

Preliminary findings from the Family Planning Situation Analysis, which surveyed all USAID financed sites and a sample of sites financed by UNFPA and GTZ, indicate that quality of family planning services must be balanced against efforts to rapidly expand services. The GOM has joined USAID, UNFPA and GTZ in stating that quality must take precedence and that targets for expansion to new sites will be reviewed and adjusted, if necessary, to ensure quality services. USAID plans to add an indicator and targets for tracking and reporting program quality annually, and is working with the GOM and other donors to articulate quality standards. To promote more timely reporting of program-level data, USAID plans to set targets and report on a second new indicator: Family Planning Management Information System (FP/MIS) reporting rate, which is defined as the proportion of FP MIS reports received per quarter from family planning sites.

USAID also expects to meet or exceed 1999 targets for DPT3 and measles immunization coverage, cold chain coverage, and Title II program transition. Based on reviews of progress against implementation targets, USAID believes that the CARE and CRS programs will meet or exceed site specific child survival targets for 1999, and that Peace Corps will meet its site-specific targets by 2001. USAID has confidence that the IMCI policy, the nutrition intervention package, and standard child survival messages will be developed and approved by 1999, and national-level dissemination and implementation will be supported by all health sector donors.

USAID/Madagascar recently completed an assessment of AIDS and Sexually Transmitted Infections (STIs) in Madagascar. Although sexually transmitted infections (STI) are widespread and among the highest in Africa, HIV prevalence remains low. Experts agree that Madagascar is one of the only Africa region countries in which a rapid, targeted prevention effort might avert an AIDS epidemic. SO#2 recently programmed its first AIDS earmark funding and developed a prevention strategy which targets high risk behaviors in high risk groups through behavior change communication, social marketing of condoms, and STI prevention and treatment. Two indicators, the safer sex composite, and sales of social marketing condoms in HIV/AIDS target areas have been added as indicators (Tables

B.8 and B.9). A baseline and targets for these indicators will be developed over the coming year.

SO INDICATORS

Table B.1

OBJECTIVE: S.O.2 Smaller, Healthier Families APPROVED: 09/14/1992 USAID/Madagascar			
		COUNTRY/ORGANIZATION:	
RESULT NAME: S.O. Reduce Total Fertility Rate			
INDICATOR: Total Fertility Rate			
UNIT OF MEASURE: Percent of women 15 to 49 in union SOURCE: 1992 and 1997 Demographic and health surveys, 1993 Census and other surveys INDICATOR DESCRIPTION: Average number of live births per woman over her reproductive life COMMENTS: * Estimate based on the finding that a decrease of one birth in TFR is correlated with 15 percentage points of CPR	YEAR	PLANNE D	ACTUAL
	1992(B)	-	6.1
	1993	-	5.9
	1996(T)	5.7	5.7*
	1997(T)	5.6	
	1998(T)	5.5	

IR INDICATORS

Table B.2

OBJECTIVE: S.O. 2 Smaller, Healthier Families APPROVED: 09/14/1992 USAID/Madagascar			
COUNTRY/ORGANIZATION:			
RESULT NAME: I.R. 2.1 Increase Modern Contraceptive Use			
INDICATOR: 1.1 Contraceptive Prevalence Rate (CPR) for modern methods			
UNIT OF MEASURE: Women 15 to 49 in union (percent) SOURCE: Demographic and Health Surveys, other representative surveys: e.g., 1995 UNICEF Multiple Indicator Survey (MICS) INDICATOR DESCRIPTION: Modern methods include: OCs, Injectables, Norplant, Condoms, male and female sterilization, IUDs COMMENTS: * Estimate based on 1995 measurement and 24% increase in CYP between 1995 and 1996	YEAR	PLANNE D	ACTUAL
	1992(B)	-	5.1%
	1995	-	9.1%
	1996(T)	11.0%	11.0%*
	1997(T)	14.0%	
	1998(T)	16.0%	

