



**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
USAID/MADAGASCAR  
Antananarivo, Madagascar**

2 March 1998

Ms. Carol Peasley  
Acting Assistant Administrator, Bureau for Africa  
U.S. Agency for International Development  
Washington, D.C.

Dear Carol:

I take great pleasure in submitting the following for Washington's review:

- USAID/Madagascar FY 2000 Results Review and Resource Request; and
- ▶ USAID/Madagascar FY 1998-2002 Country Strategic Plan Amendment.

The R4, as you know, is in cycle and on time. It is our first R4 under the new strategy. The USAID/Madagascar program is not just on track: we are exceeding defined, measurable, and in some cases state-of-the-art performance targets in most areas. This is possible due to the strong and mature partnerships we have developed with our Malagasy and international partners in the public, private, and non-governmental sectors. It is also possible because of the highly developed professionalism and commitment that our Limited Mission staff brings forward. Our continued emphasis on re-engineering principles of teamwork, results, customer focus, and empowerment, especially of our FSN staff, continues to pay off, for the Agency and for Madagascar.

The CSP Amendment responds to requirements of our Management Contract (97-STATE 135276) that we revise our program to reflect an overall goal and a Special Program Objective (SPO) which supports Madagascar's Structural Adjustment Program (SAP). We have done so, and in the process we have strengthened "our place at the table" among the donors and IFIs involved. We have modified our goal statement to be Reduced Poverty, the overall objective of the SAP. Our new SPO focuses on helping Madagascar improve its legal, financial and policy conditions for investment and trade, and fostering more informed and responsive public participation in legal and economic

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issues. The SPO thus integrates economic growth results with those of democracy and governance -- an innovative strategy which we think will produce strong synergies. Because of the strong integration, we would like to request that the technical team scoring this objective be comprised of both EG and DG experts.

Please let us know if you have any questions or need for clarification prior to the review.

Warm regards,

Karen M. Poe  
Director

	U.S. Agency for International Development <b>Bureau for Africa</b>
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**MADAGASCAR  
COUNTRY STRATEGIC  
PLAN  
FY 1998-2002**

**AMENDMENT**

**February 1998**  
*Original Edition February 1997*

**USAID/Madagascar**  
**Antananarivo, Madagascar**

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

**USAID/MADAGASCAR  
COUNTRY STRATEGIC PLAN FY 1998-2002  
AMENDMENT, FEBRUARY 1998**

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Appendix A: Management Contract

CSP Review Cable 97-STATE 135276 dated July 18, 1997  
FY 1999 R4 Review Cable 97-STATE 14703 dated August 6, 1997

## I. SUMMARY EVOLUTION OF THE MISSION AND ITS PROGRAM

USAID/Madagascar was designated an Africa Bureau "focus" program in September 1990 based on Madagascar's need, economic potential, and ongoing structural adjustment progress. USAID/W reviewed and approved the Mission's well-regarded Country Program Strategic Plan (CPSP) in September 1992.

The Mission's portfolio moved along well post-CPSP approval. There was heavy concern among all donors regarding the newly democratic government's vacillation, lack of consensus and inability to focus on urgent macro-economic reforms. Thus, USAID/Madagascar recommended that Madagascar be placed on the Africa Bureau's "Watch List" at the April 1995 annual program performance review. The Watch List concept was a powerful tool for the Ambassador and Mission Director in their dealings with senior Malagasy officials. Other USAID partners, such as the World Bank, France, Switzerland and Germany, used similar tactics, the combined effect of which was to pressure the GOM to undertake serious reform measures.

Significant progress was made during the remainder of 1995 in the area of economic management (e.g., the Central Bank raised the lending rate from 12 percent to 38 percent to control rampant inflation), but continued political in-fighting and unfulfilled promises made the World Bank change tactics. Instead of a series of conditions and tranches of funds, disbursement would be based on achievement of all conditionality in advance. Prudent to be sure, but a more difficult challenge in a nascent and inefficient democracy. As a result, at the Africa Bureau's 1996 annual performance review, while macro-economic management progress was judged substantial, the lack of signed agreements with the Bretton-Woods institutions led both the Mission and USAID/W to recommend continued Watch List status. This was the correct decision, but left the Mission vulnerable to subsequent events outside the Agency which led to rapid budget and personnel downsizing. Facing sharp resource constraints, the Agency put Madagascar in the new Limited Program category.

In May 1996, USAID/Madagascar presented a Limited Program transition outline which was discussed at an Africa Bureau parameter-setting meeting, along with representatives of the Global, Management and Policy Bureaus. The meeting was chaired by the AFR/DAA and the Mission was represented by the Director. The Mission was asked to submit a new Country Strategic Plan (CSP) reflecting its reduced program and staff resources and new designation as a Limited Program Mission. The Mission completed the new CSP for the planning period FY 1998-2002 in accordance with the parameters given and submitted it in February 1997. A summary of USAID/W's review of that document, which took place March 4-7, is contained in the reporting cable 97-STATE 135276 dated July 18, 1997. (Appendix A).

As described in the reporting cable, most of the discussion at the review centered on the Mission's proposed Strategic Objective 1, *Reduced Poverty*, which reviewers thought beyond

the manageable interest of the mission. Discussion also focused on the nature and extent of linkages across program objectives.

The review resulted in approval of the results frameworks and strategies for SO2, *Smaller, Healthier Families*, and SO3, *Biologically Diverse Ecosystems Conserved in Priority Conservation Zones*, with only minor modifications. The review asked the Mission to "re-tool" the proposed poverty reduction objective (SO1) into a Special Program Objective (SPO), which would support Madagascar's Structural Adjustment Program and its approved SOs in health and the environment. The review provided tentative approval for the statements of the new SPO, *An Improved Environment for Private Initiative*, and the new Mission Goal, *Reduced Poverty*.

To revise the CSP in response to USAID/W's guidance, USAID/Madagascar undertook intensive cross-Mission teamwork to ensure that everyone had joint ownership of the strategy revision and a common understanding of what needed to be done. Mission teams spent considerable time identifying and discussing the synergies which existed or could be exploited across program objectives. The SPO team also benefited from intensive team-building aided by expert facilitators, which included a full-day partners' meeting to explain the USAID strategic planning process, the need to demonstrate results, and to solicit the input of our partners. The Mission also undertook extensive consultations with a broad cross-section of USAID/W extended team members. In November 1997, Mission Director Karen Poe met with a cross-bureau group assembled by the Africa Bureau to present a draft of the revised SPO strategy. The revised strategy presented in this amendment reflects all of the input received at the various stages described above.

