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**USAID/MADAGASCAR:
ASSESSMENT OF
PROGRAM IMPACT (API)
FY 1993**

**USAID/Madagascar
Antananarivo, Madagascar**

U.S. Agency for International Development
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MADAGASCAR: 1993 API EXECUTIVE SUMMARY

Successful Democratic Transition: Madagascar has undergone a remarkable democratic transition in two years. Thus, it is one of a handful of African countries to move peacefully from an autocratic, one-party, dirigiste state to a democratic, multi-party government. The democratic transition exacted a heavy toll on the economy, however, causing negative per capita growth over the past three years and a worsening macroeconomic situation.

The new government, installed in September, faces the tasks of having to stabilize current financial imbalances, institute economic policies to support sustained growth, attack poverty, and respond to expectations of immediate socioeconomic progress. The good news is the new government's firm steps to resume reform and redress the economy. The October donors-only meeting in Paris confirmed confidence in the new Malagasy economic team and willingness to support an accelerated growth strategy based on the Government of the Republic of Madagascar's (GRM) vision and commitment to macro-economic and sectoral reform.

USAID/Madagascar developed its country program strategic plan (CPSP) in 1992 during a transitional period in Madagascar, to move quickly in support of a democratic Third Republic once installed. This approach is already paying dividends as the Mission and its programs are positioned to support the new government's immediate and longer-term priorities.

Progress in Developing the API System: During the past year, USAID/Madagascar has moved ahead in both defining the indicators for all strategic objectives and targets and putting in place a process for developing data sources for all indicators. We have used a participatory approach, working closely with project officers, project operators and contractors to assure agreement on terms, data sources and responsibilities. Each technical office in the Mission has firmly taken responsibility for achievement of impact for their particular strategic objective(s).

Of note during the year, we completed Madagascar's first Demographic and Health Survey (DHS), put into place a Malagasy technical unit to track biodiversity impact and trends, had a CDIE team in country as part of a worldwide environmental program impact evaluation, and completed a Design and Performance (DAP) design process where the contractor developed specific performance indicators for project monitoring and program impact.

Program Results: During the API period, we have seen important impact related to our **family planning** strategic objective and emerging impact related to reducing **natural resources** depletion. On the population front, the DHS found a large increase in the percentage of women using modern family planning methods and an unexpected decrease in the overall fertility rate from previous estimates. On the natural resources side, earlier or ongoing USAID-funded activities have reduced incursions and destruction within certain reserves, and increased local stakeholders involvement in protected area programs.

While this API focuses logically, therefore, on impact in these two longer standing areas in the Mission program, we have begun to put in place or design activities related to its private sector growth and increased trade in high potential zones objectives. Regarding the former,

it is worth mentioning early success in informing the debate on the legal, regulatory and judicial (LRJ) framework for investment as a result of a series of excellent USAID studies that have been widely disseminated within and debated by the public and private sectors.

The general theme of optimism must be tempered by the reality of how far Madagascar has fallen economically. Any turnaround will be protracted by definition to regain and surpass previous economic gains. Accordingly, at the goal and sub-goal level, one should not expect quick movement in achieving higher per capita growth figures. In practice, we may see only modest results from the planned reform programs for two years or more.

With an eye to the Bureau's focus country review next spring, we foresee Madagascar as continuing to rank high on both democracy and need scales. With regard to economic performance, the Mission proposes agreement on an interim set of benchmarks, similar to the concept of those political and democratic milestones jointly agreed to for the transition period at the CPSP review in September 1992. Fulfillment would confirm Madagascar's continued presence as an Africa focus country until 1995 when positive macroeconomic performance should begin to be measured. Proposed benchmarks are set out in the following table:

Madagascar: Interim Economic Performance Measures	Date
1. Prime Minister's accelerated growth strategy and economic reform program approved by National Assembly	3rd Quarter CY 1993
2. Realistic (as assessed by the IMF, World Bank and USAID) 1994 Government budget passed by national assembly	1st Quarter CY 1994
3. Prioritized Public Investment Program (PIP) in support of accelerated growth strategy approved jointly by Malagasy and donors.	1st Quarter CY 1994
4. Positive Madagascar Consultative Group (CG): approval of structural adjustment program and finance gap closed	2nd Quarter CY 1994
5. Policy Framework Paper (PFP), jointly formulated by IMF, World Bank and GRM, ready for IMF Board approval (Board meets in April)	2nd Quarter CY 1994

The Mission will provide AID/W with a country status cable in January 1994 following the joint World Bank-IMF Missions this December, as well as important bilateral talks between the GRM and the French and Swiss. This will be followed in March 1994 with input for the focus country review which will update progress on the above economic milestones, outline other donor decisions, and provide summary analysis of other important economic and political events.

I. SPECIAL FACTORS AFFECTING THE USAID/MADAGASCAR PROGRAM

Four factors affected USAID/Madagascar's program during the past year: (1) the political transition and installation of a new democratically-elected government; (2) the continued economic slide under the transition; (3) the new government's strong commitment to reform; and (4) increased pluralism and openness as a result of the democratization process.

1. Successful Democratic Transition: Madagascar has carried out a dramatic democratic transition, setting in place a new, pluralistic and democratic society. Four national elections within 18 months approved a new constitution and elected a new president (two rounds) and new national assembly. All elections were certified as free and fair by international and local observers. And surprisingly for Africa, the defeated leader publicly accepted the legitimacy of the results, a two-thirds majority in favor of his reform opponent.

2. Continued Economic Slide Under the Transition: The democratic transition exacted a high economic cost as the caretaker government narrowly defined its mandate to the political and electoral processes leading to the Third Republic. Accordingly, the economy continued to deteriorate, agreements with the World Bank and IMF lapsed, and negotiations of new multilateral agreements were never seriously undertaken.

3. Strong Commitment to Reform by the New Government: The Third Republic's economic program outline, approved by large Parliamentary majority and blessed by the Bank and IMF in September and a Paris donor meeting in October, sets the country on a course of macro-economic reform and accelerated economic growth and emphasizes liberalization, transparency, accountability, decentralization, reliance on the private sector and an outward orientation. A realistic calendar has been developed which is aimed at having an acceptable macro-economic framework and new Bank and IMF agreements in place by mid-1994.

4. Increased Pluralism and Openness: Most pleasing has been the flourishing of pluralism which serves to consolidate and deepen democratic reforms. A growing civil society, encompassing regional advocacy groups, private sector business groups, electoral, professional, women's and civic education groups, and others, is having influence on the economic and political debates and with the donors. These groups are important for pressing for transparency, routing out corruption, calling for clear rules of the game and championing the disenfranchised segments of society. All activities and actors are covered by a lively free press which further engenders the atmosphere of openness.