IR INDICATORS

Table B.3

OBJECTIVE: S.O. 2 Smaller, Healthier Families APPROVED: 09/14/1992 USAID/Madagascar			
COUNTRY/ORGANIZATION:			
RESULT NAME: I.R. 2.1 Increase Modern Contraceptive Use			
INDICATOR: 2 Couple Years of Protection (CYP)			
UNIT OF MEASURE: Estimated protection provided by FP services based on volume of contraceptives distributed. SOURCE: Family Planning Management Information System (MIS) INDICATOR DESCRIPTION: CYP is calculated by multiplying the quantity of methods distributed by a standard conversion factor COMMENTS: The 1996 "actual" data is an estimate based on preliminary data	YEAR	PLANNE D	ACTUA L
	1992(B)	-	72,000
	1996	180,000	170,000
	1997(T)	240,000	
	1998(T)	260,000	
	1999(T)	280,000	

Table B.4

OBJECTIVE: S.O. 2 Smaller, Healthier Families APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: I.R. 2.1 Increase Modern Contraceptive Use			
INDICATOR: 3.1. Access: Total number of sites providing FP services nationwide			
UNIT OF MEASURE: number of fixed health sites	YEAR	PLANNE D	ACTUA L
SOURCE: FP MIS	1992(B)	-	150
INDICATOR DESCRIPTION: Fixed facilities providing FP Services	1996	520	575
	1997(T)	630	
	1998(T)	665	
	1999(T)	700	
COMMENTS: Does not include community based FP sites, which number close to 100 in early 1997			

IR INDICATORS

Table B.5

<p>OBJECTIVE:S.O. 2 Smaller, Healthier Families APPROVED: 09/14/1992 USAID/Madagascar</p>			
<p>COUNTRY/ORGANIZATION:</p>			
<p>RESULT NAME: I.R. 2.2 Increased Use of Effective Child Survival and Nutrition Interventions by Health Workers and Care Takers.</p>			
<p>INDICATOR: 1.3 Use of Childhood Immunization Services - Measles</p>			
<p>UNIT OF MEASURE: Proportion of children receiving 1 dose of measles vaccine before 1 year of age</p> <hr/> <p>SOURCE: DHS (1992, 1997), UNICEF EPI (1996) Surveys and 1995 Multiple Indicator Survey (MICS)</p> <hr/> <p>INDICATOR DESCRIPTION:</p> <p>COMMENTS: Information based on surveys which look at child's immunization card or ask mother or guardian for information</p>	<p>YEAR</p>	<p>PLANNE D</p>	<p>ACTUAL</p>
	1992(B)	-	39%
	1996	52%	52%
	1997(T)	65%	
	1998(T)	70%	
	1999(T)	75%	

Table B.6

<p>OBJECTIVE: S.O. 2 Smaller, Healthier Families APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar</p>			
<p>RESULT NAME: I.R. 2.2 Increased Use of Effective Child Survival and Nutrition Interventions by Health Workers and Care Takers.</p>			
<p>INDICATOR: 1.3. Use of Childhood Immunization Services - DPT3 coverage</p>			
<p>UNIT OF MEASURE: Proportion of children 12-23 months receiving 3 DPT immunizations before 1 year of age</p> <hr/> <p>SOURCE: DHS (1992, 1997), UNICEF EPI Survey (1993 and 1995), UNICEF MICS (1995)</p> <hr/> <p>INDICATOR DESCRIPTION:</p> <hr/> <p>COMMENTS: Information based on surveys which look at child's immunization cards or ask the mother or guardian for information</p>	<p>YEAR</p>	<p>PLANNE D</p>	<p>ACTUAL</p>
	1992(B)	-	48%
	1996	54%	55%
	1997(T)	65%	
	1998(T)	70%	
	1999(T)	75%	

IR INDICATORS

Table B.7

OBJECTIVE: S.O. 2 Smaller, Healthier Families, formerly S.O. 4 Reduce Total Fertility APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: I.R. 2.2 Increased Use of Effective Child Survival and Nutrition Interventions by Health Workers and Care Takers.			
INDICATOR: Transition to Community-Based Title II Food Aid Program			
UNIT OF MEASURE: Number of communities with health committees and community workers who screen children, provide health education, and distribute food	YEAR	PLANNE D	ACTUAL
	1995(B)	-	-
SOURCE: Catholic Relief Services program documents and reports	1996	66	70
INDICATOR DESCRIPTION:	1997(T)	132	
COMMENTS:	1998(T)	204	