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## II. THE AMENDED STRATEGY

The framework for the Country Strategic Plan appears in the graphic at the beginning of this section. The frameworks for SO2, *Smaller, Healthier Families*, and SO3, *Biologically Diverse Ecosystems Conserved in Priority Conservation Zones*, remain essentially unchanged from the original CSP. The new SPO, *an Improved Environment for Private Initiative*, has replaced SO1, and the Mission has added the recommended goal, *Reduced Poverty*. Sections A. and B. below summarize the new strategic framework and describe its underlying rationale. Section III describes the new SPO in full, and Section IV provides the program monitoring plan for the goal and the new SPO. Section V provides summary resource requirements for the CSP period. In the interest of brevity, we have not repeated full descriptions of the approved SO2 and SO3. These can be found in the original CSP of February 1997. A full revised CSP that incorporates both this Amendment and updated versions of the already-approved sections will be issued by USAID/Madagascar once Washington has approved this CSP Amendment.

### A. Summary Results Framework

With a GDP per capita of \$230 in 1997, Madagascar is among the poorest countries of the world. The UNDP's human poverty index ranks Madagascar 70th out of 78 developing countries in terms of the percentage of its population meeting minimum basic needs.<sup>1</sup> According to recent estimates, about 70 percent of the total population lives below the poverty line.<sup>2</sup>

The incidence of poverty is much higher in rural areas than in urban areas: 77 percent of the rural population is poor compared to 47 percent in urban areas.<sup>3</sup> Female-headed households are slightly more likely to be poor than male-headed households.<sup>4</sup> Poverty is particularly reflected in the poor nutritional status of young children. Currently, over half of children under five show signs of stunting, a measure of chronic under-nutrition.

Reducing poverty is the overall goal of the GOM's Structural Adjustment Program, and it is a goal that all donors in Madagascar strongly support. USAID's program contributes to poverty reduction through its two Strategic Objectives and one Special Program Objective. Reducing poverty in Madagascar can only be achieved if families and economic actors have improved incentives for taking private initiative to improve their livelihood or business. Our Special

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<sup>1</sup> United Nations Development Program, *Human Development Report 1997* (New York: Oxford University Press for the UNDP, 1997).

<sup>2</sup>The World Bank, *Madagascar Poverty Assessment*, June 28, 1996, p. 12.

<sup>3</sup> *ibid.*, p. 13.

<sup>4</sup> *ibid.*, p. 33.

**Goal:  
Reduced  
Poverty**

Program Objective, *Improved Environment for Private Initiative*, addresses this need. Earning a livelihood adequate to the needs of a family also requires the reduction of unwanted births, improvements in the health of all family members, and optimal utilization of food to achieve better nutritional status. The Mission's SO2, *Smaller, Healthier Families*, addresses this need. Finally, Madagascar's long-term economic prosperity depends on its ability to conserve and sustainably manage its globally unique natural resources. Our SO3, *Biologically Diverse Ecosystems Conserved in Priority Conservation Zones*, helps Madagascar achieve this important objective.

USAID/Madagascar's strategy is thus cohesive and well-integrated. Its component Strategic Objectives and Special Program Objective support each other directly and indirectly. The Mission expects these objectives to be achieved in the specified time frame, and to produce strong results which make an impact on reducing poverty in Madagascar.

**SPO:  
Improved  
Environment for  
Private Initiative**

The Mission's SPO aims to improve the environment for private initiative in Madagascar. This objective focuses on improving the legal, financial, and policy conditions for trade and investment, and on fostering more informed and responsive public participation in policy and legal issues. The SPO supports the Malagasy legal and economic community's efforts to reform key laws governing private business, and helps make the judicial system more accessible and credible to the public. The SPO also builds on USAID/Madagascar's past success in broadening households' and microentrepreneurs' access to financial services. It promotes an improved flow of information and communication on key public policy issues, thus helping to ensure that policy formulation is not a top-down process but one which engenders the participation and understanding of the public. SPO integrates Economic Growth results with those of Democracy/Good Governance, a combination which we expect will produce strong synergies.

The SPO complements activities of the Mission's two SOs in particular in the critical areas of strengthening civil society and fostering public-private dialogue, which are essential to the sustainability of their efforts in technical sectors. Also, support provided by SPO for activities to strengthen the analysis of economic data for improved dialogue, formulation and implementation improves the information and analytical basis for decision-making in SO2 and SO3 activities.

**SO2:  
Smaller,  
Healthier  
Families**

Madagascar's high rate of population growth is a major cause of the country's declining standard of living. The health status of the Malagasy people has declined along with their standard of living. These serious health problems have substantial implications for Madagascar's economic and environmental well-being. Strong public and private interventions will be required to reduce human suffering and raise basic health levels that will, in turn, contribute to higher productivity and general welfare. SO2 contributes to reversing these trends. The Mission's portfolio in this area has expanded from a focus on family planning to a holistic approach to family health that integrates child survival, food security, HIV/AIDS prevention, and disaster preparedness.

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

**SO3:  
Biologically Diverse  
Ecosystems Conserved in  
Priority Conservation  
Zones**

Madagascar is Africa's most important biodiversity priority, and among the world's top five for species diversity and endemism. Yet pervasive poverty, high population growth, and extensive agricultural practices have led a frontal assault on these unique national and global treasures. The scale and intensity of deforestation, soil erosion, and associated declines in soil productivity are enormous. The destruction of these resources deprives the world of untapped biological diversity found only in Madagascar. Madagascar is a rural natural-resource-based economy where economic production for most households is based on agriculture. Traditional agricultural practices, such as slash and burn cultivation, are exploiting the resource base. This puts at risk the productive capacity of the next generation of Malagasy and the sustainability of the country's future economic growth.

This strategic objective fits within the framework of the multi-donor supported, GOM-led, Madagascar National Environmental Action Plan. The emphasis of USAID interventions is on protecting the country's unique biodiversity, while encouraging a balance between rational resource use and conservation. This calls for a multi-pronged approach. First, policies to guide and regulate resource use must be developed and enforced. Second, the institutions

responsible for management of natural resources must be strengthened. Third, the incentive structure facing the rural population must change to induce voluntary adoption of environmentally-sound production and processing practices.

## **B. Underlying Rationale**

The two strategic objectives and the special program objective make direct contributions to achieving the strategic goal of reducing poverty. Beyond these direct SPO/SO-specific contributions, there are synergies generated between and among environment, population and private initiative in Madagascar which assure that the whole is greater than the sum of the individual parts.

The GOM and its donor partners have placed significant emphasis on conserving the island's natural resources, which provide the habitat for its unique flora and fauna. Yet there has been growing awareness that earlier environmental policies did not pay enough attention to the underlying problems that cause environmental degradation. Our strategy will be implemented under conditions of demographic pressure. Madagascar's population will double in the next generation, even under the most optimistic fertility reduction scenarios. The contribution of slower population growth to preserving the environment and achieving sustainable development is widely accepted as necessary, particularly at the policy-making level.

When population grows rapidly, it places increasing pressure on natural resources. Most farmers in Madagascar are poor smallholders, and most use extensive land-management practices. The growing population's need for food security and survival leads to environmentally damaging practices such as overcropping, reduction of fallow periods, burning of grasslands and encroachment up fragile hillsides and out into biodiversity-rich habitats. Without significant alternative means of meeting local food and income demands, investments in environmental conservation will be undercut.

