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**MADAGASCAR:  
1994 ASSESSMENT OF  
PROGRAM IMPACT (API)**

**USAID/Madagascar**  
Antananarivo, Madagascar

**U.S. Agency for International Development**  
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**USAID/Madagascar**  
**1994 Assessment of Program Impact**  
**Executive Summary**

**1. Structural Adjustment Update:**

On February 27, 1995, the Malagasy Prime Minister signed a Letter of Intent with the IMF. The letter covers stabilization and inflation fighting measures, such as last week's major price hike in petroleum products (e.g., 68% for diesel and 102% for kerosene) and renouncement of shady, so-called parallel financing, which was hammered out with the IMF team over the previous two weeks. The donor community, which firmly pressured the GRM and spoke with a unified voice on structural adjustment throughout 1994, hopes the Malagasy Government (GRM) will finally begin to manage the macro-economy effectively.

With its less than exemplary track record to date, the GRM is being kept on a short leash by the IMF, World Bank and the bilateral donors and will only be rewarded for actions, not words. The current scenario is, after monthly IMF reviews of the situation, to sign an ESAF agreement during the summer, followed soon thereafter by a Paris Club re-scheduling and a Consultative Group. While more optimism than last year may be warranted, the Government's paramount task of convincing the donors of its seriousness of purpose, especially in the management of public expenditures and tax collection, is still a large one and one which will be watched with intense scrutiny over the next year.

**2. Factors Effecting Program Impact:**

The program progress was reduced by three events over the past year: a series of disruptive cyclones, the negative impact of having to meet earmarks in the context of reduced annual Mission budgets, and most importantly the continued political in-fighting for political and economic power. The quixotic, expensive and unsuccessful quest for other sources of funding (what the PM recently termed "manna from heaven") was omnipresent until the Prime Minister fired the Governor of the Central Bank in December and renounced all outstanding "parallel" promissory notes totaled \$5 billion.

**3. Program Impact:**

The Mission's portfolio of project is not fully operational, especially for SO's 1 and 2, we are pleased to note the following accomplishments:

- ▶ The Postal Savings Bank is ahead of schedule on increasing depositors, raising interest rates, increasing its financial viability and moving toward independent status.
- ▶ The defining of Masoala National Park boundaries, soon to be the largest park in Madagascar, was a technical and participative triumph.
- ▶ USAID technical support to update Madagascar's Telecommunications Master Plan has effectively broken the long-standing French monopoly in the sector.

- ▶ Despite the current acute financial crisis, the Malagasy Government showed is continued commitment to the environment by capitalizing the country's first private endowment fund in the amount of \$6.0 million a year ahead of schedule.
- ▶ In 1987, there were only 72 clinics in all of Madagascar offering family planning services. In 1994, FP service delivery sites increased by 92 in the public sector alone to a total of 186.
- ▶ USAID efforts in non-traditional exports, such as organic spices and essential oils, are expanding rapidly as niche markets are being developed in the U.S. and Europe.
- ▶ Outreach to our two high potential zones, including the opening of two regional offices, has unleashed an outpouring of interest in U.S. training, products and technical assistance.
- ▶ Prior USAID studies in the business law and regulatory reform have set the framework for a major overhaul of the investment environment and commercial codes as we move into the micro and small-enterprise arena.

**USAID/Madagascar  
1994 Assessment of Program Impact**

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## I. SPECIAL FACTORS AFFECTING THE USAID/MADAGASCAR PROGRAM

Three factors affected USAID/Madagascar's program during the past year: (1) continued political stalemate on a development vision for Madagascar; (2) four major cyclones in early 1994; and (3) constraining effects of earmarks on implementing our strategic plan.

**1. Continued Political Stalemate:** The democratic transition, starting in 1991, led to four-free-and-fair national elections which approved a new constitution and elected a new President and National Assembly. In September 1993, the National Assembly chose a Prime Minister whose economic program focused on stabilization, liberalization and free-market reform to put Madagascar on an accelerated growth path. However, the framers of the new democratic constitution, mindful of the previous dictatorial President, diffused power and authority among the President, the Prime Minister, the National Assembly and the judiciary, often with unclear boundaries. This has led to an ongoing struggle for power and influence and a continued stalemate on the Government's ability to coalesce around a vision and program for economic reform. Courageous reforms have been taken, such as the floating and devaluation of the currency, but these have been carried out in isolation from an overall adjustment program and without the necessary accompanying measures to mitigate the worst impacts on the poor. At the end of February, after an IMF team visit, the Government signed a Letter of Intent whose goal is the signature of an Enhanced Structural Adjustment Facility (ESAF) agreement with the IMF this summer, followed by a Paris Club re-scheduling and a Madagascar Consultative Group soon thereafter. The Government has just raised petroleum and wheat prices to market levels and will work with the IMF and World Bank to maintain budgetary discipline and raise fiscal receipts. While design work will go ahead, the Mission will not sign its two new economic growth projects until substantive macro-economic progress, as defined by the IMF and the World Bank, has been achieved.

**2. Natural Disasters:** Four major and eleven minor cyclones struck Madagascar in early 1994. Section II of this report discusses the negative economic impact of these natural disasters. At the same time, the cyclone damage to roads and railroads resulted in a nationwide gasoline shortage for several months which severely limited the Mission's and its implementing partners' ability to carry on project design and implementation business outside the capital city. Also, shortages in basic foods and other commodities in the capital required attention away from normal project and program activities.

**3. Earmarks:** In September 1992, USAID/Madagascar's Country Program Strategic Plan (CPSP) was approved at a \$30 million annual budget with about half of these funds going to population and natural resource earmarks. Since then, as the Agency and Africa Bureau have been forced to meet increased target levels, the percentage of the Mission's OYB dedicated to earmarks has increased. In FY 1992, 83% of the Mission's OYB was for target activities. The levels for FY 1993 and 1994 were 64%. The figure dropped to 60% in FY 1995 but increased to 64% in the FY 1996 OYB because of continued earmark pressures. Also, OYB levels have been below the CPSP-predicted levels, falling to \$25.5 million in FY 1995. The net effect has been a delay in the start-up of three of the Mission's economic growth projects under Strategic Objectives 1 and 2 and a reduction in their overall planned life-of-project funding. The immediate result is that we are not able to show impact for these activities, and in some cases have not yet developed program-outcome indicators.

## 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	2.1	0.2	3.8 <sup>1</sup>	4.2 <sup>1</sup>	6.0
2. Per capita GDP growth	-2.1	-0.6	-2.4	0.6 <sup>1</sup>	1.0 <sup>1</sup>	
3. Private Consumption (annual growth rate)	-3.1	2.0	0.1	3.0 <sup>1</sup>	3.2 <sup>1</sup>	
4. Under-five Mortality Rate (per 1000)	177.7	-	-	-	-	119.0 <sup>2</sup>

1. GRM planning figures    2. Bamako Initiative Goal

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

The broadest measure of economic activity, Gross Domestic Product, shows that the Malagasy economy was stagnant in 1994. Three factors contributed to this economic outcome: cyclone damage, a large devaluation, and the GRM's inability to put an adjustment program in place with the International Monetary Fund.

**Cyclone Damage:** Economic activity was paralyzed early in the year when a series of major cyclones hit the country. Rail and road links between the capital and the port city of Tamatave were cut. The country's only oil refinery on the coast was severely damaged and out of service for four months. A fuel shortage persisted on the highlands (the home of the industrial sector) for three months. Ten percent of the rice crop was destroyed, at a cost of \$30 million in lost farm household income. Energy consumption, an indicator of industrial production levels, was one-quarter lower for the period January-June 1994 compared to 1993.

**Devaluation:** The Malagasy Government radically changed the foreign exchange regime in May 1994. The new system is a floating exchange rate, with the rate set at a daily interbank auction market. On the first day of the interbank auction the value of the Malagasy Franc fell by one third. The cumulative depreciation between May 1994 and February 1995 was 58%. While this exchange rate adjustment was necessary and supported by the donor community, its short-term effects on the economy were mixed.