Table B.8

OBJECTIVE: S.O. 2 Smaller, Healthier Families APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: I.R. 2.1 Increase Modern Contraceptive Use			
INDICATOR: Condom Sales			
UNIT OF MEASURE: Number of condoms sold through social marketing program in HIV/AIDS program target areas	YEAR	PLANNED	ACTUAL
SOURCE: SOMARC activity reports	1996(B)	-	TBD
INDICATOR DESCRIPTION:			
COMMENTS: USAID will measure total condoms sold through the social marketing program and will disaggregate data for AIDS program target sites	1997(T)	TBD	

IR INDICATORS

Table B.9

OBJECTIVE: S.O. 2 Smaller, Healthier Families, formerly S.O. 4 Reduce Total Fertility APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: I.R. 2.1 Increase Modern Contraceptive Use			
INDICATOR: 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			
UNIT OF MEASURE: Health Facilities	YEAR	PLANNE D	ACTUA L
SOURCE: Surveys in target areas	1996	-	TBD
INDICATOR DESCRIPTION:	1997(T)	TBD	
COMMENTS:			

C. STRATEGIC OBJECTIVE 3: REDUCE NATURAL RESOURCES DEPLETION

1. Performance Analysis

IR.3.1 Create a National Institutional Framework for the Environment

Increased land area in protected status and decreased rate of forest loss are the indicators for results in reduction of natural resources depletion at the SO level. Table C.1 shows progress from the base year of an additional 135,688 hectares being brought under the National Parks system. In 1996, five additional national parks with an area of 592,000 ha. were expected to have been approved. This target was not met due to changes of government (including two Ministers of Environment, impeachment of the Malagasy president, and two rounds of presidential elections). Despite the "political" delay, newly elected President Ratsiraka told the U.S. Ambassador that formalizing these five areas as national parks would be among his government's first actions, and at his first cabinet meeting on March 2, 1997, he approved Masoala National Park, the nation's largest. Table C.2 shows the 1994-95 baseline for measuring forest loss. Preliminary analysis reveals the important role national parks play in maintaining primary forest.

SO#3 operates in an exceptionally positive policy and institutional environment. A common vision, developed for National Environment Action Plan, is shared among Malagasy, donors and implementing partners. The Malagasy have taken ownership of the environment sector with the five-year old National Environment Office (ONE) taking the coordination lead. The Government of Madagascar (GOM) is increasing financing support, has embarked on a program of local participation in natural resource management and is favorable to cost-recovery mechanisms such as the National Forestry Fund.

Table C.3 shows that the policy component of this IR has shown strongly positive results with nine new policies developed and of these five underway. In 1995, the GOM passed its first national environmental impact law (MECIE). USAID is helping develop procedures for MECIE implementation for future investment projects, environmental audits of existing conditions and the development of environmental standards and norms. Over 70 people were trained in Environmental Impact Assessment (EIA) and evaluation methodology to make EIA a reality in Madagascar. During 1996, a participatory process -- in which 300 Malagasy NGOs provided input and feedback -- resulted in the reformulation of a state-favoring NGO law to meet the needs of local and international NGOs.

Building on the 1995 landmark legislation which allowed foundations to exist under Malagasy law for the first time, Madagascar's first environmental foundation, Tany Meva, which means beautiful land in Malagasy, developed bylaws, became fully staffed and chose its board members in 1996. Initial grant making will begin in 1997.

IR.3.2 Conserve Biodiversity

ANGAP, the Malagasy National Parks Service, is currently developing park management plans (Table C.4) for a system of 39 national parks in collaboration with national and international NGO field operators and the local populace. Under EP2, parks management will be progressively transferred to ANGAP, which is already managing seven national parks. In 1996, the development and implementation of management plans progressed in the 11 national parks supported by USAID. Of the eight elements that ensure a quality operational plan, 62.5% have been completed, a 5% increase over 1995. However, development of ecotourism plans and a system for the reinvestment of entrance fees were delayed in some parks, since their status as national parks had not yet been approved by the Government (as noted above). The targets for this indicator were revised in the CSP to account for the transfer of park management responsibilities to ANGAP.

Boundaries for 11 national parks and their surrounding zones have been clearly demarcated. These boundaries are understood and accepted by all parties and have been largely respected by the local populace. Master plans for tourism facilities and tourism usage have been completed for four priority parks. Park management plans for Isalo and Ranomafana have been completed, while management plans for Andasibe and Amber Mountain are nearing completion.