Our environmental strategy recognizes these interrelationships and thus seeks to integrate biodiversity conservation, sustainable land-use management, and ecologically sustainable productive activities in the priority conservation zones of Madagascar. Our health, population, and child survival strategy strongly supports our environmental strategy by enabling poor families to adopt improved health, nutrition and family planning practices, particularly in areas where population pressure is greatest. By targeting these areas, we expect to have a demonstratable impact on reducing the ecologically destructive pressures associated with poverty and rapid population growth.

The SO2 and SO3 Teams have coordinated their spatial planning to take advantage of each other's programs. For example, both SO Teams are active in the Fianarantsoa region. This coordination gives the strategy the advantages of "integrated development" projects without the cumbersome management structure and unfocused character which traditionally plagued such projects. NGO environment partners working in Ranomafana, Zahamena and

Andohahela National Parks are receiving SO2 family planning assistance in clinics located in the peripheral zones of these parks.

In addition, USAID has facilitated active information exchange between SO2 and SO3 partners. For example, the National Park Service (ANGAP) and the National Statistics Agency (INSTAT) have linked demographic and environmental data bases, laying the groundwork for combined GIS and census data mapping. The SO3 agribusiness office in Fianarantsoa is becoming a resource center for business and commercial clients who are interested in census and survey data made available by SO2 partners. To develop better communication, information exchange and additional linkages between the environmental and family health sectors, a POP/ENV fellow was placed in Fianarantsoa in mid-1997.

In short, lasting and significant poverty reduction in Madagascar depends on the country's ability to expand productive and environmentally rational opportunities for Malagasy families and business. To sustainably reduce poverty, efforts to raise family health and food security, and those aimed at encouraging families and businesses to adopt environmentally sound practices, must be combined with measures aimed at spurring private initiative, productive investment, and thus higher job, productivity and income growth. Creating an environment that encourages private initiative is key to raising rural and urban productivity, job growth, and sustained poverty reduction in Madagascar. Our SPO seeks to improve the environment for private initiative by improving the legal, financial, and policy conditions for trade and investment, and by promoting more informed and responsive participation in economic and legal issues.

By helping to reform the nation's commercial code and administration of justice, the SPO directly supports achievement of both SO2 and SO3. One example of this is in the area of property rights. Better natural resource stewardship is based on establishing clear ownership or user rights to property. The lack of clearly defined property rights in Madagascar is a major obstacle to sustainable land-use management. Property law is one area of law targeted under the SPO's legal reform activity. This work should help better define property rights and encourage their enforceability. Support for improving the efficiency of the court system will also support improved enforcement of the nation's environmental laws. Other examples of how SPO support achievement of SO2 and SO3 are provided in Section III.B.7.

SPO is working with INSTAT and the National Agriculture Research Agency (FOFIFA) to deepen their data collection and analytical capacity to use data to make informed decisions regarding policy options to reduce poverty. Under earlier AFR funding in 1996, their analysis of the incidence of taxation found that the vanilla export tax was one of the most regressive taxes in Madagascar. These findings were used by senior GOM policy analysts, working with the World Bank and IMF, to design tax reform measures and to convince the GOM to eliminate this distortive tax. The elimination of the export tax should raise farmgate prices of vanilla, with widespread benefits to small producers. Continuing SPO support for similar analyses is expected to yield similar results.

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

### **III. SPECIAL PROGRAM OBJECTIVE: IMPROVED ENVIRONMENT FOR PRIVATE INITIATIVE**

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

Over the last quarter century, the Malagasy people have experienced a marked decline in their average standard of living. Real per capita income fell by more than 40 percent between 1970 and 1995, making the country among the world's poorest today. Madagascar also suffers from an exceedingly high incidence of poverty. According to recent estimates, about 70 percent of the total population lives in absolute poverty.<sup>5</sup> These dismal statistics are especially disturbing in light of the country's high development potential. Madagascar's diverse and globally unique natural resource base and its competitive labor force suggest that the long-term prospects for sustained growth and poverty reduction are good.

Creating an environment which encourages private initiative is key to raising rural and urban productivity, job growth, and sustained poverty reduction. Lasting and significant poverty reduction in Madagascar will depend on the country's ability to expand productive and environmentally rational opportunities for Malagasy families and businesses. To sustainably reduce poverty, efforts to raise family health and education, and those aimed at encouraging families and businesses to adopt environmentally sound practices, must be integrated into a strategy aimed at spurring private initiative, productive investment, and higher job growth.

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

Madagascar's low economic growth, declining per capita income, and rising poverty over the past 25 years is commonly attributed to the set of misguided policies associated with the socialist experiment that began in 1972. During the 1970s, inward-looking trade policies, an onerous regulatory environment, heavy dominance of the state in productive activities, and poor macroeconomic management stifled private initiative and investment.

In the early 1980s, the Government had no alternative but to adopt demand-dampening adjustment policies in order to correct the severe macroeconomic imbalances that had resulted from the "all-out" public investment program of 1977-1980. Some progress towards liberalizing the economy was made in the mid 1980s, especially in the agricultural sector, and by the late 1980s, a program for structural reform supported by the World Bank and IMF was making substantial progress. The transition to a market-led economy, however, was interrupted and partially reversed in the early 1990s as a consequence of the political upheaval associated with the demise of the Second Republic and the birth of democracy in Madagascar.

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<sup>5</sup>The World Bank, *Madagascar Poverty Assessment*, June 28, 1996, p.12.

Democracy has taken root now, but during the initial years of the Third Republic, economic conditions deteriorated as the President, successive Prime Ministers, and the National Assembly struggled to determine the locus of power. Beginning in 1994, however, the Government initiated a new reform program aimed at liberalizing the economy and removing barriers to trade and competition. Reforms included allowing the Malagasy franc to float in an interbank foreign exchange market, the lifting of most quantitative import restrictions, a reduction in the maximum customs duty, and the establishment of a value-added tax.

In early 1995, the Government undertook to address the serious macroeconomic imbalances that had emerged, and in 1996 to negotiate in earnest a Structural Adjustment Program with the IMF and World Bank. The GOM's efforts to restrain monetary growth and public expenditures succeeded in bringing down inflation from a high of 61.2 percent in 1994 to 8.3 percent in 1996 and 4.8 percent in 1997. The approval of the Enhanced Structural Adjustment Facility (ESAF) by the IMF in November 1996, and of major World Bank programs, including a \$70 million Structural Adjustment Credit in March 1997, boosted donor and investor confidence in the Government's commitment and ability to achieve the ambitious objectives of its Structural Adjustment Program (SAP). In March 1997, the Paris Club agreed to reschedule Madagascar's debt under Naples terms, enabling the debt-service ratio to fall from 46 percent in 1996 to 25 percent by the end of 1997.

Having successfully wrung out inflationary pressures and restored macroeconomic balance via reductions in public expenditures, and having reduced and rescheduled a sizable portion of its external debt, the challenge now facing Madagascar is to sustain these efforts and to implement the structural reforms needed to unleash private initiative and economic activity. At present, private operators have very little confidence in the legal system's ability to guarantee their rights and uphold the rule of law. The financial system, while healthier than a few years ago, does not adequately serve small and microentrepreneurs seeking to raise their productive capacities. Traders and investors face a myriad of uncertainties and obstacles ranging from the difficulty of obtaining legal business status to the risks associated with enforcing their contracts. Citizens' groups, the media, and the public at large lack confidence in the government's capacity to formulate and implement sound policies that promote their economic well-being.