On the positive side, there was a significant increase in household income for export producers (primarily rural households), augmented for coffee producers by the sharp increase in world coffee prices. Export receipts rose 22% while export volume increased 5%. Private investment increased 31% over 1993. While many factors influence private investment decisions, the new export opportunities following the devaluation clearly account for some of the investment growth.

The negative side of the devaluation was the recessionary impact on existing industries which rely on imports. Efforts to pass on the one-time price increase of the devaluation to customers in a weak economy provoked sharp reductions in demand. No industrial sub-sector is operating close to capacity; layoffs continue to be announced nine months after the initial devaluation.

Economic Policy Framework: The Malagasy Government has not had an IMF program since 1991. Given its narrow political mandate, there was no expectation that one would be negotiated by the Transitional Government (October 1991 - August 1993). The Ravony government, in place since August 1993, has stumbled badly in its efforts to negotiate an Enhanced Structural Adjustment Facility program. The major impediments have been the overvalued currency (resolved in May 1994), a weak revenue performance and high fiscal deficits leading to excessive Central Bank credit to the Government, and efforts by government officials to access dubious sources of external financing (which became known locally as parallel financing). The lack of an IMF program and a small set of unresolved sectoral policy issues, such as petroleum pricing, have slowed down multilateral and bilateral disbursements. Drawings on foreign loans which finance public investments fell by \$47 million in 1994 compared to 1993 (\$74 million versus \$121 million). Consequently, public investment as a share of GDP fell from 8% to 6% and the implementation of important infrastructure projects, especially roads, was slowed.

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

Sub-goal No. 1 Indicators	Actual			1994	Forecast <sup>2</sup>		
	1991	1992	1993		1995	1996	1997
1. Formal Private Sector:							
• employment level	285,854	302,003	315,196 <sup>1</sup>	322,460 <sup>2</sup>			
• growth rate (%)	1.8	5.6	4.4	2.3	8	10	10
2. Private Investment real growth rate (%)	-39	-16	6.3	31	12	15	15
3. Private Investment (% of GDP)	4.6	3.7	3.7	5.5	4.9	5.5	6.1

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

Note 1. end September.      2.GRM Planning figures

The indicators for Sub-goal Number 1 give conflicting signals on the state of the economy. Formal sector employment growth slowed in 1994 after two good years in 1992 and 1993. To get a sense of the magnitudes involved, note that the economy would have had to generate 6,400 additional formal sector jobs in 1994 to match the 1993 growth rate. On the other hand, private investment increased 31% in real terms. The foreign investment share of total private investment declined from 12% in 1993 to under 5% in 1994 (see Strategic Objective 1 for foreign direct investment levels). As foreign investment tends to concentrate in labor-intensive manufacturing it is plausible that the economic policy drift of the Government is having a disproportionate impact on labor-intensive industries.

While the private investment share of GDP indicator is moving in the right direction, its stimulative effect on the economy was more than offset by the decline in public investment. Overall however, progress on the private investment and employment sub-goal is still being made. Local investors are continuing to construct factory sites to attract foreign investors, and the devaluation has boosted the comparative advantage of Madagascar in labor-intensive manufacturing. Thirty foreign firms began operating under the free-trade regime in 1994.

## 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.

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 long-term 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.

The Ministry of Agriculture has been unable to collect the rice production data on which indicator 3 is based since FAO support ended last year. If data collection does not resume in 1995, this indicator will be replaced.

Short-term progress against this sub-goal is reported in Section III below, Strategic Objectives 3 and 4. The Mission's portfolio has interventions affecting both population size and the management and use of the country's natural resources. The use of modern contraceptive methods is increasing, and the 1992 Demographic and Health Survey suggests that the population growth rate is coming down. During the last several years, Malagasy natural resource management institutions have become operational with USAID support. Forest areas are coming under management plans which account for both the need to preserve threatened natural resources and to contribute to a decent standard of living for the local residents.

### III. PROGRESS TOWARD STRATEGIC OBJECTIVES & PROGRAM OUTCOMES

#### S.O. No. 1: Establish a Competitive Market Environment for Micro and Small Firms

S.O. No. 1 Indicators	Base Year	Actual		Performance Target		
	1992	1993	1994	1995	1996	1997
1. New firms registered	9,898	20,162	17,290	*	*	*
2. Foreign direct investment (\$ million)	21	15	7	31	42	49
3. Fiscal deficit (% of GDP)	6.6	7.2	6.6	4.1	2.0	1.8

Sources: Malagasy National Institute of Statistics; Ministry of Plan and Economy; Treasury Operations Report of the Ministry of Finance.

Note: \* = To be determined during OPEN project design.

This strategic objective is to be achieved through two projects in the Mission's portfolio, of which Financial Market Development (FMD), obligated on September 1993, is active. The second planned intervention (Opportunities for Entrepreneurs/OPEN) is set for late FY 1995. The OPEN

#### **Telecommunications:**

##### **Leveling the Playing Field**

In late 1993, the Mission funded a U.S. orientation tour for the Malagasy PTT Minister and his Deputy to see emerging technologies; learn about regulatory issues with the FCC and private law firms; and meet with firms such as Motorola, ATT, and Northern Telecom. We then funded in 1994 the update of Madagascar's Master Telecom Plan. Our aims were use of more appropriate and less costly technology for a difficult environment; a level playing field for all equipment suppliers; and support for World Bank efforts to develop a transparent telecom regulatory environment.

These interventions have effectively broken the long-standing French monopoly (two U.S. firms now operate in the cellular and satellite areas) and will allow U.S. firms to compete on various phases of Madagascar's \$300 million telecom systems upgrade.

Project will create a competitive, pro-micro and small business investment climate by helping those businesses to develop and grow stronger. Initial design progress was slow due to (a) the GRM's inability to pursue a sustained dialogue on project components, and (b) the Mission's purposeful change in focus from a general "business environment" project to one which specifically targets micro and small businesses.

Nonetheless, over the period critical pieces have begun to fall in place. For example, USAID has taken the lead in monthly multilateral and bilateral donor meetings private sector development and we are having an impact on getting donors to re-think their strategies toward one which focuses on the business environment rather than direct private investment or targeted credit. Also, the Mission finds itself with a strong new technocratic team at the Ministry of Industry and Handicrafts (as a result of a

recent cabinet re-shuffle) which has accelerated and re-invigorated GRM participation on the OPEN design.

■ **Program Outcome No. 1.1: FAIR AND SWIFT TREATMENT OF ENTREPRENEURS BY THE LEGAL AND JUDICIAL SYSTEM**

Program Outcome No. 1.1 Indicators	
1.	Number of economic laws enacted after an advocacy process of private sector groups.
2.	Commercial adjudications. <ol style="list-style-type: none"> <li>a. Civil court backlog</li> <li>b. Adjudications via non-governmental proceedings</li> </ol>
3.	Investment Code applications approved by the GRM.

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

The above indicators are illustrative. Indicators of this program outcome to be developed by the OPEN Project, whose revised focus was approved in January 1995. Nonetheless, over the past year, the Mission made significant progress in the judicial reform arena. First, we have actively pursued direct dialogue on economic law reform with a number of principal players in this sphere: the Ministries of Justice, Finance, Economy, Industry and Commerce; the private sector legal community; the banking sector and bilateral and multilateral donors. Second, USAID has also financed a series of legal studies, which are the foundation of proposed assistance activities. Finally, sixty Malagasy judges and lawyers including twenty-seven women (45%) attended two USAID-sponsored seminars on legal reform in 1994. As a result of the first seminar, a group of Malagasy jurists formed themselves into an unofficial working group on arbitration and mediation.