Implications for USAID/Madagascar: These factors, coupled with USAID's strategy development and implementation during the transition, finds the Mission well placed to inform and influence policy and join the debate in sectors where we have strategic interest. The CPSP and USAID-funded studies have received wide recognition for their quality analysis and the U.S. Country Team (USAID, Embassy, Peace Corps, USIS) is seen as "wholesalers" of new ideas and new ways of doing business. Our outreach has led to new opportunities for fostering public-private dialogue, setting the rules of the game, linking budgets to performance, and supporting decentralization. As the GRM translates its economic words into deeds, the Mission is confident of having important impact over the CPSP period and beyond.

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GOAL	Indicators
Broad-based Market-led Sustainable Economic Growth	<ul style="list-style-type: none"> - GDP growth - Per capita GDP growth - Private consumption - Under-five Mortality Rate

SUB-GOAL 1	Indicators	SUB-GOAL 2	Indicators
Increased Investment and Employment in the Private Sector	<ul style="list-style-type: none"> - Formal Private Sector employment level - Private Investment real growth rate - Private Investment 	Balance Population Growth and Natural Resource Use	<ul style="list-style-type: none"> - Population Growth Rate - Forest Cover (hectares) - Rice Productivity
S.O. 1	Indicators	S.O. 3	Indicators
<p>Establish Competitive Pro-Business Climate</p> <p><u>Target 1.1:</u> Legal, Regulatory, and Judicial Environment Supports Market Development.</p> <p><u>Target 1.2:</u> Financial Market Reforms Increase Domestic Resources for the Private Sector</p> <p><u>Target 1.3:</u> Expand Business Services</p>	<ul style="list-style-type: none"> - New firms registered - Foreign direct investment - Fiscal deficit - No. of economic laws enacted after an advocacy process of private sector groups - Commercial adjudications <ul style="list-style-type: none"> a. Civil court backlog b. Adjudications via non-governmental proceedings - Savings deposits <ul style="list-style-type: none"> a. CEM b. Commercial banks - Number of CEM depositors - Banking system credit to private sector - Central Bank net advances to the Treasury - Dues collected from membership of selected Malagasy business associations - Increase in the number of Malagasy engaged in business consulting-type services 	<p>Reduce natural Resource Depletion in Target areas</p> <p><u>Target 3.1:</u> Conserve biodiversity in protected areas</p> <p><u>Target 3.2:</u> Improve Management of Forest Resources in Target Areas</p> <p><u>Target 3.3:</u> Increase Income Opportunities for Resource Users</p>	<ul style="list-style-type: none"> - Reduced annual rate of forest loss in target areas - Reduced rate of biodiversity loss in protected areas - Number of protected area management plans - Percent of village households in target zones that have adopted program sponsored alternatives to destructive practices - Number of forest management plans - Percentage of growing National Forestry Fund (NFF) allocated to natural forest management - Percentage of households with increased income from sustainable activities - Number of women with increased income from sustainable activities
S.O. 2	Indicators	S.O. 4	Indicators
<p>Increase Trade from High Potential zones</p> <p><u>Target 2.1:</u> Reduce transportation and Communications costs</p> <p><u>Target 2.2:</u> Increase and diversify agricultural production and sales</p> <p><u>Target 2.3:</u> Expand locally-managed market services</p>	<ul style="list-style-type: none"> - Volume of production of key indicator products - Total petroleum sales in Fianarantsoa and Mahajanga - Number of annual truck registrations in Fianarantsoa and Mahajanga - Vehicle transport cost reduction - Communication cost reduction indicator - Percent of cultivated area planted to off-season and secondary crops - Agriculture marketing tax receipts for key agricultural products - Number of registered market participants - Budget level in selected market centers and the amounts allocated to market services and infrastructure - Availability of basic physical market infrastructure - Availability of improved market services 	<p>Reduce Total fertility</p> <p><u>Target 4.1:</u> Increase modern contraceptive use</p> <p><u>Target 4.2:</u> Reduce Dehydration due to Diarrheal Disease</p>	<ul style="list-style-type: none"> - Total Fertility Rate - Contraceptive Prevalence Rate - Couple Years Protection - Number of public and private medical sites providing FP services - Percentage of public medical sites providing FP Services - Percentage of women who know where to obtain contraception - Percent of children with diarrhea receiving ORT - Number of ORS packs distributed through the private and public sectors

II. PROGRESS TOWARD OVERALL PROGRAM GOALS

GOAL 1: Broad-based Market-led Sustainable Economic Growth

Goal Indicators	Actual		Forecast			
	1992	1993	1994	1995	1996	2000
1. GDP growth (%)	1.1	1.9	3.3 ¹	3.8 ¹	4.2 ¹	6.0
2. Per capita GDP growth	-2.1	-1.3	0.1 ¹	0.6 ¹	1.0 ¹	
3. Private Consumption (annual growth rate)	-3.1	1.6	2.8 ¹	3.0 ¹	3.2 ¹	
4. Under-five Mortality Rate (per 1000)	177.7					119.0

1. GRM planning figures

Sources: GRM/Ministry of Plan and Economy; Madagascar 1992 DHS.

◆ **Indicator Selection:** GDP growth and GDP growth per capita are straight-forward measures of aggregate economic growth. The annual growth rate of private consumption provides a measure of the change in the current standard of living. The market-led characteristic of the program goal is tracked via Sub-goal 1; the sustainable characteristic of the program goal is tracked via Sub-goal 2. Under-five mortality will be tracked as a proxy for the broad-based characteristic of the goal. These goal indicators will be supplemented by information and analysis from GRM and other donor studies which shed light on the impact of economic growth at the household and individual level.

◆ **Status:** Indicators 1, 2 and 3 are obtained annually from the Ministry of Plan and Economy. Their source for actual figures is the National Statistical Office. Mortality rate information comes from the Madagascar 1992 DHS. The second Madagascar DHS is scheduled for 1997. The forecast figure of 119 for the year 2000 corresponds to the goal established in the Bamako Initiative to reduce child mortality by one-third by the end of the decade.

◆ **Impact:** The modest expansion of economic activity in 1992 and 1993 was not sufficient to compensate for population growth exceeding three percent. Likewise, private consumption has not kept pace with population growth. The transition to a democratic government and the political turmoil that came with it remain the principal explanation for the lack of tangible progress in Madagascar's economic and social development. This year (1993) will mark the

third consecutive year of a decline in per capita GDP. The modest gains in the standard of living that followed from the economic liberalizations of the late 1980s have not been sustained. Per capita GDP is 10 percent lower in 1993 than it was in 1990. The modest level of the planning figures for per capita GDP growth and private consumption growth reflect the GRM's fear that the imbalances now built into the economy will take several years to overcome.