The National Forestry Service (DEF) increased its ability to formulate global and sectoral policy and sound management practices. Field reconnaissance resulted in the selection of four pilot sites for community forest management (Table C.5) that represent different ecological zones: Ankeniheny (humid, dense forest), Bongolava (dry, closed forest), Andavakoera (transition forest) and Fierenana (humid, dense). Sectoral studies, including floral and faunal inventories and socio-economic studies of the surrounding communities, led to draft management plans for all sites. The community forest management approach to be used in three of the four forests is unique in Madagascar and will serve as a model during EP2. In this process, other essential elements of a good management plan were identified, such as setting objectives through a participatory process, financial and economic analysis, and environmental impact assessment.

IR 3.3: Sustainable Use of Natural Resources

Linkage between development and conservation: Conservation and development project (ICDPs) results show that the socio-economic interests of the people living around national parks must be addressed to attain conservation goals. Development strategies are now better defined and targeted and are beginning to show concrete results. Preliminary data for 1996 indicate that 19% of the households around five National Parks (Table C.6) are adopting alternatives to destructive practices. These activities include agricultural diversified products produced and consumed in the home, reforestation through private wood lots, and market gardening. A rural savings and credit program began to show solid potential as a sustainable mechanism for future economic growth for rural communities located around national parks. Also, 20 food security granaries were established to create a rice reserve within the community for members to benefit from reduced prices during the "lean season" prior to harvest time. Other activities that are reducing pressures on national parks and increasing the socio-economic well-being of the local population are honey production and improved small and large animal husbandry.

Role of Private Sector in Biodiversity Conservation: There is an important relationship between sustainable income-earning agricultural production and the protection and preservation of biological diversity. Under SO#3, a technical and marketing analysis for processed mangoes was performed as part of a fruit processing plant feasibility study. The study led the entrepreneur to recognize mangoes' commercial potential. Mangoes, like other tree crops, are particularly effective in controlling soil erosion. The entrepreneur created a partnership with Conservation International to promote small holder processing of mangoes in the peripheral zone of Ankarafantsika National Park. Table C.7 shows that off-season and secondary crops cultivation, a measure of agricultural intensification, has exceeded planned targets thus encouraging expectations that such operations can increase incomes and provide alternatives to destructive practices.

In agriculture during 1996, USAID continued providing technical and managerial assistance to agribusiness clients; contributed \$4.5 million in foreign exchange to import of agricultural inputs; rehabilitated 167 km. of farm-to-market roads; and helped establish 25 road-user associations. This has reinforced public-private partnerships and brought new activity to once abandoned regions. In 1996, the number of agribusiness clients served through a USAID project increased by 50%, the number of participatory road construction firms by 150% and the total value of the input supply fund transactions increased tenfold. By collaborating with the environmental protection program, agricultural activities can encourage both economic growth and environmental protection.

USAID has been able to leverage scarce resources to rehabilitate more roads (Table C.8) sooner by encouraging complementary donor participation in 1995 and in 1996. The European Union funded 65 km. of rehabilitation (\$1.2 million), while late 1995 Japanese funding (\$1.1 million) financed 48 km. of rehabilitation in 1996. In 1997, WWF will providing \$75,000 to help rehabilitate a road to a spectacular, but highly isolated national park to increase eco-tourism. In addition, the Japanese Government is currently negotiating an additional \$1 million investment and the European Union has indicated they are willing to finance an additional \$1 million annually.

During rehabilitation of a 40 km rural road in Mahajanga Province, 14 user associations were created, with participation and funding from local authorities, agricultural collectors and agribusinesses. For the first time, private sector, local government and small farmers worked together, sharing the same goals, trusting each other and putting resources in common. In that conducive environment, the newly elected mayor convened a meeting of small farmers and members of the road user associations to negotiate with agricultural collectors an increase in the farm gate price for the 1996 rice crop, which jumped from 400 FMG/kg to 700 FMG/kg. Within a short time, truck transportation on the rehabilitated road increased by a factor of 20 and transport costs dropped by 30%. Small farmers will be the largest beneficiaries of synergies in the area since their income will more than double, due to the combined effect of higher production, improved quality, lower transportation costs and better prices.