■ **Program Outcome No. 1.2: BROADER ACCESS TO SAVINGS AND CREDIT**

Program Outcome No. 1.2 Indicators	Base Year	Performance Target					
	1992	1993		1994	1995	1996	1997
1. Savings deposits <ol style="list-style-type: none"> <li>a. CEM</li> <li>b. Commercial banks</li> </ol>	13,006	Planned	14,300	17,200	22,360	29,000	38,000
	277,039	Actual	16,150	21,830			
2. Number of CEM depositors (of which women)	254,770	Planned	267,500	294,300	323,700	372,200	428,000
		Actual	273,950	292,346			
3. Banking system credit to private sector (% of GDP)	13.3		14.9	13.4	Increasing trend		
4. Central Bank net advances to the Treasury	787,66		742,533	792,470	Decreasing trend		

Note: All financial data is in millions of FMG. 1. end of June

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

In 1993, the GRM demonstrated its intent to tackle financial constraints restricting economic growth by reforming and modernizing the financial sector in collaboration with bilateral and multilateral donors. As part of this strategy, the non-project assistance component of the Financial Market Development (FMD) Program was designed to put in place the institutional framework required for the effective functioning of the Central Bank whose role is critical in shifting toward a market-oriented economy. Program conditionality is aimed at providing the Central Bank with the basic framework to move into its new key role, i.e., an autonomous legal statute to ensure sufficient autonomy to carry out its basic functions. Over the reporting period, FMD support has been instrumental in assuring that the Bank's statutes have been recast to give it considerable independence in the pursuit of appropriate monetary policies.

However, to carry out its new functions, the Central Bank still needs to revamp and strengthen its Research Department with the help of FMD technical assistance. Since August 1994, a USAID-financed long-term advisor from the U.S. Federal Reserve system has assisted the Research Department in strengthening its analysis and forecasting capacities and its ability to collect and organize statistics. A number of short-term technical advisors will be provided to assist in specialized analytical and statistical areas. We are also helping the Human Resources Department in upgrading professional skills throughout the Central Bank to meet the demands of a market-oriented financial sector.

Delays in fulfilling conditions precedent and in putting in place a human resources action plan and other recommendations of technical assistance teams (human resources planning as part of the annual planning and budgeting process; integrated assessment of staff appraisals; linking training and development with the planning and assessment processes) are clear indications that the Central Bank had major internal problems during 1994. The major problem over the period was the performance of the Central Bank Governor who did not have the confidence of the donors. On January 11, 1995, the Governor was removed by the Prime Minister. The period of uncertainty preceding the removal of the Governor caused almost one year of turmoil within the Central Bank.

The FMD project has had a significant impact on the financial status and operating income of the National Postal Savings Bank (CEM). As part of FMD conditionality, the GRM made a cash transfer to the CEM of 2.9 billion fmg (approximately \$1.5 million), representing compensation to the CEM for below-market interest payments made by the Government. This internal cash transfer eliminated the negative net worth of the CEM; prior to this transfer its net worth was a negative 1.3 billion fmg and it is now a positive 1.6 billion fmg. Second, the interest rate payable to the CEM by the Ministry of Finance for monies on deposit with the Treasury is now tied to the Government treasury bill rate instead of being set administratively by the Minister of Finance.

The fourth quarter 1994 interest rate received by the Postal Savings Bank was 16.5%, compared to 11% in 1993. We originally anticipated that the CEM interest income would increase by 30% as a result of tying the CEM's interest rates to the Malagasy treasury bill rate. In fact, the CEM's interest income increased by almost 50% over the last year. This policy solidifies the financial stability of the CEM and assures that depositors (primarily low-income households) receive more competitive market-based interest income. For the same period (1994), the interest rate paid to savers increased from 6.65% to 10.17% for regular deposits, and from 8.45% to 12.93% for term deposits. The number of depositors has grown from 254,770 on September 30, 1992, to 292,346 on December 31, 1994. Thus, the National Postal Savings Bank is making excellent progress toward attaining all targets.

In addition to short-term assistance, a resident advisor under the Global Bureau's Free Market Development Advisers Program (FMDAP) is working at the CEM to implement new automated accounting procedures, teller operations, launch new savings plans, and in general, to increase the CEM's new customer orientation. With regard to measuring impact, the computerization of records will provide gender-disaggregated data on CEM account holders. Account automation was scheduled for 1994 but will not take place until 1995 due to poor performance of the U.S. supplier.

FMD policy conditionality addresses the legal status of CEM. Under the new draft law (awaiting the next session of the Malagasy National Assembly in May), the CEM will become independent from the Post Office and will operate as an autonomous financial institution. Initially the CEM will operate only as a deposit gatherer. Later, when the CEM has met certain financial ratio and management requirements, the Postal Savings Bank will become a full-fledged savings and lending institution.

From a financial viability viewpoint, the CEM also expects to increase twofold its balance sheet position, from 14.3 billion fmg at the end of 1993, to approximately 38 billion fmg by the end of 1996. Results to date indicate that, in terms of numbers of depositors and aggregate deposits, the CEM is well along the way to achieve those targets. These domestic savings will become available for private sector lending once the CEM has become a full-service financial institution and will be passed along as higher interest rates paid to low-income savers.

### ■ Program Outcome No. 1.3: EXPAND SMALL BUSINESS SERVICES

#### Program Outcome 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.

As with Program Outcome 1.1, indicators will be obtained during the OPEN project design. Over the reporting period, however, the Mission has engaged in a number of complementary efforts to ensure meeting Mission targets. The Mission has provided training via HRDA to business associations in Antananarivo and provincial cities in our High Potential Zones in organizational development techniques and advocacy building exercises to assist them in adequately representing their members before the government. Two business associations in Mahajanga have submitted training plans and organized the logistics for four training programs on import and export issues, marketing, management of human resources and inventory, and strategic planning. During the same period, two business associations in Fianarantsoa collaborated on the delivery of a training program on general management and negotiation. One business association in Fianarantsoa and another in Mahajanga have received technical assistance in the development of member services and strategic planning. Training plans have been received for another five training programs through September 1995. A second FMDAP advisor has been engaged in developing two small business associations, one of which represents Malagasy women-owned businesses, advising them on organizational and financial issues.

**S.O. No. 2: Increase Market Access for  
Neglected Regions**

S.O. No. 2  Indicators	Base Year	Actual	Performance Target		
			1995	1996	1997
1. Volume of production of key indicator products (tons)	698,218 (1991)	707,988 (1992)	*	*	*
2. Total petroleum sales in Fianarantsoa and Mahajanga (liters)	135,810,615 (1993)	-	*	*	*
3. Number of annual truck registrations in Fianarantsoa and Mahajanga	3,238 (1993)	-	*	*	*
4. Export of spices and essential oils (Fmg)	112,310,411 (1992)	137,137,941 (1993)	*	*	*

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

Note \* = Performance targets have yet not been established.

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 and the number of trucks added to the vehicle fleet each year in the two neglected regions. While these indicators are indirect measures of agricultural commercialization, taken together they will provide a clear sense of changes in the level of trade in the regions. Indicator 4, added this year, will show the impact of our non-traditional agricultural export promotion project by looking at increased exports in the essential oil and spices sectors. The baseline is 1992, when project assistance activities began.

Efforts to establish performance targets have been hampered by breakdowns in the GRM data collection system. Mission and project staffs are researching the availability of data at the regional level. We expect to be able to set performance targets later this year.

Aggregate figures for non-traditional exports, i.e., spices, essential oils and medicinal plants, indicate that within a year of the start of our assistance, there was a slight increase of 2.2% in export sales. We expect that the increase in export sales for these commodities will continue to grow as the full impact of our technical assistance, training and market promotional activities are fully felt in these commodity systems.

During the past year, 60 Malagasy companies benefitted from direct contacts with international buyers by participating in six USAID-sponsored in-country workshops for essential oils, spices and dried beans. The direct result of these workshops has been a dramatic increase in export sales and long-term contract orders. For example, there was a 10% increase in black pepper exports in 1994, due to USAID market promotion efforts with Malagasy firms.

Another important effect of our efforts to promote non-traditional exports has been an increase in cooperation among Malagasy firms and an increase in employment in agriculture. For example during 1994, the Mission intensified its efforts to promote essential oil exports. USAID/Madagascar identified export marketing opportunities for geranium oil and sent a delegation of Malagasy producers and exporters to an international conference where for the first time, Malagasy producers and exporters had direct contact with international buyers. The same buyers, after purchasing and testing Malagasy geranium oil samples, have placed orders for more than \$2 million in geranium oil, if Malagasy producers and exporters can deliver the same high quality product. Also, as a result, the Malagasy formed an essential oil trade association and they intensified production and processing efforts in order to fill the new orders.