Sub-goal No. 1: Increase Investment and Employment in the Private

Sub-goal No. 1 Indicators	Actual			Est.	Forecast			
	1990	1991	1992	1993	1994	1995	1996	1997
1. Formal Private Sector:								
• employment level	280,706	285,854	302,003	N/A				
• growth rate (%)	5.9	1.8	5.6	N/A	7	8	10	10
2. Private Investment real growth rate (%)	92	-39	-16	14	17	12	15	15
3. Private Investment (% of GDP)	6.9	4.6	3.7	4.0	4.4	4.9	5.5	6.1

Sources: Ministry of Labour; Ministry of Plan and Economy.

◆ **Indicator Selection:** The first indicator, formal sector employment, gives a better indication of appropriate public sector policies than total employment, as the latter includes the increase in marginal rural and urban informal activities taken up by people with no other options. The second indicator tracks the responsiveness of private sector investment decisions to the business opportunities emerging in Madagascar as a result of a more liberal economic philosophy. The third indicator measures the relative importance of the private sector in the accumulation of physical capital and ownership of the means of production.

◆ **Status:** The source of employment data is the Ministry of Labor's annual survey. The second and third indicators are taken from provisional national accounts prepared by the Ministry of Plan and Economy. All three indicators are available annually.

◆ **Impact:** Three factors are having a detrimental impact on the ability of the private sector to undertake the investments necessary to boost employment levels: (1) a foreign exchange shortage; (2) a high level of public sector borrowing from commercial banks which crowds out private sector borrowing; and (3) the uncertainty perceived by economic operators regarding the future directions of economic policy.

1. Foreign Exchange Shortage:

The foreign exchange shortage dates from 1990. Gross official reserves expressed in weeks of imports of goods fell from 33 weeks at the beginning of 1990 to seven weeks at the end of 1990. The political disruptions further damaged the country's balance of payments position. Exporters took advantage of the breakdown in administrative operations to keep their export earnings abroad. Donors withheld anticipated 1991 balance of payments support as the government's reform package slipped further behind schedule. Public transfers fell from \$166 million in 1990 to \$104 million in 1992. Today, official reserves are equal to eight days of imports. In 1993, exporters are the only ones with reasonable access to foreign exchange. Commercial banks meet less than 40% of their business clients' demand for import financing. Inability to import has caused manufacturing capacity utilization to fall toward 30% in many industries.

2. High Public Sector Borrowing:

The second factor affecting the private sector's contribution to investment and employment growth is public sector borrowing from the banking system. During the period 1987-1990, public sector borrowing from the banking system was negative. 1991 saw a reversal of this flow; government borrowing totaled \$27 million. The corresponding figures for 1992 and 1993 are \$63 million and \$81 million. The rise in bank financing compensates for a poor performance by the tax authorities. Current government revenue as a percentage of GDP has fallen from 13% in 1988 to 8% in 1992. As a result, credit flows to businesses are not keeping pace with demand.

3. Uncertainty Regarding Economic Policy:

The third factor, private sector perception of the business climate, cannot be quantified. The second indicator shows the combined impact of the three factors on the macro-economy. The inflation-adjusted level of investment fell in 1991 and 1992. A 14% increase is projected for 1993. If the increase materializes, the 1993 level of investment will be 40% below the 1990 level. Government planning figures envisage stronger private sector investment growth, in excess of 14% over the next four years.

Analysis:

Indicators 1 and 2 taken together support an interesting hypothesis about the Malagasy economy. The hypothesis is that as the economy has opened up, the labor intensity of investments is increasingly consistent with the low price of labor. Put another way the capital-labor ratio of investments is falling, so the same level of investment generates a larger increase in employment. In 1992, the level of investment was 16% below the 1991 level; yet, at the same time formal sector employment increased by a respectable 5.6%, suggesting that the "cost" of creating jobs in the formal sector is indeed falling. Public officials have taken note of this, drawing attention to the Asian countries that took advantage of their labor force competitiveness to bring about high economic growth rates.

Sub-goal No. 2: Balance Population Growth and Natural Resource Use

Sub-goal No. 2 Indicators	Actual	Target
	1989	2000
1. Population Growth Rate (%)	3.0	2.7
2. Forest Cover (hectares)		
● with EAP	10.1 million	8.6 million
● without EAP	10.1 million	5.0 million
3. Rice Productivity (tons/ha)	2.0 (1989-1991 average)	2.4

Sources: Environmental Action Plan (EAP); Ministries of Agriculture; Plan and Economy; 1992 DHS.

◆ **Indicator Selection:** Measures of progress toward Sub-goal No. 2 are national and very aggregate. Annual progress against this sub-goal will be found at the level of strategic objectives and targets. The sub-goal indicators, above, provide a decade perspective and order of magnitude of the change required to balance population and the resource base.

Indicator 2 shows forest cover when the EAP was approved (1989) and estimates for the year 2000 with and without the EAP. Successful implementation will save 3.6 million hectares of forest, or 12,000 square miles, an area larger than the state of Maryland.

Rice productivity is used as a measure of population and resource balance because of the effects of natural resource degradation on rice yields. Deforestation damages the watershed of major rice growing areas. Slash and burn practices reduce yields in small perimeter areas, as does soil loss degradation. Higher production levels brought about by higher yields could reduce pressure to move on to more marginal land.

◆ **Status:** Only indicator number three will be reported annually, using Ministry of Agricultural data. Once the Malagasy Biodiversity Information Service is operational, we expect to be able to offer more sophisticated analysis of the population/resource balance.

◆ **Impact:** Madagascar's National Population Policy was approved in December 1991. Madagascar's Environmental Action Plan (EAP) began in 1989. About six percent of the total public investment budget is allocated to environmental projects. Both the GRM and the donors are mobilized; this fall's EAP mid-term review will be critical to

III. PROGRESS TOWARD STRATEGIC OBJECTIVES AND TARGETS

S.O. No. 1: Establish Competitive Pro-Business Climate

S.O. No. 1 Indicators	Baseline
	1992
1. New firms registered	-
2. Foreign direct investment	\$15 million
3. Fiscal deficit (% of GDP) - 1993 estimate	8.6

Sources: Commercial Registry; Ministry of Plan and Economy; Treasury Operations Report of the Ministry of Finance.

◆ **Indicator Selection:** Reforms begun in the 1980s in Madagascar to establish a competitive, pro-business climate were disrupted by the political transition. USAID/Madagascar and the GRM are exploring specific areas in the microeconomic framework where the climate for market activity can be improved. Several areas offer strong potential for stimulating market activity: legal and property rights, the regulatory framework, bankruptcy and credit laws, contract adjudication, commercial law enforcement. Equally important will be maintaining a stable macro-economy.

The first two indicators that will be used to track S.O. No. 1 are aggregate measures of individual business decisions. As such, they are determined by more than the business climate. The third indicator tracks one of the most common and troublesome negative impacts of public policy on business activity: the fiscal deficit. We have included the deficit as one of our indicators because our work with the Central Bank will contribute substantially to fiscal discipline.