2. Expected progress through FY 99 and Management Actions

USAID expects to meet all SO#3 1999 targets. The number of hectares in protected status will be increased 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. Effective steps have also been taken to monitor the rate of forest loss in conservation priority zones. In 1998 this data, available every four years through satellite imagery, will help set planning figures for the next four years.

USAID also expects to meet the 1999 targets for all three IRs. However, it should be noted that the new CSP has improved indicators related directly to common Agency indicators for the environmental sector. The CSP also presents a revised SO#3 which links biodiversity conservation with economic growth activities. Under the new SO#3: Unique Biodiversity Conserved, there will be four IRs rather than the current three.

In the policy arena (IR#1), USAID will continue to work with the GOM to turn current environmental policy law into a functioning regulatory system with operational environmental units in major technical ministries. Technical ministries are expected to increase ownership of policy development and implementation.

Targets for 1999 in IR#2, Improved Management of Critical Biodiversity Habitats, are expected to be met but an important change has taken place in the way these management plans are being developed and monitored. To be effective plans, certain required elements or benchmarks must be in place. For protected area management plans these include an administrative management structure, ecotourism development plans, biodiversity monitoring plans and systems for reinvesting park entrance fees into local communities. While targets for the number of forest management plans are expected to be met, next year this indicator will be refined to monitor results based on achievement of required elements.

Changing human behavior is a long-term process. Traditional practices, such as slash and burn farming (tavy), are still strong in rural areas. No one development activity can be given sole credit for "reducing pressures of a specific threat" on a protected area. It is the synergy developed among a range of successful efforts that can lead to these results. Therefore our new strategy in the CSP will directly address development and conservation through the suitable use of natural resources in broader landscapes (IR#3). Efforts to help households in peripheral zones find alternatives to destructive practices are well underway, with preliminary results in one zone showing household participation at 19%. Targets of 50% household participation are expected to be met or exceeded by 1999. Targets of increased percentage of off-season crop production and total kilometers of rehabilitated roads are expected to be met or exceeded as trends in 1996 were strongly positive.

SO INDICATORS

Table C.1

STRATEGIC OBJECTIVE #3: Reduce Natural Resources Depletion APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: Reduce Natural Resources Depletion			
INDICATOR: Increase Natural Habitats contained in National Parks			
UNIT OF MEASURE: Hectare (Ha) SOURCE: Malagasy National Parks Service (ANGAP) INDICATOR DESCRIPTION: Number of hectares of natural habitat designated within the National Parks System. COMMENTS: * All technical documents for five new national parks were approved in 1996, but enactment by was delayed due to political uncertainty and changes in the Government. Madagascar's largest national park, Masoala (230,000 ha.), was approved on March 2, 1997.	YEAR	PLANNE D	ACTUAL
	1989(B)	-	1,045,865
	1994	1,120,472	1,120,472
	1995	1,120,472	1,181,553
	1996	1,500,000*	1,181,553
	1997	1,500,000	-

Table C.2

<p>STRATEGIC OBJECTIVE #3: Reduce Natural Resources Depletion APPROVED: 09/14/1992 USAID/Madagascar</p>			
<p>COUNTRY/ORGANIZATION:</p>			
<p>RESULT NAME: Reduce Natural Resources Depletion</p>			
<p>INDICATOR: Decreased Rate of Annual Forest Loss</p>			
<p>UNIT OF MEASURE: Percentage (%) of primary and secondary forest loss in priority conservation zones. SOURCE: Study on Vegetative Cover Monitoring in target zones, June 1996 [ANGAP]. INDICATOR DESCRIPTION: Baseline rate compares the percentage of forest loss by measuring 1991/1992 total hectares of primary and secondary forests in 14 priority conservation zones versus 1994-1995 total hectares of primary and secondary forests in these zones. COMMENTS: This indicator has been revised to reflect decreased rate of annual forest loss rather than percentage of actual primary and secondary forest in target zones. This indicator is gathered from satellite imagery (available every four years).</p>	<p>YEAR</p>	<p>PLANNE D</p>	<p>ACTUAL</p>
	<p>1994-95(B)</p>	<p>-</p>	<p>2.25</p>
	<p>1998</p>	<p>2.10</p>	
	<p>2002</p>	<p>1.65</p>	