The above efforts had direct employment impacts. After thirty graduates of the Department of Agronomy at the University of Antananarivo were given in-depth training in geranium production and transformation by the Mission, five companies hired 20 of these 30 graduates to help expand geranium production. Current geranium production levels are already 20 times greater than last year. And most importantly, local employment in the geranium commodity system has increased by over 1,000 workers as a result of USAID's development of this market niche.

#### ■ Program Outcome No. 2.1: REDUCE FARM-TO-MARKET TRANSPORT COSTS

Program Outcome No. 2.1  Indicators	Base Year	Performance Target				
	1994	1995	1996	1997	1998	1999
1. Vehicle transport cost reduction (fmg millions)	0	225	565	900	1,240	1,575
2. Kilometers of roads, or equivalent rehabilitated	0	100	250	400	550	700

Sources: Ministries of Transport; CAP Project.

Most marketed agricultural products are transported overland in large trucks or smaller pick-up type vehicles. Due to the horrible state of Madagascar's road network, the cost of transport is high. To alleviate this constraint, up to seven hundred kilometers of market access roads in the two regions will be rehabilitated by USAID. Indicator 1 will track the reduction in transportation costs following the rehabilitation. By linking the CAP interventions to a national economic road network, financed by other donor road rehabilitation projects, producers and traders will find it easier to get surplus agricultural products to markets.

Using the innovative and participative design and perform contracting method, during the past 16 months, the Mission has worked closely with the Government and with project beneficiaries in the neglected but high-potential zones of Mahajanga and Fianarantsoa, on the design of the Commercial Agricultural Promotion (CAP) Project. With signature of the Project Agreement in August 1994 and the fielding of the CAP Project team in September 1994, the Mission is poised to have an impact on this target. Regional project offices are now fully staffed and operational in both Mahajanga and Fianarantsoa.

One of the benefits of this participative design, which involved stake-holders and beneficiaries in the neglected zones, is the agreement, in principle, that users and beneficiaries will help decide which roads will be rehabilitated in exchange for their commitment to contribute to the maintenance of those same roads. Regional Infrastructure Committees consisting of public and private sector representatives, trucking firms, farmers and agribusinesses using the road network, are being formed to decide which roads will be rehabilitated. This will ensure a high degree of ownership for the project and its activities and increases our chances for sustainable success in this target area.

The engineering firms for both regions, which will work in tandem with USAID, the CAP Project contractor and the GRM, to implement the road rehabilitation works are being selected and the commencement of road rehabilitation will begin after the rainy season ends in late March.

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

Program Outcome No. 2.2	Base Year		Performance Target		
	1991	1992	1995	1996	1997
<b>Indicators</b>					
1. Percent of cultivated area planted to off-season and secondary crops	27	25	*	*	*
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.

Note \* = Performance Targets have not been established

Because the CAP Project implementation team was only fielded late last year and the regional offices have only just opened, we have not collected all the baseline data needed for this target, specifically indicators 2 and 3. CAP Project staff will have the baseline data needed for this target by March 31, 1995. The collection of statistical information from local authorities in the neglected regions will be supplemented by on-the-ground market information gathering.

Nevertheless, USAID ongoing activities have contributed to an increase and diversification in production and sales of agricultural commodities. For example, more than 150 Malagasy have now been trained in the U.S. and in Madagascar on developing markets for diversified agricultural products. Most of those trained are trying to export their products and these export-oriented activities are contributing to a diversification in production and sales of agricultural commodities.

Recently two agribusiness strategic planning workshops were sponsored by the Mission in both Mahajanga and Fianarantsoa. These workshops drew a total of 60 participants from Malagasy companies -- including 27 women-owned firms -- from the two regions. The participants learned how to make sound business plans and how to coordinate their marketing efforts with colleagues to maximize their ability to increase and diversify production and sales. The USDA agribusiness expert who conducted the workshops indicated that the business acumen and ability to learn new skills through the workshop were the best he had seen when compared with four previous workshops he had conducted in four other African countries.

■ Performance Outcome No. 2.3: **EXPAND LOCALLY-MANAGED MARKET INFRASTRUCTURE**

Performance Outcome 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.

These indicators are illustrative of what the Market Infrastructure Expansion (MIX) project will accomplish. Specific indicators will be established during the MIX design.

The Market Infrastructure Expansion project, which is the Mission activity for achieving results under this target, was slated to start in FY 1994. However, its design and implementation were delayed because of reductions in the Mission's OYB and the increase in Congressional earmarks for sectors other than economic growth.

The MIX project identification document was approved in March 1993. A solicitation notice appeared in the CBD in August 1993. After the Mission received word that its FY 1994 program level was reduced, the decision was made to delay the MIX start up. An RFP for a Design and Perform (DAP) contract award was issued April 1994, and firms submitted their bids by August 1994. Contractor selection has been completed by the Mission, but funds will not be available to start this endeavor, which complements our commercial agricultural promotion activity, until later this fiscal year.

The design of the MIX Project will come at a propitious time in Madagascar's current economic and political development. The GRM is committed to decentralization and this project will build on and support the efforts of local authorities to manage market infrastructure and market services. The DAP contracting method, already successfully employed for the CAP Project, will ensure that the project and the implementation contract are both results-oriented and participatory. By working with project beneficiaries and stake-holders, the contractor will identify the results and a project strategy for their achievement in five years for which it will be held contractually responsible. The DAP method, thus fits well into the efforts of the Mission to be a re-engineering laboratory by focusing on results.

#### **Design and Perform Lessons Learned**

- Design quality is improved as the design team looks more carefully at the implementation issues during design, especially the operational issues.
- Design flexibility is increased as the contractor has more flexibility to propose its own design team, in terms of composition, sequencing and timing.
- Participatory design process is encouraged (through use of focus groups) involving key Government ministries, private small and medium-sized agribusiness firms, and the project beneficiaries.
- An efficient switch to implementation was feasible, smoother and quicker as the Contractor has been able to initiate local recruitment for Malagasy technicians at an earlier date, secure office space and identify housing for expatriate staff.
- DAP allowed for management burden savings (with costs about the same) because only one RFP was issued under the DAP, one contract negotiated and signed, and one PIO/T issued, with amendments covering the implementation phase.
- Overlap between key design and implementation team members is essential to ensure continuity in ideas. Experience has shown, however, it is not realistic to assume that even half of design team will be on the final implementation team.
- Ownership of the project by the implementation team was key for new members of the team, and essential to successful implementation.
- Some duplication in effort may be unavoidable as people change, both on the USAID and contractor sides.
- Not all issues need to be resolved at the PP stage. Over-specificity in the PP design may become obsolete during implementation, especially in a fluid political and economic environment.
- Sufficient time should be spent on the budget and the development of the MER plan, both of which are critical to implementation and performance measurement.

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

S.O. No. 3 Indicators	Base Year	Performance Target			
			1994	1996	1998
1. Reduced annual rate of forest loss in target areas	-	Planned Actual	*	*	*
2. Natural habitats contained in Malagasy National Park System (no. of hectares)	1,045,865 (1989)	Planned Actual	1,120,472 1,120,472	1,500,000	1,500,000

Sources: ANGAP; USAID projects reports; WWF Debt Swap; Malagasy Forest Service.

\* = Performance targets will be set in 1995. See text.

Baseline information for forest cover was not completed in 1994 due to delays in acquisition of satellite imagery, geographical information system (GIS) equipment, and technical assistance in forest inventory. With our GIS systems now operational, an assessment of past and present forest cover will be undertaken during 1995 to establish baseline information and enable us to set performance targets for future years.

Establishing and professionally managing a network of national parks is one of the most important ways of ensuring that natural areas encompassing critical habitats can be preserved and sheltered from excessive exploitation. One of the principal objectives of the biodiversity component of the National Environmental Action Plan (NEAP) is to reinforce

the national park system through an expansion of the number of hectares contained and through the development of the Malagasy institution ANGAP into a modern national park service.

#### Maximum Community Participation

Defining Masoala National Park's boundaries was a technical *tour de force* combining satellite imagery, GIS, field studies and intensive survey work. However, what made the effort even more valuable and effective over the long term was the involvement of the local inhabitants.