◆ **Status:** The historical data for these indicators are available. The setting of S.O. No. 1 indicator levels for API reporting purposes will be done over the next six months as part of the Mission's portfolio development. We expect to show over the next several years a direct link between our work on the institutional infrastructure (or the micro-economic framework) and other donor-financed physical infrastructure improvements and the level of both business formation and foreign direct investment.

◆ **Impact:** The S.O. No. 1 component of the Mission's portfolio has one active project, Financial Market Development (FMD), signed on September 16, 1993. The second planned intervention (Business Expansion Services and Technology/BEST) will be authorized in Fiscal Year 1994. A longer implementation period is required before the Mission can report on impact.

■ **Target No. 1.1: LEGAL, REGULATORY AND JUDICIAL ENVIRONMENT SUPPORTS MARKET DEVELOPMENT**

Target No. 1.1 Indicators

Baseline year: 1992

1. No. of economic laws enacted after an advocacy process of private sector groups.
2. Commercial adjudications.
 - a. Civil court backlog
 - b. Adjudications via non-governmental proceedings
3. Investment Code applications approved by the GRM.

Sources: Ministries of Plan and Economy; Justice; and Finance.

◆ **Indicator Selection:** Indicators 1 and 2 measure pragmatic, institutional changes in the way the GRM "does business" with the private sector and how the private sector accepts greater responsibilities in its role as a more fully-vested partner with the public sector. We will measure the success of the private sector's presentation and support for new economic-oriented legislation and the public sector's willingness to engage in meaningful dialogue on these laws. Beyond the variety of legislative advances anticipated to be made and promulgated, sound methodology for resolving commercial disputes will also be introduced and put into common practice. As the private sector perceives that a more "level playing field" is put into use, we expect the number of annual investment applications approved by the GRM will increase (Indicator 3).

◆ **Status:** The indicators are/will be available either from several GRM sources: the Ministry of the Plan and Economy or Ministry of Finance (Indicators 1 and 3) and the Ministry of Justice (Indicator 2). Target levels will be selected in 1994 as part of our program design work.

◆ **Impact:** Our design work has generated wide interest. A report entitled "Environment for Investment in Madagascar: Institutional Reform for a Market Economy" was prepared as a first step in our LRJ work. The report was distributed to the economic ministries, private sector groups and other donors. Subsequent to this initial distribution, we received in excess of seventy-five requests for copies of the report. The Mission financed an International Development Law Institute seminar on "Legal Aspects of Private Sector Development" which brought together eighteen judges from all six provinces and twelve private sector lawyers. The report and the seminar both contributed to breaking down the isolation and lack of dialogue between public and private officials regarding the LRJ environment.

■ **Target No. 1.2: FINANCIAL MARKET REFORMS INCREASE DOMESTIC RESOURCES FOR THE PRIVATE SECTOR**

Target 1.2 Indicators	Baseline	Actual and Target				
	1992	1993	1994	1995	1996	1997
1. Savings deposits						
a. CEM	13,006	14,300	17,200	22,360	29,000	38,000
b. Commercial banks	277,039					
2. Number of CEM depositors (of which women)	254,770 N/A	267,500	294,300	323,700	372,200	428,000
3. Banking system credit to private sector (% of GDP)	13.3	Increasing trend				
4. Central Bank net advances to the Treasury	787,666	Decreasing trend				

Note: All financial data is in millions of FMG.

Sources: Central Bank; National Postal Savings Bank/*Caisse d'Epargne de Madagascar*.

◆ **Indicator Selection:** Indicators 1.a and 2 will measure the impact of our program on the ability of the National Postal Savings Bank/*Caisse d'Epargne de Madagascar* (CEM) to mobilize savings. Indicators 1.b, 3 and 4 track financial sector outcomes. Our assistance to the Central Bank will assist it to develop and implement monetary policies which support private sector development. The Central Bank will rely increasingly on an indirect rather than direct system of credit control. Central Bank financing of fiscal deficits will be reduced. These and other institutional and operational changes are expected to enable the financial sector to provide more credit to businesses.

◆ **Status:** All indicators are available from Central Bank statistical bulletins or CEM year-end reports. Computerization of records in 1994 will provide gender-disaggregated data on CEM account holders.

◆ **Impact:**

▶ USAID/Madagascar persuaded the Ministry of Post and Telecommunications (PTT) to amend a draft law on PTT restructuring in a way to maintain the commercial status of CEM until a new charter can be written for the CEM. Under the draft law, the post office would have become involved in day-to-day operations of the bank which would have ended the limited autonomy the CEM obtained in 1985, and jeopardized the goal of turning CEM into a financial institution.

▶ CEM interest income will increase by 30% as a result of the Ministry of Finance's agreement to tie the interest rate it pays on borrowings from CEM to the twelve-month Treasury Bill rate. USAID/Madagascar was the catalyst in getting Ministry of Finance to agree to this change. An increase in client deposit rates will be possible in 1994.

■ **Target No. 1.3: EXPAND BUSINESS SERVICES**

Target No. 1.3 Indicators

1. Dues collected from membership of selected Malagasy business associations.
2. Increase in the number of Malagasy firms engaged in business consulting-type services.

Sources: Professional Associations; Ministry of Plan and Economy.

◆ **Indicator Selection:** Indicator 1 will measure the value private business people place on associations which represent their interests in public fora. Indicator 2 will measure the increasing investment opportunities in the kinds of "technical assistance" firms which supplant and sustainably institutionalize business services currently provided by donor projects. The success of Indicator 1 will be shown by the ability of professional associations to grow and thrive as representatives of their members. Indicator 2 will indicate both private sector growth and the responsiveness of the domestic economy to the expanding needs of businesses, that the demand for the kinds of business services listed above is apparent in the aggregate increase in business registrations for just those kinds of firms.

◆ **Status:** The indicators will be obtained from the records of professional associations and from the Ministry of the Plan and Economy. Baseline and target levels will be developed during 1994. These indicators are preliminary and will be further refined during the BEST design.

◆ **Impact:** None to date.

**S.O. No. 2: Increased Trade from
High Potential Zones**

S.O. No. 2 Indicators	Baseline
	1991
1. Volume of production of key indicator products	698,218 tons
2. Total petroleum sales in Fianarantsoa and Mahajanga	-
3. Number of annual truck registrations in Fianarantsoa and Mahajanga	-

Sources: Ministries of Agriculture; and Commerce; National Petroleum Company.

◆ **Indicator Selection:** The three impact indicators will serve as proxies to show increased trade. The first indicator will show that producers and traders are responding to improved market opportunities and conditions by increasing their production of tradable commodities. Since current production satisfies normal household consumption needs, any increased production of key agricultural commodities will enter the formal marketing system.