To address these problems, the Malagasy government, private sector, and civil society must work together to establish a policy and legal environment which encourages private initiative and productive investment. Madagascar's structural adjustment program, the key elements of which are described below, aims to do this.

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

The Malagasy Government has launched a comprehensive program aimed at reversing the country's economic decline and initiating sustained economic growth and poverty reduction. Madagascar's Structural Adjustment Program (SAP) is described in the Policy Framework

Paper (PFP), which sets out the key medium-term objectives of the reform program, the measures to achieve these objectives, and a timetable for their achievement. The current PFP, which was formulated in consultation with the Bretton Woods Institutions, covers the period 1996-1999. It is now being updated to cover the year 2000. In describing the overall approach underlying the reform program, the PFP states: *"The Government aims to win public and investor confidence in a liberal and stable economic framework and with an efficient public administration, in order to improve the investment climate and reduce poverty."*<sup>6</sup>

The priorities of the PFP as described in Part I of the CSP may be summarized as follows:

- ▶ Maintain a stable macroeconomic framework and prudent debt management.
- ▶ Improve tax administration and the efficiency of public expenditures.
- ▶ Improve government operations (including reform of the legal and judicial system).
- ▶ Advance effective decentralization.
- ▶ Improve the business environment by easing regulatory constraints and improving the commercial code.
- ▶ Divestiture of public enterprises.
- ▶ Alleviate poverty by prioritizing public expenditures and investments for basic health care, primary education, and public security.
- ▶ Improve services to small borrowers.
- ▶ Protect Madagascar's unique biodiversity and natural resources by implementing the second phase of the National Environmental Action Program (PE2).
- ▶ Improve road, water, electricity, telecommunications, and air transport infrastructure by implementing appropriate reform measures.
- ▶ Encourage the productive sectors (e.g., agriculture, mining, and tourism) via appropriate public investments and liberalization measures.

The recommended measures and timing to implement these broad objectives are ambitious, and the Government and people of Madagascar are counting on the continued support of donor partners to help achieve them. The approval of the IMF's Enhanced Structural

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<sup>6</sup>International Monetary Fund, "Madagascar--Enhanced Structural Adjustment Facility--Policy Framework Paper, 1996-99," October, 1996.

Adjustment Facility (ESAF) in November 1996, followed by the World Bank's Structural Adjustment Credit (SAC) in March 1997, has boosted public and bilateral donor confidence in the Government's capacity to execute its bold program of reform.

While progress over the past year has not been as rapid as might have been hoped, significant reform measures have been achieved. Macroeconomic targets have been met, as have planned debt reductions via forgiveness or re-scheduling under the Paris Club agreement. Tax revenue collections have increased though there remains considerable scope for strengthened administration and combatting evasion. The privatization program has not proceeded as quickly as planned, but some significant achievements are expected in the very near future, such as the privatization of the two state-owned banks and the oil refinery. The IMF has concluded its negotiations with the GOM for release of the second tranche of the ESAF, an indication that the reform program is making measurable progress. While the upcoming Constitutional referendum and legislative elections may temporarily slow the momentum, the Government remains committed. Indeed, it knows that its overall performance will be judged by its ability to meet its reform agenda.

### **3. Building on Momentum**

USAID has been a partner of the Malagasy Government in its effort to improve economic management and reduce poverty. The two institutions with the heaviest responsibilities for economic policy, the Ministry of Finance and the Central Bank, are demonstrating that they can develop and implement a set of policies enabling private initiative and sustained economic growth. In his high-profile visit to Madagascar in 1996, the Managing Director of the IMF lauded the Central Bank for its well-executed, inflation-fighting monetary policy. Since then, the authorities have continued to demonstrate their capacity to conduct prudent monetary and fiscal policy as shown by the declining inflation rate and fiscal deficit.

We have also seen a shift in these and other public institutions' perception of their obligation to keep the public informed and involved in public policy dialogue. USAID assistance helped the Central Bank introduce for the first time analytical reports on economic trends and developments to its quarterly bulletin and begin publication of an Annual Report. These publications have helped fill the information gap that impedes the analysis and debate of public policy issues. In 1995, USAID funded a consultancy and workshop for the Technical Secretariat for Structural Adjustment (STA). This support helped STA prepare a structural adjustment communications strategy, now being implemented with World Bank financial support. The STA has organized "Structural Adjustment Days" in all six regional capitals, during which the officials charged with implementing the reform program get citizens' feedback on the content and impacts of structural adjustment. The value of this public debate has been amplified by improvements in press reporting supported by USAID/USIS journalism training.

Informed public debate on key public interest issues has also been promoted via USAID's support for the *Rary* activity. *Rary* means "weaving" in Malagasy, and here symbolizes the

interaction and interrelationships between civil society and the state. Implemented by a U.S. PVO, Pact, the activity has helped define the debate and improve the flow of information and communication between "powerholders" and citizens' groups on key policy issues in the regional capitals of two of Madagascar's most productive zones. One significant result has been the establishment by the Municipal Councils in both regions of communications bodies responsible for providing information to citizens and garnering their input. In one city, the Council has agreed to allow representatives of civil society to be represented in the Council's Finance Commission in order to improve the management and administration of decentralized public finances, and increase the public's participation in public finance decisions.

Via support for collaborative policy research, USAID has strengthened Madagascar's institutional capacity to conduct quality economic analyses in support of poverty-reducing policy change. Researchers from Cornell University worked with researchers in INSTAT to develop an economic model for analyzing the effects of policy reforms on various income groups. An outgrowth of this work was a study done in 1996 in the incidence of taxation which found that the vanilla export tax was one of the most regressive taxes in Madagascar. These findings were used by senior GOM policy analysts, working with the World Bank and IMF, to design tax reform measures and to convince the GOM to eliminate this distortive tax. The tax was abolished in 1997. The elimination of the tax is expected to raise farmgate prices of vanilla thereby benefitting small producers of this major commodity.

The National Savings Bank (French acronym CEM), the foremost institution serving low-income clients in the nation, has demonstrated its ability to expand its client base and provide improved services. Since USAID began working with the CEM in 1993, its client base has grown by more than 165,000 people and now reaches some 6.6 percent of the island's adult population, while its deposit base has nearly doubled in real terms. The CEM now receives a market rate of interest on its deposits in the Treasury, a measure that has been critical to shoring up the CEM's asset base and strengthening its long-term financial sustainability. Broader efforts to expand the poor's access to financial services are being pursued, primarily through the establishment of networks of savings and credit institutions throughout the country. The Government recently created a Microfinance Coordinating Committee responsible for providing leadership of this national priority and for coordinating donors' support in the area.