Lead by the U.S. PVOs, CARE and World Conservation Society, a two year program of outreach and dialogue was held with the local populace. This was not a pro-forma exercise, but one which took into account the needs and desires of every village. Proof of this is that prior to the Government's approval of the park boundaries, CARE and the World Conservation Society will sign consent agreements with each of 187 villages, 127 having already been signed. Participation indeed!

During 1994, major progress was made in the mapping and delimitation of the two proposed national parks of Masoala and Zombitse, which are expected to be formally created in 1995. The delimitation of Masoala encompassed an in-depth analysis of biodiversity distribution and indicator

species, utilization of natural resources by the local population, potential for sustainable forest management, ground surveys of village territories, and discussions/ negotiations with peripheral zone communities. This was facilitated by satellite imagery and use of GIS in defining limits of the park and buffer zones.

Masoala will be the largest National Park in Madagascar (210,000 hectares) and will enable the protection of many species of flora and fauna which exist nowhere else. Within the boundaries of the proposed park, conservation teams found two of the world's rarest birds, the Madagascar Serpent Eagle and the Red Owl. These birds were thought to be extinct and are now listed as endangered species. Research currently underway is designed to allow the preparation of plans to ensure the survival of these species.

There has also been some evidence, through on-site reports by nature protection agents, that there has been a reduction in the rate of new forest clearing and forest fires in protected areas. In the Isalo National Park, reports show that the number of fires and the area burned was cut by two-thirds between 1991 and 1994.

■ Program Outcome No. 3.1: CONSERVE BIODIVERSITY IN NATIONAL PARKS

Program Outcome No. 3.1  Indicators	Base Year	Performance Target					
	1992		1994	1995	1996	1997	1998
1. Percent of qualified national park mgt. plans implemented	0	Planned	15	50	80	100	100
		Actual	18				
2. Percent of village households in priority zones of peripheral areas that have adopted program-sponsored alternatives to destructive practices.	0	Planned	0	15	25	35	50
		Actual	0				

Sources: ANGAP; USAID project reports.

Indicator 1 has been refined from the number of management plans to **percent of qualified** management plans implemented (see Annex A). There are eight critical mutually-reinforcing elements in the implementation of a qualified management plan: (1) clearly defined and marked boundaries; (2) enforcement mechanisms in plan; (3) clearly defined relationships with the surrounding communities; (4) a management structure; (5) an ecotourism development plan; (6) system for reinvestment of park entrance fees into the local communities; (7) a biodiversity monitoring plan; and (8) manual for management of the protected area.

During 1994, Indicator 1 showed an overall progress of 18% towards the fulfillment of all eight elements of management plan implementation in eleven national parks. Five of eleven parks have clearly defined and marked boundaries and enforcement mechanisms in place. A biodiversity monitoring plan has been established in three parks. Two parks have put into place a system for the re-investment of entrance fees. Also in 1994, Peace Corps initiated management activities in four additional national parks. During 1995, a major emphasis will be the development of overall management plans for all 15 proposed national parks presently supported by USAID, including ecotourism development when appropriate.

During 1994, a spatial analysis of pressures and identification of activities was completed for eleven national parks. Peace Corps will undertake this analysis in 1995 for the four park areas where they are working. The main pressure identified is slash-and-burn or "tavy" agriculture. Other principal pressures are forest fires and uncontrolled burning, commercial forest logging, charcoal making and fuelwood harvesting. Activities identified to address these pressures include improving the productivity on "tavy" fields, improved community management of peripheral zone forests, extension activities related to agricultural diversification into vegetable production, improved honey production, livestock ownership, corn and bean cultivation and aquaculture (Zahamena and Ranomafana national parks).

Forestry studies assessing current use of wood products have identified the most appropriate species of trees to use in future reforestation activities. In Zahamena national park, reforestation activities involving four villages resulted in the planting of 4850 trees. Beginning in 1995, pilot sites will be established to allow for the community management of peripheral zone forests in Amber Mountain and Ranomafana.

Community organizations and associations are now providing a forum through which needs and activities are being identified and implemented in national park peripheral zones. These include the creation of village committees in Masoala, the creation of two associations with representatives from communities surrounding Amber Mountain and Ankarana, the re-organization of 37 community groups around Zahamena, and the forming of a women's environmental education group in Ranomafana.

Monitoring, evaluation and reporting (MER) systems have been put into place for eleven of the fifteen national parks and their peripheral zones, and sample households are being identified to allow monitoring and analysis program sponsored alternatives. This national park MER system has given a new sense of purpose to monitoring and evaluation and has encouraged national park operators to think more critically about proposed activities, anticipated outcomes and impacts, and linkages between conservation and development.

■ Program Outcome No. 3.2: **IMPROVE MANAGEMENT OF FOREST RESOURCES AND NATIONAL PARKS**

Program Outcome No. 3.2 Indicators	Base Year	Performance Target					
	1992		1994	1995	1996	1997	1998
1. Number of qualified forest management plans - Developed	0	Planned	0	2	4	6	8
		Actual	1				
- Implemented	0	Planned	0	1	2	3	4
		Actual	0				
2. National Forestry Fund - Percentage allocated to nat'l forest management	0	Planned	0	50	50	50	50
		Actual					
- Total NFF receipts (fmg million)	174	Planned	-	200	225	250	275
		Actual	175 (est.)				

Sources: WWF Debt Swap; USAID Project reports; Department of Water and Forests; Ministry of Finance

A management plan was developed for the 26,500 hectare Ankeniheny national forest that involves local beneficiaries in forest management. Similar management plans will be developed in three other regions of Madagascar which represent different forest types and will serve as prototypes for future forest management plans. Peace Corps will develop a forest management plan for one of these regions. In addition, participatory forest management plans are also being developed in the peripheral zones of protected areas. USAID is working with other donors to encourage the Malagasy Forest Service to coordinate activities in natural forest management.

Levels of the National Forestry Fund (NFF) for the years 1989-1994, together with a breakdown of expenditures, have been collected and analyzed. The bulk of expenditures have been for materials and supplies, and salaries of contract personnel. Further analysis to estimate the percentage of the fund devoted to natural forest management in prior years will be undertaken in 1995 to provide baseline data. With the passage of legislation increasing forest revenues for pine and rosewood in 1994, there should be a measurable increase NFF revenues for 1995.

In 1996 a revised tax schedule for all timber species should be in operation, significantly increasing forest revenues. The Forest Service is currently developing more effective and accountable methods of forest revenue collection, to ensure that revenues are returned to the NFF and reinvested in forest management.

Three hundred and seventy five locally-based nature protection agents continue to reinforce field-based protection and management of natural forests and reforested areas through increased numbers of village forestry committees (from 370 in 1992 to 490 in 1994) and greater meeting attendance (nearly 80,000 participants in 1994). Reforestation activities have increased, resulting in an almost doubling in the number of tree nurseries (from 540 in 1992 to 960 in 1994) and a fivefold increase in area planted for the same period.

Based on Forest Service data, the area burned by forest fires throughout Madagascar was reduced from 184,000 hectares in 1991 to 95,000 hectares in 1994. In those areas where the protection agents are active, the incidence of forest fires was reduced by 75% (68,000 hectares in 1991 to 14,000 hectares in 1993), and in Isalo National Park the number of forest fires was reduced from 60 in 1991 to 21 in 1994.

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

Program Outcome No. 3.3  Indicator 1	Base Year	Performance Target					
	1992		1994	1995	1996	1997	1998
1. Percentage of households with increased income from selected commercial activities	0	Planned Actual	0 *	10	25	40	50
2. Percent of protected area entrance fees reinvested into local communities	0	Planned Actual	20 20	60	80	80	80

Sources: USAID Project reports.

Note \* = Data not yet available; see text.

Indicator 1 will measure the impact of selected activities in decreasing the pressures on national parks. During 1994, a total of ten selected commercial activities were identified and are being implemented. These include ecotourism, handicraft development, beekeeping, and other non-destructive income-generating activities. Pre-project studies were completed to assess the feasibility of increasing income opportunities through the sustainable management and harvesting of plants and fauna. Study results will be discussed and evaluated by recognized technical experts from all over the world, including international conservation regulatory bodies, such as CITES and IUCN.