Indicators 2 and 3 are indirect measures of trading activity. The economic activity of commercial agriculture will be measured by the volume of fuel consumed in the HPZs and the number of trucks added to the vehicle fleet each year. While all the indicators are indirect measures of agricultural commercialization, together they will provide a clear sense of changes in the level of HPZ trade.

◆ **Status:** Information will be collected from the Ministry of Agriculture, Ministry of Commerce, and the National Petroleum Company. The Ministry of Agriculture collects data on the annual production of major crops in each district of the country. The last year for which data is available is 1991. Baseline data for petroleum sales and truck registrations will be collected early in 1994. Target levels will be chosen in 1994.

◆ **Impact:** None to date.

■ **Target No. 2.1: REDUCE TRANSPORTATION AND COMMUNICATIONS COSTS**

Target No. 2.1 Indicators	Baseline	Actual and Planned Performance		
	1994	1995	1997	1999
1. Vehicle transport cost reduction (FMG mill.)	0	225	900	1,575
2. Communication cost reduction indicator	-	-	-	-

Sources: Ministries of Transport; CAP Project.

◆ **Indicator Selection:** The majority of all marketed agricultural products are transported overland in large trucks or smaller pick-up type vehicles. The cost of transport is high. Up to 700 kilometers of market access roads in the two HPZs will be rehabilitated by USAID. Indicator 1 will track the reduction in transportation costs following the rehabilitation. Indicator 2 will be developed in 1994. By linking the CAP interventions to a national economic road network, financed in part by other donor road rehabilitation projects, producers and traders will find it easier to get surplus agricultural products to markets.

◆ **Status:** Indicator 1 planned performance is based on Ministry of Transport cost data. The CAP project will collect its own transport cost data to verify or amend the cost savings estimates. Reliable baseline data for vehicle transportation costs will be collected next year. This will include information on the average cost per ton per kilometer to transport key marketed agricultural products from points of collection in the two high potential zones to major urban processing or consumption centers. Baseline data on communication costs will also be collected next year. The CAP project will conduct a study to determine the most effective means to improve the accuracy, timeliness and coverage of market information.

◆ **Impact:** None to date.

■ **Target No. 2.2: INCREASE AND DIVERSIFY AGRICULTURAL PRODUCTION AND SALES**

Target No. 2.2 Indicators	Baseline
1. Percent of cultivated area planted to off-season and secondary crops	27
2. Agriculture marketing tax receipts for key agricultural products	-
3. Number of registered market participants	-
● of which women	-

Sources: Ministries of Agriculture; Commerce; and Finance.

◆ **Indicator Selection:** Diversification into cash crops, produced primarily during the off-season after rice or in small plots alongside rice, are tangible results of recent economic liberalization. Increased trade from high potential zones (HPZs) of these off-season and secondary crops is Indicator 1. Indicators 2 and 3 were chosen to show the linkage between increased production and increased trade. Increases in these three indicators will measure impact under Target 2.2.

◆ **Status:** Data on agriculture tax collection receipts, and the number of collectors, transporters, processors, and distributors of agricultural products will be obtained from local tax offices during 1994 by the CAP project. The Ministry of Agriculture has been collecting data on the area and volume of agriculture products throughout the country. The last year for which complete data is available is 1991. The 27% figure represents the total surface area planted to maize, beans, wheat,

peanut, and potatoes in the two HPZs compared to rice. Targets for future years will be selected during 1994.

◆ **Impact:** More than 100 Malagasy have been trained in the U.S. and Madagascar on developing markets for diversified agricultural products. In the past two years, USAID has identified 15 new firms producing off-season and diversified products. These include new essential oils such as vetiver and geranium, organic spices such as ginger, fresh vegetables such as French beans and asparagus, and dried beans.

Impact: Agricultural Exports

One returned participant diversified to expand production from a single commodity (peanut seed) to hybrid maize seed and fresh flowers, the latter being an unprecedented achievement for Madagascar. This firm now exports 3.3 million stems of cut flowers to Europe each year, and is expanding its exports by an average of 20 percent each year. With USAID assistance, the firm recently entered into an agreement with the largest agribusiness firm in Madagascar to produce seed for the production of dried beans to export to regional markets.

■ **Target No. 2.3: EXPAND LOCALLY-MANAGED MARKET SERVICES**

Target No. 2.3 Indicators

Baseline year: 1994

1. Budget level in selected market centers and the amounts allocated to market services and infrastructure
2. Availability of basic physical market infrastructure
3. Availability of improved market services

Sources: MIX Project reports.

◆ **Indicator Selection:** The three indicators will measure interventions to encourage a public/private collaboration in the provision of market service and infrastructure. Interventions will support the private sector to provide some of these services, and to institute improvements by local governments in the identification, collection, and management of revenues to pay for these services and facilities. Indicator 1 will track the ability of local governments to mobilize resources and allocate them to business-related public services. Indicators 2 and 3 will track improvements in physical infrastructure and the public provision of market services. An increase in these indicators will show that market centers are functioning better and that services and facilities are expanding to facilitate the flow of goods from the high potential zones.

◆ **Status:** Reliable information on the overall budgets in selected market centers and the amounts allocated to market services will be collected starting in April 1994. At this time, target market centers will also be identified, allowing the collection of data on availability of market infrastructure and services.

◆ **Impact:** USAID interventions will build on and strengthen market-liberalization related trends. Lately, there has been an expansion of locally-managed market services. Field studies indicate that market towns today are playing a more important role, and that viable market networks are emerging throughout the country. This contrasts with a related study conducted two years earlier in which it was found that Madagascar did not display a traditional market network system. The major reasons underpinning this evolution are:

- ▶ The number of agricultural product collectors has increased by 50% in the Fianarantsoa region and by 66% in the Mahajanga region from 1990 to 1992; and,
- ▶ Nominal producer prices increased by over 50% in the Fianarantsoa region, and by an average of over 100% in the Mahajanga region from 1989 to 1992.

**S.O. No. 3: Reduce Natural
Resource Depletion in Target Areas**

S.O. No. 3 Indicators	Baseline			
	1992	1994	1996	1998
1. Reduced annual rate of forest loss in target areas	-	-	-	-
2. Reduced rate of biodiversity loss in target protected areas	-	-	-	-

Sources: ANGAP/SIB; USGS/SAVEM; WWF Debt Swap/DEF/KEPEM

◆ **Indicator Selection:** Target areas are comprised of the protected areas and their peripheral zones supported under the SAVEM project and the classified forests being supported under the WWF Debt Swap and KEPEM programs. Monitoring of forest cover and physical parameters will provide quantitative measures of change in forest cover over time and enable assessment of the impact of the USAID program on forest clearing.

Biodiversity will be assessed by monitoring habitat changes and changes over time of species composition in selected groups of organisms in the protected area. A system of indicator species monitoring and permanent transects will serve to assess the level of change in biodiversity.