Work is also underway on establishing a legal and judicial framework that enables and encourages private initiative. The Government formed the National Business Law Reform Commission, which is responsible for providing leadership in reforming the nation's commercial codes. As a condition precedent to USAID and World Bank assistance, the GOM increased the budget for the administration of justice by 43 percent in 1997. This has enabled the Ministry of Justice to fund long-overdue upgrades of the nation's courts. The new Minister of Justice has firmly demonstrated his commitment to improving the administration of justice and reviving the public's confidence in Madagascar's judicial system. Shortly after assuming office, he issued an Ethics Code for the nation's judges. Recently several judges were dismissed or sanctioned for abuse of office, the first such action taken in many years.

USAID financed the Minister and a civil society leader's participation in the Eighth annual Anti-Corruption Conference in Peru in 1997. Following their return, they have participated in radio and T.V. shows devoted to the topic, thereby bringing the issue to the forefront of public attention.

USAID is also encouraged by the progress made to date towards improving public financial accountability. With a relatively small amount of funding, USAID provided training in modern audit methods to auditors at the Chamber of Accounts (the Malagasy GAO) and the Inspection General. The auditors have embraced these new methods and have begun to apply them in field audits of public agencies. Training in financial management has also been provided to the finance directors of the major municipalities in order to strengthen their capacity to assume expanded managerial roles associated with fiscal decentralization. Improving the public sector's capacity to administer and manage public finances is key to increasing citizen and taxpayer confidence in the Government and to improving the environment for private initiative.

## **B. Strategy Presentation**

### **1. Special Program Objective and Intermediate Results Presentation**

USAID/Madagascar's Special Program Objective (SPO) is *"Improved Environment for Private Initiative."* This SPO will correspond to the Mission's strategic planning period (1998-2002) because an improved environment for private initiative is fundamental to the success of our poverty reduction strategy. Reducing poverty in Madagascar depends on the country's success in pursuing an integrated strategy aimed at encouraging and enabling Malagasy families and businesses to take private initiative that effectively increases their productive capacities, incomes, and contributions to the nation's environmentally sustainable development. For this to happen, Madagascar must establish a legal, policy, and institutional framework that encourages and rewards private initiative. Private initiative refers to both the actions of private sector entrepreneurs and businesses as well as those of private citizens. To motivate private action, economic actors and citizens must have confidence that the nation's legal and judicial system protects and promotes their right to invest and employ their resources productively. Citizens and economic actors must also feel empowered to participate actively in the formulation and implementation of their nation's policies and laws, and be willing and able to hold their government accountable for the functions and services they have entrusted to it as taxpaying citizens.

As an emerging democracy and market economy, Madagascar has begun to establish these basic motivating conditions, but much remains to be done. Through our Special Program Objective (SPO), and drawing upon the comparative advantage that the U.S. has in this area, USAID/Madagascar aims to support the Malagasy citizens' and government's efforts to improve the environment for private initiative. In pursuing the SPO, we also aim to support directly and indirectly achievement of the Mission's two Strategic Objectives: *Smaller,*

*Healthier Families, and Biologically Diverse Ecosystems Conserved in Priority Conservation Zones* (see Section B.7 below). USAID/Madagascar has designed the SPO in recognition of the staff and program restraints of a Limited Program Mission and in accordance with guidance provided in the USAID/Washington-USAID/Madagascar Management Contract (see Appendix A). The SPO design was also informed by consultations with our USAID/Washington virtual team members, Embassy colleagues, Malagasy partners, and other donors whose active cooperation is critical to the achievement of our program objectives. To contribute significantly towards the achievement of *An Improved Environment for Private Initiative*, USAID/Madagascar aims to achieve two Intermediate Results as described below.

### **IR1.1: Improved Legal, Financial, and Policy Conditions for Trade and Investment**

To help improve the environment for private initiative, USAID/Madagascar and its partners will implement targeted interventions aimed at improving the legal, policy, and financial conditions for investment and trade. These interventions build on USAID's experience and comparative advantage from its past or ongoing successful programs. Madagascar's legal and judicial system at present discourages economic actors from taking entrepreneurial risk and making productive investments. Laws governing commercial activities are outdated, inconsistent, or simply lacking in key areas. In addition, legal practitioners do not have access to the legal information needed to perform their duties. The court system is backlogged and resolution of commercial disputes is painfully slow. Commercial law reform is essential not only to improving the incentive regime governing the conduct of large- and medium-sized businesses, but as importantly, to improving the incentives for smallholders and small entrepreneurs to make productive investments and secure their transactions.

USAID/Madagascar is providing technical assistance, training, and limited commodities to help the Malagasy government and legal community reform the commercial codes and judicial system. The program of reform is being carried out with the active participation of business and citizens' groups whose interests are keenly affected by commercial law. This assistance has been planned and is being executed in close collaboration with Malagasy partners and the World Bank. This work will establish an improved incentive regime governing private investment and trade and will strengthen the confidence of Malagasy economic actors and private citizens in the nation's adherence to the rule of law.

Under one component of the legal reform activity, USAID will continue its support of improved public financial accountability. Managed by SPO team members from the USAID Controller's office, this activity strengthens the capacity of the Malagasy Chamber of Accounts to conduct high-quality audits using generally accepted audit techniques. Significant results have already been achieved, and there is a growing appreciation within Madagascar of the importance of improving public sector financial accountability. This work also strongly complements Malagasy and donor efforts to improve the efficiency of tax administration, since taxpayers' willingness to pay depends critically on their perception of the efficiency with which their contributions are managed. Work is also underway to

sensitize the Malagasy public and government to the importance of fighting corruption and improving transparency in public administration.

A major constraint to promoting private initiative in Madagascar is the lack of reliable access to basic financial services. This deficiency pertains to both households and small and microbusinesses. As the World Bank's *Poverty Assessment* asserts, "lack of access to bank finance remains a major constraint both for formal sector private firms, as well as for small farmers."<sup>7</sup> This constraint has also been documented during the implementation of USAID's agribusiness programs under SO3. The report goes on to stress the importance of developing financial institutions that can effectively serve small savers and borrowers.

USAID has made significant contributions to developing one key financial institution's capacity to sustainably serve low income clients. This assistance helped the National Savings Bank (CEM), the foremost institution servicing small savers in Madagascar, expand its client base by over 165,000 and double its deposit base in real terms. USAID/Madagascar proposes to continue its support of the CEM as the bank makes the transition from a Public Establishment to an Independent Company. Future support, provided in close collaboration with other donors working in the field, will focus on consolidating gains already made towards ensuring the CEM's financial sustainability and operational effectiveness. On a pilot basis, and depending on the results of the necessary diagnostic work, assistance could also support the CEM's goal of expanding the range of its financial services, possibly including the provision of microcredit and/or checking services.