Revised regulations now grant local communities 50% of national park entrance fees for local projects such as building health units and schools, thus making a clear link between development needs and conservation. In addition, systems for the reinvestment of part of these funds were established in two protected areas, resulting in 20% of all fees being put aside for future village investment projects. In Amber Mountain, the two local management committees have developed proposals for 14 community-based activities. The direct management of the entrance fees has resulted in increased control and surveillance of illegal entries into national parks as the local population strives to ensure the continued flow of tourist revenues. During 1995, systems for the reinvestment of entrance fees will be established in three of the most frequently visited national parks.

■ Program Outcome No. 3.4: **INCREASE NATURAL RESOURCE INSTITUTIONAL CAPACITY**

Program Outcome No. 3.4  Indicators	Base Year	Performance Target					
			1994	1995	1996	1997	1998
1. Increased capacity of Malagasy EPA (ONE <sup>1</sup> ) - No. of environmental policies developed and enacted	0 (1993)	Planned	0	2	4	6	48
		Actual	0				
- No. of environmental impact studies carried out	0 (1993)	Planned	0	5	10	15	20
		Actual	0				
2. Increased capacity of Nat'l Park Service (ANGAP <sup>2</sup> ) - No. of protected areas being coordinated	14 (1992)	Planned	34	39	42	45	50
		Actual					
- No. of protected areas directly managed	0 (1992)	Planned	0	3	6	10	15
		Actual	0				
3. Increased capacity of local NGOs and community groups involved in managing natural resources			*	*	*	*	*

Sources: ONE reports; ANGAP reports; NGO reports; USAID project reports.

Note 1. ONE: National Office for the Environment 2. ANGAP: National Association for the Management of Protected Areas.

Note: \* = performance targets have not yet been established.

Program Outcome 3.4 has been added to assess institutional change factors. A major constraint to improving natural resource conservation has been the weak capacity of the Government of Madagascar and non-governmental organizations. The Madagascar National Environmental Action Plan (NEAP), developed in 1988, provides a framework for improved capacity and investment in the environment.

The Madagascar NEAP, the first in Africa, has received strong support from USAID/Madagascar since its inception and is now nearing the end of its five-year first phase. Major accomplishments are: a sense of Malagasy ownership, shared commitment to program objectives, and synergistic participation in the implementation of the NEAP, all of which were especially evident over the past year. A concrete example is the cooperation among agencies in support of research into land tenure and local governance which was carried out

around four national parks in 1994. Workshops to discuss the results of this research and to propose activities implementing the recommendations involved the active organization and participation of the Malagasy EPA, the National Parks Service, the Forest Service and the Land Titling Agency. The goal is to devolve rights and responsibilities for local natural resource management to communities living around protected areas and thereby reduce pressures on the national parks. As a result, an interagency steering committee has been formed to work with local NGOs and conservation projects to move forward with pilot activities.

► National Parks Service: Madagascar's National Parks Service (ANGAP) coordinates implementation of government policy for management of national parks and the development of their peripheral zones. The Park Service increased its coordination responsibilities from

14 protected areas in 1991 to 34 by 1994. Managerial and technical capacity of personnel has increased and steps are being taken towards the institutionalization of a full management capability within a coherent national park system. The Park Service will take on responsibility for direct management (as opposed to coordinating operators) of three national parks in 1995. The Services monitoring and evaluation system will collect information on changes in biodiversity and social indicators, based on a geo-referenced database management system. The development and improved institutional performance of the National Parks Service

#### **Raising Institutional Performance**

Traditionally a government job in Madagascar meant a job for life with no identifiable performance measures. With assistance of the U.S. PVO, PACT, the National Parks Service has totally revamped its personnel system over the past two years. Hiring is competitive, work plans are developed for each employee and individual performance is reviewed annually.

How does one judge increased Malagasy institutional performance? We have found a proxy indicator. This year, at the end of its employee review cycle, the National Parks Service did not renew the contract of a senior employee for lack of performance and placed another person on probation for the same reason. For the first time, to anyone's knowledge, the Malagasy themselves have begun to take the steps to assure that each employee carries his or her own weight.

(see box) represents an important step towards increasing Madagascar's ability to manage and protect biodiversity resources, and to assist Malagasy communities to become less dependent on unsustainable exploitation of natural resources.

► Malagasy EPA: USAID/Madagascar, through policy dialogue, technical assistance and training is developing the Malagasy Environmental Protection Agency's (ONE) institutional and technical capacity in the area of policy formulation and monitoring, especially in developing environmental review procedures. ONE has developed framework legislation for environmental impact procedures which requires that environmental impact studies to be carried out for investment projects having a potential adverse impact on the environment, particularly for fragile habitats such as tropical forests, wetlands and coastal zones. Guidelines for investment projects in these habitats, including a database on their geographical occurrence, are currently under development by the Malagasy EPA.

The Malagasy EPA is also integrating environmental concerns into sectoral policies in order to ensure that these are more ecologically sustainable. Thus, the Malagasy EPA has prepared or carried out studies for the following sectoral policies: tourism, energy, industry, mining, roads, fisheries and urban development. Additionally ONE has developed national policy relating to forest fires, a major cause of environmental degradation in Madagascar, and for the prevention of natural and technological disasters.

► NGOs: The Mission is facilitating the dialogue among NGOs and between NGOs and the GRM to revise Madagascar's outdated NGO legislation. This will enable local NGOs to receive benefits in return for actions taken while requiring NGOs to become more professional and accountable. The current law clusters development NGOs with political and religious groups and other types of associations, for which the Government is unwilling to provide blanket advantages, such as tax exonerations.

A capacity-building effort is also underway to strengthen local NGOs in organizational and financial management, technical expertise, monitoring and evaluation, and popular participation so they will be able to fully participate with local communities in improving natural resources management in Madagascar.

In addition, USAID/Madagascar is helping set up Madagascar's first private National Environmental Foundation that will support initiatives in environmental management. The Foundation will provide a source of sustainable financing through an endowment fund to promote Malagasy ownership of environmental initiatives, including those in national parks. The National Environmental Foundation will also increase the capacity of local NGOs and will monitor the impact of activities that it finances. No foundation legislation exists in Madagascar, so new framework legislation has been drafted that draws together elements of association, commercial and financial law, that will benefit not just the environment but other philanthropic causes. This legislation will provide the basis for setting up all future foundations.

In a major action at the end of 1994, the more so in a time of acute economic crisis, the Government of Madagascar capitalized the endowment fund in the amount of \$6 million in local currency equivalent in early fulfillment of a condition under USAID/Madagascar's environmental policy reform program.

### S.O. No. 4: Reduce Total Fertility

S.O. No. 4 Indicator	Base		Actual	Performance Target		
	1990		1992	1995	1996	1998
Total Fertility Rate	6.6	Planned Actual	6.1	*	5.7	-

Source: 1992 DHS. \* Indicator will not be measured again until 1997 DHS.

- ▶ Early Mission support (1988-1992) of family planning (FP) service delivery expansion contributed measurably to the decline in the total fertility rate (TFR) from 6.6 to 6.1.
- ▶ The 1992 Demographic and Health Survey (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.

#### ■ PERFORMANCE OUTCOME 4.1: INCREASE MODERN CONTRACEPTIVE USE

Performance Outcome No. 4.1 Indicators	Base Year	Performance Target						
			1992	1993	1994	1995	1996	1997
1. Contraceptive Prevalence Rate (%)	3 (1991)	Planned						14
		Actual	5	*	*	*	*	
2. Couple Years of Protection (CYP)	72,000 (1992)	Planned			85,000	120,000	180,000	240,000
		Actual	72,000	79,000	108,000	-	-	-
3. No. of Public/private medical sites providing FP Services	72 (1987)	Planned			300	410	520	630
		Actual	150	205	297			
4. Percent of public medical sites providing FP Services	6 (1987)	Planned			22	28	35	42
		Actual	17	19	24			
5. Percent of women who know where to obtain contraception		Planned		-	-	60	-	75
		Actual	46			**		

Sources: 1992 DHS; USAID project report; Ministry of Health.