◆ **Status:** Baseline information for forest cover will be developed in 1994. This will be done by comparing satellite imagery, aerial and remote photos from 1970s to early 1990s imagery to assess change in the forest cover in the intervening 20 years. A complete set will then be taken every three years to monitor whether the rate of forest loss is decreasing.

Extensive biodiversity inventories are being conducted and relevant indicators are being identified. Work plans for the six target protected areas include provisions for carrying them out. Partial inventories exist for each of the target protected areas. Field operators and research groups will undertake surveys of selected flora, fauna and vegetation types focusing on selected priority protected areas. These will be used to determine the net change in status of biodiversity.

◆ **Impact:**

▶ A recent evaluation demonstrated that the creation of Ranomafana as a National Park in 1991 has served to improve the protection of the remaining relatively undisturbed natural habitat and conserve biodiversity.

■ **Target No. 3.1: CONSERVE BIODIVERSITY IN PROTECTED AREAS**

Target No. 3.1 Indicators	Baseline	Actual and Planned Performance					
	1992	1993	1994	1995	1996	1997	1998
1. Number of protected area management plans							
● Developed	0	0	1	3	6	6	6
● Implemented	0	0	0	2	4	6	6
2. Village households adopting program sponsored alternatives to destructive practices	0	0	0	5%	10%	15%	20%

Sources: ANGAP/SIB; SAVEM ICDP operators.

◆ **Indicator Selection:** There are presently 39 protected areas with an additional 11 areas to be created as part of the Environmental Action Plan.¹ Elements of Protected Area management plans reported under Indicator 1 include: (a) clearly defined and marked boundaries; (b) enforcement mechanisms; (c) an eco-tourism development plan; (d) a biodiversity monitoring plan; (e) a management structure; and (f) clearly defined relationships with the surrounding communities, including a system for sharing park revenues.

Indicator 2 measures our successes in altering local people's practices in target zones that have brought about environmental degradation. Alternatives to destructive practices include: changes in farming and herding practices, adoption of reforestation, decreases in incursions into the reserve, cessation of consumptive practices in the reserve such as trapping and tree felling.

◆ **Status:** The implementation of integrated conservation and development projects (ICDPs) is the means by which we are developing park management plans and ensuring village participation. Designs for the operational phases of ICDPs, have been completed and approved for Masoala, Amber Mountain Complex, and Zahamena and are presently being finalized for Andasibe/Mantadia Complex, Ranomafana and Andohahela. Preliminary work has been initiated in all six target protected areas to develop park management plans.

ICDPs will also involve targeting pilot communities to adopt alternatives to destructive practices. Impact will be monitored using ANGAP's biodiversity/socio-economic information data system as well as the monitoring unit established at the field level.

¹ Protected areas include three categories: (1) National Parks, (2) Special Reserves, and (3) Strict Natural Reserves with overall coordination delegated to the National Association for the Management of Protected Areas (ANGAP). Target protected areas for USAID/Madagascar are: (1) Amber Mountain Complex consisting of Amber Mountain National Park and Special Reserve, Ankarana Special Reserve, and Analamera Special Reserve; (2) Zahamena Strict Natural Reserve; (3) Masoala Peninsula to be classified as a National Park; (4) Andasibe/Mantadia Complex consisting of Andasibe Special Reserve and Mantadia National Park; (5) Ranomafana National Park; and (6) Andohahela Strict Natural Reserve.

◆ **Impact:**

- ▶ ANGAP as an institution increasingly focused on coordinating protected areas management, has shown considerable progress in coordinating and harmonizing development and conservation efforts throughout Madagascar's protected area system.
- ▶ Based on early implementation experience, field operators have recognized the importance of incorporating local stakeholders into designing and managing programs for protected areas and peripheral zones. This has led to significant changes in project preparation and design of ICDPs and staff outreach to villagers.
- ▶ Alternative strategies and activities to decrease the need of Malagasy farmers to rely on continued, non-sustainable use of resources, and thus, conserve biodiversity in protected areas have been or are being identified. Operational phases have been approved for Masoala, Amber Mountain Complex, and Zahamena by analyzing human pressures which have led to natural resource depletion in the target protected areas.
- ▶ With the demarcation of reserve boundaries and field presence of project personnel, evidence has been observed that some resource users are modifying their behavior away from destructive practices within and on the periphery of protected areas. For example, in Andohahela, herders' huts and the practice of systematically retreating into the forest for dry season grazing has been eliminated in some areas.

■ **Target No. 3.2: IMPROVE MANAGEMENT OF FOREST RESOURCES IN TARGET AREAS**

Target No. 3.2 Indicators	Baseline					
	1992	1994	1995	1996	1997	1998
1. Number of participatory forest management plans						
• Developed	0	0	2	4	6	8
• Implemented	0	0	1	2	3	4
2. Percentage of growing National Forestry Fund (NFF) allocated to natural forest management	0	0	50%	50%	50%	50%

Sources: USGS/SAVEM; WWF Debt Swap; KEPEM; DEF; Ministry Finance.

◆ **Indicator Selection:** Conservation of forest resources will depend on their sustainable utilization under management plans.² The exact nature of the management plans will depend on the type of forest and the potential for sustainable provision of a variety of goods and services.

A key element in the sustainable management is the participation of local populations. Incentives must be developed to encourage local populations to better manage and control natural forests to obtain better returns than through current unsustainable and exploitative practices. Devolving rights and responsibilities of local populations following agreed-upon technical management plans offers the best hope of success for maintaining Madagascar's natural forests.

It is critical that part of the increased revenues generated from improved natural forest management be reinvested in these forests to favor ecological sustainability. The National Forestry Fund, which is designed to promote forestry activities, is currently very poorly endowed, with most resources devoted to replanting with exotic species.

Impact: Forest Management

Collaboration between APNs and villagers in establishing 540 tree nurseries with over 600,000 trees planted represents a first effort in ensuring a shared ownership with the local communities in the eventual management of the natural resources.

◆ **Status:** USAID/Madagascar programs are supporting the forest service through technical assistance, training and equipment to identify target forests and develop management plans. Opportunities for greater local participation in developing forest management plans are also being identified by working with local populations in the peripheral zones. The KEPEM program will report on levels of NFF. When this information becomes available, it will be incorporated into the API Report.

◆ **Impact:**

- ▶ The placement of 375 *Agents pour la Protection de la Nature* (APNs), or locally based outreach agents through the WWF Debt Swap project to reinforce field based protection and management capacity of natural forests has resulted in a positive impact in reducing incursions into and destruction of reserves.
- ▶ Local level village committees for the forest and environment have been created as part of the WWF Debt Swap project, building on previously created committees to fight brush fires. Working with the APNs, they are increasing environmental awareness and assisting in the control of wood cutting in classified forests.