As an island nation, and in light of its impressive resource base, Madagascar's growth potential relies heavily on its ability to establish a legal and policy environment that encourages international trade and investment and efficient resource allocation. At present, Madagascar still relies heavily on customs duties as a major source of revenue, but with World Bank, IMF, and EU support, efforts are underway to improve the efficiency of customs and tax administration in order to shift away from customs duties towards other less distortive taxes. Complementing our support for commercial law reform, we will support measures to improve the policy and legal environment for efficient trade and investment. In collaboration with the World Bank, USAID will jointly fund an "investor road map" similar to those conducted in several African nations. Resources permitting, the Mission also intends to fund an assessment of Madagascar's WTO obligations or "participation requirements" and compare these to its compliance and effective participation. The assessment would prioritize the gaps to be addressed while follow-on work would provide technical assistance and training to close the most important of those gaps. This support would help ensure that Madagascar's trade and investment policies and laws conform to global standards and norms and thus promote the country's integration into the global economy.

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<sup>7</sup>The World Bank, *Madagascar Poverty Assessment*, *op. cit.*, p. 55.

## **IR1.2: More Informed and Responsive Public Participation in Economic and Legal Issues**

Improving the environment for private initiative will involve establishing a legal and policy regime that provides the proper incentives for private operators to take risk and invest their resources productively. To be effective, policy and legal formation and implementation cannot be a top-down process. Establishing an improved incentive regime requires that the actors whose interests are at stake participate in the public policy dialogue and inform the process of policy change. USAID/Madagascar believes that improved public policy dialogue is both an end in itself and also an essential means of achieving more effective policy change and implementation. A productive public exchange requires improving the flow of information and analysis between policy makers and citizens. Hence, USAID/Madagascar aims to foster *more informed and responsive public participation in economic and legal issues*.

To accomplish this intermediate result, USAID will build on the successes and lessons learned from its ongoing work in this area. The SPO team currently implements an activity that seeks to improve the flow of information and exchange of views between power holders and citizens on key public interest issues. This activity has demonstrated the benefit to power holders and citizens' groups of shared communication and public policy planning. In one of Madagascar's largest cities, Mahajanga, which is located in one of the two high potential zones of USAID/Madagascar's program focus, this has led to an improved process for examining and resolving the difficult problem of raising local revenues via increased property taxes. While the problem is not yet resolved, taxpayer groups and the municipality have a better understanding of each others' concerns and of the need to maintain constructive consultations in finding a solution. In Mahajanga, for example, following a first-ever town meeting on taxes in November 1997, the municipality's tax recovery rate increased from 12 percent in October to 35 percent by the end of December. The treatment of this issue, like others targeted by the activity, yields results that support achievement of the other two Strategic Objectives, since active local participation and ownership of the change process are key features of our support for healthier families and biodiversity conservation.

USAID/Madagascar proposes to build on its work in this area, and (resources permitting) to launch a follow-on activity that will promote improved public information and dialogue. Support would include strengthening the capacity of civil society groups to analyze key public interest issues and facilitate informed exchange between their constituents and policymakers. If funds permit, we will also support training of journalists and civil society representatives on economic and legal principles and issues with the aim of improving the quality of the public dialogue on key issues. The issues selected would include those critical to achieving the Mission's intermediate results. For example, public tax and expenditure issues will continue to be of cross-cutting concern given their importance in ensuring that scarce public

resources are allocated optimally and that national and local governments are accountable to their constituents.

Work being done to support the expansion of the use of the Internet also supports improved public information and dialogue. Thanks in large part to this effort, the public's interest in the Internet has grown considerably in Madagascar. Key public institutions now appreciate the value of Internet as a means of acquiring knowledge and information and as an important communications tool. USAID/Madagascar is actively spreading the use of Internet by working with key partners, e.g., the National Assembly, the Central Bank, and the CEM to enable them to exploit this new technology and thereby strengthen their information and communications outreach capacity.

Under the Special Program Objective, USAID/Madagascar will continue to provide limited assistance to support high quality economic analysis of issues important to achieving the Mission's program objectives and goal of reducing poverty. Collaborative work between Cornell University and the National Statistics Institute on the analysis of poverty in Madagascar and the effects of policy change on poverty and income distribution is being used to inform decision-makers and promote public discussion. Other analytical work involves collaboration between the International Food Policy Research Institute (IFPRI) and Madagascar's Agricultural Research Agency on the analysis of agricultural marketing policies and conditions and their relationship to the welfare and productivity of rural households. We believe that both of these economic analyses are important to informing policy and public investment decisions that affect our interventions in the health and environment sectors. Building Malagasy institutional capacity to identify issues and undertake sound economic analysis is key to strengthening the country's ability to pursue reform measures consistent with its goal of reducing poverty. While it is too early to judge whether we will continue to support these same analytical topics when present activities end, we foresee the need to continue to make some resources available to support economic analyses that inform policy and program decisions related to the GOM, donors, and USAID poverty reduction strategy, and strengthen Malagasy institutional capacity to undertake and use them.

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

The SPO Results Framework integrates economic growth and democracy/governance and thus directly supports the achievement of two Agency Goals: 1) Broad-based economic growth achieved; and 2) Sustainable democracies built.

SPO activities and results produced in support of an improved legal and judicial framework will help strengthen markets (Agency Objective 1.1). Support to improve Madagascar's commercial code, court administration, and the dissemination of legal information strengthens the institutions and institutional arrangements on which market development depends. This work also supports the Agency's democracy goal by contributing to the establishment of more

transparent and accountable government institutions (Agency Objective 2.4) as does the component work to improve public sector financial accountability.

Support to strengthen Madagascar's National Savings Bank helps expand access and opportunity for the poor (Agency Objective 1.2).

Support to achieve *More Informed and Responsive Public Participation in Economic and Legal Issues* contributes directly to increased development of a politically active civil society (Agency Objective 2.3). This work also indirectly contributes to more transparent and accountable government since the civil society plays a critical role in increasing the government's accountability and responsiveness to its citizens.

### **3. Development Hypotheses and Critical Assumptions**

An underlying assumption of the SPO logic is that Madagascar's overall Structural Adjustment Program will be carried out effectively. This implies that the Government and people of Madagascar will remain committed to the objectives of the reform program and to implementing the measures needed to achieve them. It also implies that donors, particularly the World Bank and IMF, will remain convinced of the Government's commitment to the reform program and will continue to support its achievement. For this to happen, the political leaders of Madagascar must demonstrate the political will necessary to overcome entrenched vested interests, and at the same time communicate effectively with their electorate to ensure that the reform program has broad public ownership.

Assumptions specific to the SPO results framework include the following:

- Improving the legal and judicial framework governing the conduct of business will contribute significantly to improving the overall environment for private initiative and to increasing the confidence of businesses and private economic operators to invest and take entrepreneurial risk. USAID's program of support will continue to operate in close collaboration and with the active support of the GOM, the Business Law Reform Commission and other donors (mainly the World Bank) whose commitment and concerted actions are critical to its success.
- Madagascar's monetary authorities will continue to keep inflation in check, thereby permitting the healthy growth of financial institutions and the expansion of financial services to small and microentrepreneurs. Donor efforts to support the expansion of microfinance will be well coordinated and will adhere to sound microfinance policies and practices.
- Vested economic interests will not be permitted to foil efforts to promote increased foreign and domestic competition and greater openness to trade and investment.