\* Indicator will not be measured again until 1997 DHS; \*\* Indicator will be measured again in 1995.

The 1991 baseline estimate was made by the World Bank based on a review of service statistics. 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 a baseline and will be repeated again in 1997 to measure changes over the period. In the meantime, contraceptive prevalence will be estimated by tracking end-use of contraceptives and converting the quantities used into couple-years of protection (CYPs).

Couple years of protection were measured for 1992, 1993, and for the first half of 1994, and converted to an annual figure using end-distribution data from NGOs and public clinics. The 1994 nationwide indicator for CYP increased by 39,000 from 1992 and is expected to continue to increase substantially during the CPSP period. This means that significantly more men and women have access to modern contraception and are making use of these services.

Currently 17% of women use any form (traditional or modern) of contraception. 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 modern methods of family planning. For this reason, the population program efforts have concentrated on the urban areas before expanding to rural areas.

#### **Increased Access to FP Services**

A major expansion of family planning in Madagascar depends on the number of sites providing quality services. In 1987, of 772 public and an estimated 500 private/NGO medical clinics, only 72 were offering FP services. This number of clinics was obviously unable to respond to the family planning needs of a country with a population soon to go over the 12 million mark.

The past year has been one of setting the stage for expanded service delivery among all family planning actors. In the public sector alone, 92 new sites were added this year. At the end of 1994 there were a total of 297 public/private clinics providing FP services. This is only the beginning as a total of 750 clinics providing FP services are planned by the end of 1999.

Five percent of married women are practicing modern methods of contraception, up from 3% in 1991. Another 12% are practicing traditional methods.

USAID/Madagascar continues to develop a management information system with the GRM and NGOs to obtain an accurate census of medical clinics. A multi-donor expansion program to increase sites and a monitoring system to track quantity and quality of services will monitor the increase in FP service sites over the strategy period.

Along with other donors, the Mission is funding a major increase in the number of sites providing family planning services. This has not been easy given Madagascar's rugged and isolated topography, entrenched health bureaucracy, delays in health facilities renovation and construction, and lack of clarity in the Ministry of Health's decentralization policy. Yet the program has been successful even in the public sector where 92 sites were added this year. Increasingly, health providers are recognizing that family

planning is an important aspect of basic health service delivery, and not just an additional task. The Mission is also assisting in the development of a routine reporting system to provide more accurate and timely data on family planning service provision. This system will allow the GRM and donors to monitor access, volume and quality of family planning service delivery.

During the course of 1994, NGOs collaborating with USAID in providing family planning greatly increased their activities. The amount of protection provided by contraceptives by these groups increased by 25%, from 30,902 CYPs in the first six months to 38,789 in the second six months. A shift toward longer-term methods accounted for much of that increase, as more NGOs have begun offering Norplant and voluntary sterilizations for both men and women. As one example of access to services, only 30 surgical sterilization procedures were performed in 1988. In 1993, these procedures increased tenfold and continued to increase in 1994. We are supporting training of personnel and equipping clinics to make such services more available to men and women who request them.

Longer-term FP methods are increasingly popular in Madagascar. A total of 1,150 voluntary surgical sterilizations (both male and female) were performed in 1994, and more sites offering this service are being opened. Norplant (a long lasting hormonal implant) is also popular, and for the moment long waiting lists for this service exist in the 6 sites which offer Norplant. A total of 786 insertions of Norplant were performed in 1994, and at least ten more sites are planned to begin offering Norplant in 1995.

Although most family planning services were oriented to women, a rising proportion of contraceptive methods are being used by men. In 1994, distribution of condoms accounted for approximately 7% of the total couple years of protection delivered through the family planning program. Also, vasectomies are increasingly accepted by Malagasy men. A local physician who is proficient in non-scalpel vasectomy has been hired under the program to train other physicians in this technique.

**■ PERFORMANCE OUTCOME No. 4.2: IMPROVE NUTRITIONAL STATUS OF CHILDREN UNDER FIVE**

Performance Outcome No. 4.2	Base Year	Actual		Performance Target					
				1992	1993	1994	1995	1996	1997
Indicator No. 1									
1. Percent of Children with Diarrhea receiving ORT	26	30	Planned Actual	35 30	40	45	50	55	

Source: Ministry of Health.

This indicator, which covers children between birth and five years of age, was chosen because the severity of diarrheal disease problem 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. It reduces child survival, a key factor in women's willingness to space children through family planning. To ensure that the health benefits of FP are linked with other measures to reduce child morbidity and mortality, and lead to improved nutritional status, and to improve the quality of life, the National Diarrheal Disease Control (CDD) Program is receiving USAID assistance. | |

The Mission will further increase its child survival activities in 1995. Given the links between nutritional status and child survival, and the major nutritional problems facing Madagascar's children, Program Outcome 4.2 has been refined. The target is now to improve nutritional status of children in selected areas where USAID supported child survival activities are being carried out. This will be accomplished through promotion of better breast-feeding and weaning behavior, through appropriate care of diarrheal and respiratory illness of young children by mothers and health workers, and support to the National Program for Immunization. Indicators for assessing progress against this target are under development.

The 1992 DHS survey provided data on the national diarrheal program. Since the DHS, the Mission has increased its assistance to this program through technical assistance, training and other support activities. This is expected to improve case management of diarrhea through the increased knowledge of mothers and health workers on the use of oral rehydration therapy.

#### IV. OTHER PROGRESS IN PRIORITY AREAS

This section focuses on the Mission's Target of Opportunity, Strengthen Civil Society, and pulls together several strands of the gender dimension of our program.

##### Strengthen Civil Society

The 1993 Assessment of Program Impact reported on the Mission's work in support of the democratic transition in Madagascar. During 1992-93 provided support to electoral assistance and civic education in collaboration with the Embassy and USIS. After the successful conclusion of constitutional, presidential and legislative elections the Mission turned its attention to the consolidation of democratic institutions and values in Madagascar.

In August 1993, the Mission and USIS signed an agreement for the Madagascar Journalism Training Program. This one-year program ended in September 1994. With this program's support, Malagasy journalists have formed two professional associations; *Association Libre des Journalistes de Madagascar* (ALJM - Journalist Association of Madagascar) and the *Association des Femmes Journalistes Malgaches* (AFJM - Association of Women Malagasy Journalists). Membership in both associations has risen rapidly. The majority of the members are active journalists who felt challenged by the new era of liberalization (press censorship ended in 1989) and acknowledged the need to organize themselves more professionally.

Over the past year, ALJM held a series of roundtables on crucial and current topics such as civic education, environmental issues, and the work of the World Bank in Madagascar. Readers of the local press noticed an improvement in the quality of articles immediately after the roundtables. The articles were more factual, and there was more reliance on informed sources in the preparation of the articles. The challenge for the journalists today is to maintain that standard and not slip back to the old patterns of too much opinion, less facts and not enough perseverance in getting sources.

In-country journalism training under the program covered economic reporting, radio production, radio journalism, editorial methods, and radio and television management. Four-week internships in the U.S. were awarded to ten Malagasy journalists, two from the national television, three from radio, and five from the written press. The internships contributed substantially to the professional development of the participants. The expectation that the participants would become trainers themselves in sharing what they had learned in the U.S. with other journalists was not realized however. The more experienced journalists tend to retain training they receive for themselves. The younger journalists were unable to influence the chief editors and press owners to adopt innovations and techniques that the participants brought back with them. The exception to this generalization is a director of a monthly magazine who took copies of his publication with him to the U.S. Based on comments and recommendations he received during his internship, he has expanded his sources and improved the presentation of the magazine.

The entire Country Team in Madagascar is convinced of the importance of improving press coverage of public policy issues. Establishing the independence of the judicial branch of government, currently a contentious issue in Madagascar, is typical of the demands put on

the press since the political system opened up. What Malagasy readers need is informed reporting on the issues, alternative systems, and the positions of the interested parties. The press, whether written, radio or television is not yet fully meeting this need. The Journalism Training Program has opened the Malagasy press to new ideas, new methods, new concepts of press responsibility and ethics and higher standards for journalism. USAID/Madagascar remains committed to strengthening civil society and will continue to support journalism training.