² Target areas include the classified forests under the direct responsibility of the Direction of Water and Forests and the buffer zones of the protected areas. By definition, protected areas can not be a target for forest management. Ninety percent of Madagascar's natural forests lie outside of protected areas.

■ **Target No. 3.3: INCREASE INCOME OPPORTUNITIES FOR RESOURCE USERS**

Target No. 3.3 Indicator 1	Baseline					
	1992	1994	1995	1996	1997	1998
1. Percentage of households with increased income from sustainable activities	0	0	10	25	40	50
2. Number of women with increased income from sustainable activities	-	-	-	-	-	-

Sources: ICDP/Community Action Grants reports; TRADEM (FY 199X start); KEPEM.

◆ **Indicator Selection:** The key hypothesis underlying ICDPs is that increasing the economic well-being of local populations living around protected areas will lead to increased conservation of those areas. As part of the ICDPs, sustainable economic alternatives to current environmentally destructive activities will be targeted for village households in peripheral zones around protected areas. Local regulatory changes aimed at increasing income opportunities for resource users are being analyzed, as are opportunities based on the sustainable exploitation of local flora and fauna.

◆ **Status:** Initial steps have been taken in identifying alternative strategies such as agricultural intensification, improved integrated cropping systems, product and market development, and ecotourism to be carried out as a means to decrease the human pressures on the protected areas. The development of alternative livelihood options is a major focus of the operational phase of the ICDPs which will be initiated in early 1994. The activities, their effect on household incomes, and their effectiveness in reducing environmental degradation will be monitored through the ICDPs and using ANGAP's data system.

◆ **Impact:**

- ▶ A revenue sharing scheme for park entrance fees is now in place. ANGAP receives one half and the other half of the revenue is returned to a locally organized protected area revenue management committee.
- ▶ Ecotourism activities in Ranomafana and Andasibe resulting in an increase in visitors, employment, an influx in cash and increased needs for goods and services, are benefiting the local population surrounding these areas through increased resource reallocation.
- ▶ Progressive farmers in the peripheral zones of Ranomafana have increased their incomes by practicing bee keeping, reforestation, and a variety of other appropriate income generating activities, resulting in decreased pressures on the Ranomafana National Park.

S.O. No. 4: Reduce Total Fertility

S.O. No. 4 Indicator	Baseline	Actual and Planned Performance					
	1990	1993	1994	1995	1996	1997	1998
Total Fertility Rate	6.6	6.1	-	-	-	5.7	-

Source: 1992 DHS. See ANNEX A for change in indicator value.

◆ **Indicator Selection:** The Mission chose the indicator of total fertility rate because it has a direct impact on population growth pressures which affect development in Madagascar. Total fertility is the average number of live births in a woman's reproductive life-span. This indicator thus directly affects women's status, including ability to pursue educational objectives, economic opportunities, welfare of their families, and, control over their own fertility.

◆ **Status:** The Madagascar Demographic and Health Survey (DHS) was carried out with USAID funding in 1992. The DHS provided the first solid demographic and health data available since 1975, the date of the last national census. The DHS rate will be used henceforth as the baseline for measuring subsequent impact of our program efforts.

◆ **Impact:**

▶ The Mission is confident that its early support (1988-1992) of family planning (FP) service delivery expansion contributed measurably to the dramatic change in estimated reproductive behavior from 6.6 to 6.1.

▶ The DHS indicates that Malagasy women from all strata want to control their fertility: one-third of married women want to wait at least two years until the next birth and 40% want no more children.

■ **TARGET 4.1: INCREASE MODERN CONTRACEPTIVE USE**

Target 4.1 Indicator Nos. 1 & 2	Baseline	Actual and Planned Performance					
	1991	1992	1993	1994	1995	1996	1997
1. Contraceptive Prevalence Rate	3	5	-	-	-	-	14
2. Couple Years Protection	-	72,000	79,000	85,000	120,000	180,000	240,000

Sources: 1992 DHS; APPROPOP.

◆ **Indicator Selection:** Contraceptive Prevalence Rate, the percentage of married women of reproductive age using contraception, was chosen because of its comparability with other countries, and its direct impact on the total fertility rate. Use of modern contraceptive methods is the most direct, effective and acceptable means of achieving reduced fertility. Accordingly, our population program is directed primarily towards an increase in contraceptive prevalence. This can be directly measured through household surveys such as the DHS, or indirectly through tracking end-use of contraceptives and converting the quantities used by clients into Couple Years Protection (CYPs). Together these two types of data collection provide an accurate measure of use of family planning.

Impact: Increased contraceptive use

The amount of contraceptives furnished to Madagascar by USAID rose dramatically between 1990 and 1993. In 1990, only 3,400 Intra-Uterine Devices (IUDs), less than 120,000 barrier methods and no oral contraceptives were provided by USAID to cover needs of the national program for a two year period. In 1993, the contraceptive order included over 1 million condoms, 5,800 IUD's and approximately 190,000 oral contraceptives.

◆ **Status:** The Contraceptive Prevalence Rate was measured by the DHS in 1992 at 5% among women of reproductive age. The 1992 DHS will be used as baseline data and will be repeated again in 1997 to measure changes over the life of the project. In the meantime, contraceptive prevalence will be estimated by tracking end-use of contraceptives and converting the quantities used into CYP's.

CYPs were measured for 1992 and estimated for 1993 using end-distribution data from NGOs and public clinics. The nationwide indicators for CYP increased by 7,000 during this reporting period and is expected to increase substantially during the CPSP period.

◆ **Impact:**

▶ Currently 17% of women are using any form of contraception (traditional or modern). This indicates that program efforts in the early 1990's are already bearing fruit. The more educated and more urban the woman, the greater the likelihood that she will use family planning. For this reason, the population program efforts have concentrated on the urban areas before expanding to rural areas.

▶ Five percent of married women are practicing modern methods of contraception, up from an estimated three percent in 1991. Another 12% are practicing traditional methods.

Target 4.1 Indicator Nos. 3, 4 & 5	Baseline	Actual and Planned Performance					
	1987	1992	1993	1994	1995	1996	1997
3. No. of public/private medical sites providing FP Services	72	150	205	300	410	520	630
4. Percent of public medical sites providing FP Services	6	17	19	22	28	35	42
5. Percent of women who know where to obtain contraception	-	46	-	-	60	-	75

Sources: 1992 DHS; Ministry of Health.

◆ **Indicator Selection:** Gains in contraceptive use can be accomplished in several ways: (1) by increasing access to methods; and (2) by increasing interest, knowledge and awareness of potential clients to increase their demand for these services. By tracking the number and percentage of clinics providing FP, one can measure progress in the first category. The second is partially measured by tracking women's knowledge of where to obtain methods. These quantitative indicators will be complemented by qualitative information on attitudes of clients and service providers, quality of care, and continuation of contraception among different types of clients.