- The political environment in Madagascar will remain relatively stable and favorable to the development of active civil society organizations and substantive public-private dialogue on key policy issues. Greater participation of the public and civil society in policy decisions and implementation will improve the overall environment for private initiative.
- Policymakers and the public will continue to have a growing appreciation of the need for accurate information and sound analysis in formulating and implementing public policy.

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

USAID has planned and is executing its program of assistance in support of *An Improved Environment for Private Initiative* in consultation with our major donor partners. Table 1 in section 6 shows the objectives and corresponding measures of Madagascar's Structural Adjustment Program (SAP) as articulated in the Policy Framework Paper, and illustrates which components are supported by the major donors. The IMF and World Bank are the principal donors supporting improved tax and customs administration. This is a critical element of the overall program since Madagascar's very low level of tax receipts impedes the growth in public investment and expenditures needed to reduce poverty and support growth.

The World Bank has two projects which directly support the SAP. Its *Public Management Capacity Building Project* (PAIGEP) includes support for civil service reform, decentralization, and support to the Technical Secretariat for Structural Reform. PAIGEP also provides support for legal and judicial reform, including support for the National School for Judges and Clerks. USAID collaborates closely with the World Bank in the planning and execution of our joint program, and this collaboration has been highly productive and synergistic. PAIGEP provides support to the National Statistics Agency (INSTAT) to improve the National Accounts, an activity which is highly complementary to USAID's work with INSTAT on analyzing the impacts of policy change on the poor. The European Union also provides support to INSTAT. National institutions' analytical capacity is greatly enhanced from the sharing of data and analytical methods from these coordinated donor programs.

The other World Bank project which supports key elements of the SAP is the *Private Sector Development Project* (PATESP). This new effort is the principal donor vehicle providing support for privatization, including support to the Privatization Committee, the Technical Secretariat for Privatization, and creation of an Investment Fund to enable broader distribution of the shares of state-owned companies to Malagasy citizens. The project also provides support to the Competitiveness Committee and the Private Sector Support Fund to promote the participation of business leaders in policy dialogue and to help businesses enhance their global competitiveness.

Several donors are operating in the area of microfinance. The World Bank is planning the second phase of its support, which aims to promote the expansion of savings and credit

networks (MECs) in three regions of Madagascar. The French also support the establishment of small savings and credit operations and their regional grouping, primarily through technical assistance for microfinance development. The UNDP has targeted two regions of Madagascar to begin its microfinance activities. USAID is the only donor currently supporting the National Savings Bank (CEM), the single largest institution serving small savers. USAID support in the microfinance arena is coordinated closely with the World Bank and other donors as well as with the new interministerial committee for microfinance.

USAID work to foster an improved dialogue between the state and civil society on key public interest issues is an innovative activity. To our knowledge, its approach and objectives are unique. The activity operates at the municipal level, working with the municipal government, civil society groups, and other donors to improve the flow of information and communication on key policy issues affecting citizens. Implementors have formed a partnership with the French-funded Urban Project, which is providing technical assistance to municipalities in the area of public finance. A partnership has also been formed with the Friedrich Ebert Foundation, which supports decentralization.

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

The attached Performance Monitoring Plan (PMP) provides proposed SPO and IR-level indicators of performance and corresponding targets. As an indicator of *An Improved Environment for Private Initiative*, USAID expects private investment as a percent of GDP to more than double over the next five years. Targets are estimated by the GOM in collaboration with the IMF as part of the SAP policy objectives. USAID's support for key elements of the SAP will contribute importantly to achievement of these performance targets. An improved environment will also enable an expansion in the number of new firms created each year. At present, nobody is systematically tracking this figure, but several data sources do exist. In 1998, USAID will determine which of the sources is the best and work with the appropriate partner institutions to compile the data and set targets. Finally, USAID will continue to track employment in the formal sector as a measure of the people-level impact of an improved environment for private initiative. Based on an analysis of the relationship between investment and employment, we expect formal sector employment to expand by approximately 62 percent or roughly 12 percent per year over the period 1998-2002.

At the IR level, towards achieving *improved legal, financial, and policy conditions for trade and investment (IR1.1)*, USAID will help the Malagasy Business Law Reform Commission to reform laws and decrees in at least three major areas of Business Law. Targets for the number of laws to be reformed will be established in 1998 once technical assistance is in place. USAID will also contribute to a 55 percent reduction in the private sector-related court case backlog by the year 2002 via its support for basic equipment to the nation's ill-equipped courts and training of judges and lawyers. Towards increasing public financial accountability, USAID expects that by the year 2002 a progressively larger number of audits of public agencies will have been conducted by the Chamber of Accounts or the Inspector General each

year resulting in a cumulative total of 56 audits by the year 2002. This work will contribute significantly to an increase in taxpayers' and investors' confidence in the Government's capacity to manage scarce public resources.

If resources match requested levels, USAID will also contribute to a reduction in the average number of days required for the realization of planned investment via the elimination or streamlining of cumbersome administrative barriers to investment. Targets are to be determined this year as part of the planned investor road map to be carried out in collaboration with the World Bank. Resources permitting, USAID will help achieve a tangible increase in Madagascar's compliance with WTO obligations and membership requirements. Targets will be determined as part of the assessment done to analyze Madagascar's obligations against its compliance. This work will help ensure that Madagascar's trade and investment policies and laws conform to globally accepted norms, thus advancing the nation's integration into the global economy and promoting the U.S. foreign policy interest of expanded trade and investment in Africa.

Towards improving financial conditions for households and small and micro-entrepreneurs, USAID will help the National Savings Bank (CEM) achieve financial sustainability, thus guaranteeing that this largest microfinance institution is capable of reliably serving its client base without state support or interference. Deposit growth (in nominal terms) is expected to average 20 percent per year, implying that nominal deposits will increase from a baseline of FMG 48,644 million (roughly \$9.4 million) in 1996 to FMG 200,000 million (roughly \$38.5 million) by the year 2002. Client growth is expected to average 10 percent per year resulting in the CEM servicing approximately 650,000 clients by 2002.

As indicators of *more informed and responsive public participation in economic and legal issues* (IR 1.2), by 1999 (the scheduled termination of *Rary*), four key policy issues will have been discussed with the participation of civil society, and at least 11 key actions taken by powerholders to increase communications with civil society. If results meet expectations, USAID plans to design a follow-on to this innovative and well-received activity. Targets beyond 1999 will be established in the design of the follow-on activity. In addition, by 1999, a total of 21 studies jointly produced by US (Cornell and IFPRI) and Malagasy (INSTAT and FOFIFA) research institutions will have been disseminated in public fora, thus demonstrating the demand for and use of economic analysis in policy decisions and dialogue. This will include analysis of the impacts of key policy changes (e.g., fiscal policy reforms) on poor households. If funds permit, the Mission will finance follow-on analyses to continue to contribute to more informed policy dialogue and decisions.