Table C.6

STRATEGIC OBJECTIVE#3: Reduce Natural Resources Depletion APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar			
RESULT NAME: Sustainable Natural Resource Management			
INDICATOR: Percent of households living in national park peripheral areas continue program sponsored alternatives to destructive practices (IR 3.3)			
UNIT OF MEASURE: Percentage (%)	YEAR	PLANNE D	ACTUAL
SOURCE: National Park Operators	1993(B)	-	0
INDICATOR DESCRIPTION: Percentage of households	1994	na	na
COMMENTS: * No data available in 1994/1995 as analysis and monitoring system was being put into place. Indicative data in 1996 from one national park peripheral zone show 19% of households are adopting alternative practices. Full data is not expected until 1997 when all monitoring elements will be in place.	1995	na	na
	1996	na	*
	1997	35	
	1998	50	

Table C.8

<p>STRATEGIC OBJECTIVE#3: Reduce Natural Resources Depletion APPROVED: 09/14/1992 COUNTRY/ORGANIZATION: USAID/Madagascar</p>			
<p>RESULT NAME: Sustainable Natural Resource Management</p>			
<p>INDICATOR: Kilometers of roads or equivalent rehabilitated</p>			<p>(IR 3.3)</p>
<p>UNIT OF MEASURE: Kilometer (km)</p>	<p>YEAR</p>	<p>PLANNE D</p>	<p>ACTUAL</p>
<p>SOURCE: CAP Project</p>	<p>1994(B)</p>	<p>-</p>	<p>-</p>
<p>INDICATOR DESCRIPTION: Total kilometers of roads</p> <p>COMMENTS: These are tertiary farm-to-market hard packed dirt roads in two high potential agricultural zones. Actual road rehabilitation and subsequent maintenance is ahead of schedule due to excellent management, collaborative participation, and innovative implementation.</p>	<p>1995</p>	<p>100</p>	<p>132</p>
	<p>1996</p>	<p>250</p>	<p>297</p>
	<p>1997</p>	<p>400</p>	
	<p>1998</p>	<p>550</p>	
	<p>1999</p>	<p>700</p>	

D. Special Guidance for Units in Transition

In April 1996, the decision was made to reclassify USAID/Madagascar as a Limited Program. The Mission Director presented a Limited Program Transition Plan to AID/W on May 17, 1996. As reported in STATE 346858, it was agreed that the Mission could proceed with its proposed transition plan which called for the elimination of one strategic objective. The former SO#2, "Increase Market Access for Neglected Regions," was eliminated and the former SO#4, "Smaller, Healthier Families," was re-numbered to become SO#2. The Mission was asked to present a revised program strategy based on limited status. This report (the revised Country Strategic Plan) was submitted for USAID/W review in February, 1997. At the time this R4 report was drafted, the review of the Mission's revised Country Strategic Plan had not yet been concluded.

In brief, the revised Country Strategic Plan (1998-2002) proposes three interrelated strategic objectives: (1) Reduced Poverty; (2) Smaller, Healthier Families; and (3) Unique Biological Diversity Conserved. This revised configuration eliminates one strategic objective, while maintaining USAID support in the sectors deemed critical to fulfilling both Agency Goals and Country Need. The revised CSP takes into consideration the positive political and macroeconomic trends of the last two years, and the expected outlook for the quality of the Development Partnership. The plan presents alternative program options and specifies the corresponding implications for achieving planned results.

The following summarizes the proposed changes on a strategic objective-by-objective basis:

SO#1: The results framework proposed for SO#1 keeps the existing IR of Broader Access to Savings and Credit (slightly re-worded) and adds one IR (Strengthened Investor Confidence) to capture the new activities which have been programmed to commence in 1996 and 1997. It also proposed to adopt a newly worded SO to better reflect the end goal of our activities in the EG/DG sectors.

SO#2: The Mission's second strategic objective reconfigures its results and corresponding activities into five IRs to reflect the levels at which interventions are made and impact is expected. The results framework captures the integration of population and family health as well as the integration of Title II into the family health strategy.

SO#3: SO#3 reconfigures its results framework to reflect an emphasis on biodiversity conservation and sustainable resource use. There are now four IRs proposed instead of the previous three as policy support and support for sustainable financial mechanisms have been made separate IRs rather than combined under institutional framework (which previously also included improved park management).