## **Gender**

The position of women in Madagascar is atypical in Africa. A 1992 World Bank Staff Appraisal Report makes the following observation:

Generally women suffer less discrimination in Madagascar than in most sub-Saharan countries. Female and male education enrollment rates are broadly similar, and training institutions accept female students alongside males. Women suffer less discrimination than elsewhere when entering the labor force, either in the formal or informal sectors. (World Bank Staff Appraisal Report for the Manpower Training Project).

This status of women in Madagascar works to the Mission's advantage in that there are fewer areas in which we confront discrimination against women in the design and implementation of the program and in that we can generally meet our high goals for female participation in program activities.

Women made up 55 percent of those trained under the HRDA during the last PIR reporting period; compared to the HRDA project-wide goal of 35 percent. For the HRDA project to date 47 percent of the 662 participants have been women. Forty-one percent of the twenty-nine Mission-funded ATLAS participants have been selected for degree programs in the U.S.

USAID/Madagascar's early efforts to work with private sector businesses and associations outside of the capital city confirmed once again the active participation of women as entrepreneurs and regional business leaders. Our experience has been similarly favorable in such diverse sectors as journalism and the legal profession. Women participate in our designs, implementation, training and evaluations as full partners. Women are not held back by discriminatory social customs. As our portfolio matures, the full impact of this close collaboration will be reflected in our annual API submissions.

## ANNEX A

### REVISION OF INDICATORS AND EXPECTED LEVELS OF ACHIEVEMENT

The following provides a brief explanation of revisions made to selected performance outcomes and indicators presented in the 1993 version of the API report. Changes were made to better measure performance, to reflect new program priorities, or to delete changed program priorities. Most of these changes were previously reported in USAID/Madagascar's Action plan of June 1994.

#### **Goal: Broad-based, Market-led, Sustainable Economic Growth**

No revisions made

#### **Sub-Goal 1: Increased Private Investment and Employment**

Minor change

#### **Sub-Goal 2: Balance Population Growth and Natural Resource Use**

No revisions made

#### **Strategic Objective 1: Establish a Competitive Market Environment for Micro and Small Firms**

##### **Program Outcome 1.1: Fair and Swift Treatment of Entrepreneurs by the Legal and Judicial System**

##### **Program Outcome 1.2: Broader Access to Savings and Credit**

##### **Program Outcome 1.3: Expand Small Business Services**

The wording of Strategic Objective 1 and the three program outcomes under the SO has been modified to present more clearly the program emphasis on micro and small firms.

#### **Strategic Objective 2: Increase Market Access for Neglected Regions**

The wording of the SO was changed to emphasize the importance of access to markets; of which trade is only one aspect.

**Program Outcome 2.1: Reduce Transportation and Communications Costs**

Last year, indicator 2 of communication cost reduction was dropped due the decision to not get into the communication sector under CAP during its design. In its place, we have added kilometers of roads or equivalent rehabilitated which should be directly linked to transport cost and access to market.

**Program Outcome 2.2: Increase and Diversity Agricultural Production and Sales**

No revisions made

**Program Outcome 2.3: Expand Locally-Managed Market Infrastructure**

Changed from "market services"

**Program Outcome 3: Reduce Natural Resource Depletion in Target Areas**

Indicator 2 was changed to habitats preserved in protected areas since it is deemed to be a more measurable proxy for reduced biodiversity loss. Measurement of this indicator is a gross measure of natural habitats in protected areas. The baseline information in 1989 is based on the total number of hectares in 36 protected areas which is expected to increase to 50 by 1998. The actual status of the natural habitat will be assessed and reclassified every two-to-three years through aerial photography and remote sensing.

The base year for Indicator 2 was 1992 last year. It has been changed to 1989.

**Program Outcome 3.1: Conserve Biodiversity in National Parks**

Changed to National Parks from Protected Areas

Indicator 1 was modified from number of management plans to **percent of qualified** management plans implemented. There are eight steps in the implementation of a qualified management plan: (1) clearly defined and marked boundaries; (2) enforcement mechanisms in plan; (3) clearly defined relationships with the surrounding communities; (4) a management structure; (5) an ecotourism development plan; (6) system for reinvestment of park entrance fees into the local communities; (7) a biodiversity monitoring plan; and (8) manual for management of the protected area.

Since full implementation is a two-to-three year process, this indicator was changed to measure the progress towards the implementation of a management plan rather than number of park management plans implemented.

One of the underlying objectives of the USAID/Madagascar environmental program is to diminish (or ideally eliminate) the human pressures on the protected areas. Indicator 2 measures success in altering the ecologically destructive practices of people in target zones in order to diminish pressures. A five step process is required to measure this indicator: (1) identification of priority target zones; (2) specialization and analysis of pressures;

(3) identification of activities that would reduce pressure; (4) selection of sample households in priority zones to monitor impact of specific activities; and (5) analysis of the impact of activities to reduce pressures.

### **Program Outcome 3.2: Improvement Management of Forest Resources**

"In target areas" dropped from title

### **Program Outcome 3.3: Increase Income Opportunities for Resource Users**

Indicator 1 was slightly modified to incorporate the term **selected commercial** activities. This adds definition to the term **sustainable** activities and focuses the types of activities to be monitored for impact. Indicator 2 has been eliminated as this information will be disaggregated according to gender in reporting on Indicator 1. Another indicator has been included to monitor progress towards implementing a revenue sharing scheme for protected area entrance fees which will return half of the revenue to the local communities. The entrance fees are seen as a key to demonstrating to the local communities a direct relationship to increasing conservation of the protected area in order to ensure a continued influx of entrance fees.

### **Program Outcome 3.4: Increase Natural Resource Institutional Capacity**

Program Outcome 3.4 has been added to assess institutional change factors. A major constraint to improving natural resource conservation has been the weak capacity of GRM organizations and non-governmental organizations. The Madagascar Environmental Action Plan (EAP) developed in 1988 provides a framework for improved capacity and investment in the environment. Two new organizations supported by USAID, the National Office for the Environment (ONE) and the National Association for the Management of Protected Areas (ANGAP) were created under the EAP, which also placed emphasis on NGOs as critical partners in developing local environmental initiatives.

Indicator 1 assesses the capacity of the Natural Office for the Environment (ONE) in environmental policy formulation and monitoring. Indicator 2 measures the capacity of the National Association for the Management of Protected Areas (ANGAP) to fulfill its mandate to coordinate activities in protected areas and their peripheral zones and to progress towards a long term vision of direct responsibility for the management of national parks. Indicator 3 measures change in the capacity of local groups with environmental management responsibility. Qualitative institutional performance indicators will be developed during 1995, in consultation with ONE, ANGAP and the NGOs, to better measure this target as an index of the organization development of these institutions. These indicators will examine the various aspects of institutional development such as vision, leadership style, organizational capacity, approaches to project development, planning, monitoring and evaluation skills, financial management and vulnerability.

### **Strategic Objective 4: Reduce Total Fertility**

No revisions made

**Program Outcome 4.1: Increase Modern Contraceptive Use**

No revisions made

**Program Outcome 4.2: Improve Nutritional Status of Children in Selected Areas**

Given the links between nutritional status and child survival, and the major nutritional problems facing Madagascar's children, a proposed new Program Outcome 4.2 is to improve nutritional status of children in selected areas where USAID supported child survival activities are being developed. This will be accomplished through promotion of better breastfeeding and weaning behavior, and through appropriate care of diarrheal and respiratory illness of young children by mothers and health workers. Indicators for assessing progress against this target are still under development.

The number of ORS packs distributed through the private and public sectors (in thousands) is no longer being used as an indicator in this report. The Ministry of Health and NGOs are focusing more on treating diarrheal diseases through home treatment rather than ORS. In addition, new directions are being sought in the production and distribution of ORS, since management problems have arisen making access to ORS problematic.

The number of oral rehydration solution (ORS) packs distributed through the private and public sectors is no longer being used as an indicator in this report. The Ministry of Health and NGOs are focusing more on treating diarrheal diseases through home treatment rather than ORS, which has been hampered by production and distribution problems.