◆ **Status:** The Mission has worked with the GRM and NGOs to have an accurate census of medical clinics. With other donors, it has planned an expansion program and monitoring system to track the increase in FP service sites over the CPSP period.

◆ **Impact:**

► Of 772 public and an estimated 500 private or NGO medical clinics, only 72 were offering FP services in 1987. This number of clinics was obviously unable to respond to the family planning needs of a country with a population of 12 million. In 1993, in the public sector alone, 144 clinics (19%) now provide FP services. A total of 750 clinics are planned by the end of 1999.

► As one example of access to services, only 30 surgical sterilization procedures were performed in 1988. In 1993, these procedures increased tenfold. We are supporting training of personnel and equipping clinics to make such services more available to men and women who request them.

► In 1992, 46% of married women nationwide knew where to obtain contraceptives. It is expected to reach 75% by 1997, after promotional campaigns begin in 1994.

■ **TARGET 4.2: REDUCE DEHYDRATION DUE TO DIARRHEAL DISEASE**

Target 4.2 Indicator Nos. 1 & 2	Baseline	Actual and Planned Performance					
	1992	1993	1994	1995	1996	1997	1998
1. Percent of Children with Diarrhea receiving ORT	26	30	35	40	45	50	55
2. Number of ORS packs distributed through the private and public sectors (in thousands)	500	800	1,000	1,300	1,600	1,800	2,000

Source: Ministry of Health.

◆ **Indicator Selection:** These indicators, which cover children between the ages of zero and five years, were chosen because the severity of the problem of diarrheal diseases is considered a significant constraint to expanding FP services, particularly among rural women. Diarrhea remains a major cause of child morbidity and mortality in Madagascar. To ensure that the health benefits of FP are linked with other measures to reduce child morbidity and mortality and improve the quality of life, the National Diarrheal Disease Control (CDD) Program is receiving USAID assistance.

◆ **Status:** The 1992 DHS survey gave us a complete and recent picture of the CDD program. Since the DHS, the Mission has increased its assistance to the CDD program through technical assistance, training and other support activities. This is expected to improve case management of diarrhea, increase knowledge of mothers, and increase access to Oral Rehydration Salt (ORS) packs. In the short term, the impact of this assistance can be most easily measured by the volume of ORS packs distributed through both public and private networks. Also, a UNICEF survey performed in 1993/1994 will provide updated usage data.

◆ **Impact:**

- ▶ Among children under five, 12% had diarrheal episodes in the previous two weeks and 5% within the 24 hours preceding the DHS. Of these, 26% received ORS in 1992.

- ▶ In 1992, 400,000 ORS packets were sold through the public sector and 100,000 were sold through pharmacies or other vendors. For the first six months of 1993, 250,000 ORS packets were distributed by the public sector and a total of 150,000 are projected to be sold in the private sector.

IV. OTHER PROGRESS IN PRIORITY AREAS

The Mission's program solidly fits within the four strategic priorities of the new administration. The Mission's first two strategic objectives are clearly focused on economic growth and follow the CPSP constraints analysis as the most appropriate USAID interventions to increase private-sector, market-led economic growth. The Mission's third strategic objective directly supports protection of the environment and the fourth strategic objective is focused on stabilizing population growth. Finally, the Mission's target of opportunity directly supports democracy and governance in Madagascar.

This section will focus only on the impact of USAID assistance for the democratic transition since the economic growth, environment and population areas are fully discussed in sections II and III.

In Madagascar, USAID has worked closely and collaboratively with all U.S. government agencies in providing targeted democracy-related assistance to promote the emergence and consolidation of a democratic and pluralistic third republic in Madagascar. During the year, we focused on electoral assistance and civic education. The Mission funded substantial technical and material assistance for emerging Malagasy election observation groups through the International Foundation for Electoral Systems (IFES). Malagasy NGOs used funds from the Democracy and Human Rights project to produce civic education posters on elections and radio spots on voter rights. Also, the African-American Institute, under the Africa regional electoral assistance project called AREAF, provided key international election teams for the first and second rounds of the Presidential elections in November 1992 and February 1993 and for the legislative elections in June 1993. It is widely believed that the fair election stamp of the international and Malagasy observers helped convince the 18-year incumbent to not claim electoral fraud and to carry out that rare event in Africa -- a peaceful transfer of power to an elected successor. As reported in previous Embassy and USAID cables, the U.S. assistance, mainly from USAID, substantially supported the electoral process, specifically affecting the international and indigenous electoral observation effort which lent considerable legitimacy to the electoral outcomes.

The Mission is now supporting the consolidation of democratic institutions and values in Madagascar. In August, 1993, USAID signed a PASA with USIS/Madagascar which provided \$310,000 for a series of journalism training workshops over the next year aimed at improving the professionalism of journalism and increasing journalists understanding of key topics such as economic reform, accountability and changed role of government in a market economy. These activities will provide important lessons learned as the Mission designs a longer term media and development communications "shelf" project during FY 1994. In addition, USAID, collaborating closely with the Embassy and USIS, is planning an assessment of democracy and governance in January/February 1994 which will strategically focus our DG assistance into two to three areas where we can have the most impact.

ANNEX A

REVISION OF INDICATORS AND EXPECTED LEVELS OF ACHIEVEMENT

REGARDING THE POPULATION GROWTH RATE

The GRM uses a population growth rate of 3.2% to derive a per capita GDP growth rate. Their figures are shown in the Goal Indicators table in Section I. Analysis coming out of the 1992 Madagascar DHS suggests that the population growth rate is nearer three percent. This figure is used in the Sub-goal No. 2 Indicator table, in the same section. We believe this table gives a better sense of what can be expected in population growth rate reduction during this decade. The 1992 population census will produce the definition population growth rate. This figure will be reported in the next API.

STRATEGIC OBJECTIVE No. 4: REDUCE TOTAL FERTILITY

For S.O. 4, Reduce Total Fertility, there are very few reliable indicators for a baseline before the 1992 Demographic and Health Survey. In preparing the CPSP, USAID/Madagascar relied on official estimates of fertility and contraceptive prevalence formulated by World Bank and other international organizations. These estimates were based on projections from the 1975 national census. While the DHS provides a considerably more accurate baseline for some indicators, using the DHS for all baselines would obscure the importance of program efforts over the past five years. Therefore, where possible USAID has provided baseline figures from previous years for this strategic objective. While the large change in total fertility rate from 6.6 to 6.1 may be due in part to earlier less accurate estimates, it is clear that the fertility rate has fallen in the last five years.

The 1992 DHS, and a second DHS which is planned in 1997, will provide precise and accurate benchmarks with which to evaluate program performance. Also, planned improvements in the Management Information System for the national family planning program will enhance monitoring of program effort and impact.