III. STATUS OF THE MANAGEMENT CONTRACT

The original management contract agreed to at the September 1992 CPSP review was overtaken by the decision to reclassify USAID/Madagascar as a Limited Program in April 1996. As reported in 96 STATE 346858, the May 1996 parameter setting meeting agreed that the Mission could proceed with a proposed transition plan which would downsize the portfolio and staff and eliminate one strategic objective. The Mission presented its revised Country Strategic Plan in February 1997. At the time this R4 report was drafted, the review of the Mission's revised Country Strategic Plan had not yet been concluded. A new management contract will be a product of the CSP review and will be reported on in next year's R4 submission.

IV. RESOURCE REQUEST

A. Program Funding Request by Objective

1. Financial Plan

USAID/Madagascar's proposed budget, operating expenses and non-emergency Title II request for FY 97 through FY 99 responds to the Administration's and Congressional priorities and is consistent with guidance received to date. However, the levels requested for each SO differ somewhat from the resources requested in the Madagascar Country Program Strategy (under review at the time of this drafting). Under the CSP's first option, the Mission requests higher resource levels for 1998 than that requested in this R4, based on the estimated needs to carry out the full range of outline activities. The CSP's second option, which straightlines current budget levels, matches the resources requested in this R4. Thus, for FY 97 and 98, these levels are in accordance with the control numbers assigned by the Agency.

As of end of FY 1996, environmental (65%) and the population-child survival (25%) strategic objectives accounted for the majority of the pipeline. This is a result of Agency earmark imperatives. However, by the end of FY 1998, these pipelines will substantially decrease with the disbursement of the remaining \$12 million under the KEPEN NPA by the end of this fiscal year and the completion of the IRRRI project. Pipelines in the economic growth and governance represent relatively new activities and important draw downs are expected with the completion of contracting activities.

With regards to USDH staffing, USAID/Madagascar requests approval for an additional USDH slot to go from 8 to 9 USDH, which is within the range of 4 to 9 USDH set for Limited Programs. This will allow the Mission to have a second USDH technical officer position for the critical biodiversity SO. At the same time, USAID/Madagascar requests Agency approval to shift 5 OE-funded FSN positions to program funding within its approved overall FSN ceiling. The positions are under SO#2 and SO#3 and include: 1 geographic information systems specialist, 1 communications specialist, 1 decentralized audit/accountability systems specialist, 1 family health information-education-communication (IEC) specialist and 1 sustainable financing specialist. These positions are most appropriately program-funded and will save the Mission \$45,000 in OE annually.

Operating Expense funding was cut by 36% from FY 93 to FY 97 through concerted efforts to control and reduce costs. For FY 97, the Mission requests \$1.9 million and will need an estimated of \$2.2 million in FY 98 due to increased FSN salary costs, inflation and exchange rate fluctuations, and ICASS participation.

2. Prioritization by Objective

USAID/Madagascar's Strategic Framework is an integrated strategy comprised of three highly interrelated and mutually reinforcing strategic objectives. The synergies of our program are described in the Madagascar Country Program Strategy (1998-2002). The R4 guidance requires

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operating units to prioritize strategic objectives. Accordingly, our ranking of in order of priority is the following: SO#3, SO#1, and SO#2.

The justification for ranking SO#3 first rests on the premise that the U.S. has a special interest and comparative advantage in conserving Madagascar's unique biodiversity to ensure that this global resource is not lost to future generations. Reducing Madagascar's extreme poverty through support for sustained private sector growth is an important end in itself, but is also the critical underlying factor underlying the long-term reduction of the threats to environmental conservation and sustainable resource use. Improved health and family planning are also essential to sustainably reducing poverty and the threats to Madagascar's fragile environment.

Two program options are proposed in the Mission's 1998-2002 CSP. The scenarios specify what would be dropped within each SO if full funding request was not received. SO#1 would eliminate one of its two IRs. Specifically, IR#1.1, "Broadened Access to Financial Services" and its component results would get dropped. As described in II.D, this decision is not based on the performance of this IR which has been very good.

Under SO#2, with constrained funding, programs implemented by Peace Corps would be cut thereby reducing nutrition and child survival results at the community level. Overall child survival support would be reduced, and the proposed Title II monetization program would be cut. SO#3 would have to eliminate its support for sustainable financing mechanisms which includes support to strengthen Madagascar's new Environmental Foundation, and support for analysis aimed at sustainably increasing financial resources for the nation's park and forest management services.

B. Workforce and OE

As the budget tables show, OE requirements are \$1.9, \$2.12, and \$2.3 million for FY 97, FY 98, and FY 99, respectively. If one subtracts the \$200,000 included for ICASS, the OE budgets for FY 98 and FY 99 are \$1.92 and \$2.1 million, respectively. The OE budget for FY 98 therefore is essentially straight lined from the FY 97 figure. The Mission has made great efforts to keep the expenditures under control while maintaining quality, customer-oriented services. For 1999, the budget request increase is primarily due to the movement of persons and the need to replace some equipment. There is, however, allowance for inflation and personnel step increases also included in the FY 1999 increase. As the FY 99 request and target levels are essentially the same -- the difference is only a reduction in two FSN positions, only the FY 99 target levels are presented.

In reference to the ICASS amounts in the FY 98 and 99 budgets, neither decisions on service providers, nor definitive ICASS budget costs have been finalized at the time of the R4 drafting (the deadline for signing up for services is March 31, 1997). The \$200,000 figure, as presented in the budget, is the Mission's best estimate at this time.

Regarding workforce ceilings for FY 98 and 99, the Mission has empowered its FSNs to assume greater duties and responsibilities. Reductions in locally hired personnel will be accomplished by shifting support functions to ICASS and by privatizing others. We believe that with empowerment

of FSN personnel and the transfer of support functions to ICASS or to private contractor status the integrity of the program can be maintained. However, with the program as described in the rest of this submission, the FY 99 staffing figures are the absolute minimum number of personnel for the size of the program. Further reductions in personnel would necessitate program reductions to avoid implementation, oversight and internal control weaknesses due to insufficient personnel.

C. Field Support from USAID/Washington, Non-Emergency Title II and Title III Requirements

SO#2 uses field support to access a range of central projects which complement the bilateral program. Contraceptives purchased through field support directly support a key result at the family level, that is increased use of modern contraceptive methods. The Policy Project, the Measures Project and the Demographic and Health Surveys (DHS) Project provide critical support in providing data for decision-making for the policy level (IR 2.5), and are needed to track key indicators at all levels of SO#2. The BASICS Project supports results at the health center and community levels (IRs 2.2 and 2.3) to improve child survival. TAACS advisors provide essential administrative and technical support for the SO#2 as a whole, while the POP Fellows program provides an advisor for institution-building of NGOs (IR 2.4) and a POP/ENV Fellow to reinforce linkages between SO#2 and SO#3 activities in the field.

The requested Title II resources, including monetization, are a vital component of food security efforts under SO#2, specifically at the community level (IR 2.2). Title II food aid is used in a CRS program which supports community-based health education and targets malnourished children under two for supplementary feeding. Monetization will be used to finance a variety of activities to increase access to food, in both urban and rural areas. In urban areas, receipts from monetization will support labor-intensive cash-for-work projects related to urban waste collection or other sanitation efforts, which will provide income for marginalized families and improve entry into the urban labor market, while improving general sanitation in combination with health education activities. In rural areas, monetization will support income-generating efforts in conjunction with community health education, to include credit for small animal production and other income generating activities to increase food security. For FY 97, the Mission requests \$3.6 million in commodities to support the CRS program. For the next two fiscal years, FY 98 and FY 99, with the monetization program starting, the Mission will need \$5.3 million and \$5.9 million, respectively.

D. Environmental Compliance

During 1996, the Mission obligated funds under Strategic Objective Agreement #2, Smaller Healthier Families. An Initial Environmental Examination (IEE) was done prior to obligation and SO#2 was granted a categorical exclusion. The exclusion was based on activities in family planning services, child survival and training, technical assistance, and Information-Education-Communication (IEC), all of which met criteria described in CFR 216.2(C)(2)(viii),(xi) and (i). As strategic objective agreements for SO#1 and SO#3 are developed for obligation in 1997, they will be subject to an Initial Environmental Examination (IEE).