## **6. SPO Supports Madagascar's Structural Adjustment Program**

The Government of Madagascar's Structural Adjustment Program (SAP) aims to reverse the declining trend in living standards and put in place the conditions for sustained economic growth and poverty reduction. The strategy for achieving this goal is described in the Policy

Framework Paper (PFP), a document prepared by the Government in collaboration with the IMF and World Bank. In preparing the SPO strategic framework, USAID/Madagascar consulted with our partners in the Malagasy Government, the IMF, and the World Bank to ensure that the planned SPO program supports the goal, objectives and overall strategy of the SAP. Donor unity in support for implementation of the SAP is key to its success. The World Bank, IMF, and bilateral donors have chosen to collaborate on interventions in each sector to increase leverage with the GOM on key implementation concerns. The donor matrix (Table 1) shows how donors (including USAID) support the SAP.

### *The Overall Approach*

The overall approach of Madagascar's structural adjustment program is described in the PFP: "*The Government aims to win public and investor confidence in a liberal and stable economic framework and with an efficient public administration, in order to improve the investment climate and reduce poverty.*" The strategy and approach of USAID/Madagascar's SPO is consistent with the overall approach of the SAP. Below we describe those SAP objectives that USAID/Madagascar's SPO most directly supports.

### *Legal, Regulatory and Judicial Reform*

Under the section entitled "Structural Adjustment," the PFP describes the GOM's plans for reforming the judicial branch and laws governing commercial activities. USAID's work to support commercial law reform, improved administration of justice, and quicker resolution of commercial disputes directly supports the objectives outlined in the PFP. Under our program of support, U.S. technical advisors will work with Malagasy partners at the Ministry of Justice and the Business Law Reform Commission, the body (referred to in the PFP) which is responsible for coordinating legislative reform. In all stages of executing the program, USAID coordinates closely with the World Bank, which is also providing support for legal and judicial reform.

### *Improved Public Financial Accountability*

USAID's work to support improved public financial accountability, one component of the LRJ activity described above, aims to improve the Chamber of Accounts' capacity to conduct high-quality public sector audits using modern audit techniques. This work directly supports the PFP objective of *improving current expenditure management*.

TABLE 1: DONORS' SUPPORT TO MADAGASCAR'S STRUCTURAL ADJUSTMENT PROGRAM

SOURCE: POLICY FRAMEWORK PAPER

SECTOR	OBJECTIVES & POLICIES	DONORS							
		USAID	WB	EU	UNDP	FRANCE	GERMANY	SWITZ	JAPAN
<b>I. Macroeconomic policies</b>									
<b>1. Fiscal Policies</b>									
Tax & customs administration	Strengthen tax & customs administration, reduce tax fraud, increase revenue		X	X		X			
Tax policy	Broaden the tax base, improve efficiency & fairness of taxation & increase the tax effort		X		X	X			
Public expenditures	Improve current expenditure management	SPO	X	X	X				
	Improve management & structure of capital expenditure		X		X	X			
<b>2. Monetary Policy</b>									
Monetary control system	Use indirect monetary control instruments		X						
Financial System	Improve services to small borrowers	SPO	X	X	X				
<b>3. Exchange &amp; payments</b>									
External Debt	Restore normal relations with creditors		X		X	X		X	
	Conduct prudent debt management policy		X						
Exchange arrangements	Liberalize external payments								
Other areas									
<b>II. Institutional reforms</b>									
<b>1. Government operations</b>									
	Civil service reform designed to attract, train & retain a skilled work force		X			X			
	Reform of the judicial system	SPO	X		X	X			
	Implementation of decentralization		X	X	X	X	X		
<b>2. Private Sector Development</b>	Remove regulatory constraints on private investment to establish a conducive environment for private sector development and privatization	SPO	X		X	X			
<b>3. Government divestiture</b>	Reduce the burden of public enterprises on the budget, improve their productivity & increase private investment through divestiture		X						
<b>4. Data base</b>	Improve the capacity to monitor economic & financial trends	SPO	X	X	X	X			
<b>III. Poverty alleviation</b>	Provide access to basic services for the most disadvantaged	SO2	X	X	X	X	X	X	X
	Improve public security					X			
<b>IV. Environment</b>									
<b>Sustainable development</b>	Fight over-exploitation of natural resources	SO3	X		X	X	X	X	X
<b>V. Sectoral policies</b>									
<b>1. Infrastructure</b>									
Road transport	Improve roads	SO3	X	X		X			X
Telecommunication	Provide the country with a modern state-of-the art system by fostering competition	Leland	X			X			
Air transport	Reduce the cost of international transport		X						
Maritime transport	Improve the productivity of Malagasy ports & reduce international transport costs		X						
Water and sewerage services	Improve the quality of water & reduce pollution		X		X		X		X
<b>2. Productive sectors</b>									
Agriculture	Improve agricultural productivity	SO3	X	X		X	X	X	X
Mining	Liberalization of the sector and State divestiture		X			X			
Tourism	Upgrade and develop the sector		X	X		X			
Energy	Liberalize the oil and electricity sectors		X			X			

### *Expanded Access to Financial Services*

In the section of the PFP entitled "Money and the Financial System," one objective of the government is to "support the establishment of credit unions and other suitable credit facilities," and to "encourage creditors and donors to harmonize their efforts in this field." USAID's ongoing and planned work to promote the expansion of sustainable financial services to households and small and microbusinesses supports this objective. Thus far, USAID has focused its efforts on supporting the expansion of small saving services, a critical complement to expanding small borrower services. As described in the strategy presentation, future efforts could include targeted support for the expansion of small and microcredit. USAID coordinates closely with the World Bank, the Consultative Group to Assist the Poorest (CGAP), the ILO, GTZ, the UNDP and other donors working in this field.

### *Improved Public Information and Dialogue*

The PFP describes the "supplementary measures" in the fight against poverty described in the section on Sectoral policies and strategies. One measure cited is the promotion of microenterprises, economic interest groups, and the activities of associations and NGOs. USAID's ongoing and planned work to promote improved public information and dialogue strengthens the capacity of economic interest groups and NGOs to perform their critical role in fostering the public's participation in policy formulation and implementation and in improving the flow of information and dialogue on key public interest issues.

### *Improved Investment and Trade Regime*

In the section on Financial policies, the sub-section entitled "Foreign Trade and Payments" outlines the government's objective of harmonizing its trade and investment policies with those in the region, and in conjunction with the regional trade groupings of which Madagascar is a member. USAID/Madagascar aims to support the goal of trade and investment policy reform by assessing Madagascar's WTO obligations against its compliance, and addressing the identified priority gaps. This work will help ensure that Madagascar's trade policies and laws conform to global norms and thus advance its integration into the global economy. It is also integral to our work to reform Madagascar's commercial code in support of expanded investment and trade.

### *Improved Economic Analysis for Decision-Making*

USAID's work to strengthen the capacity of key Malagasy institutions, e.g., the National Statistics Institute and the National Agricultural Research Agency, to undertake economic policy analysis enhances their ability to perform their critical role in formulating and implementing policies appropriate to poverty reduction. USAID's ongoing and planned work to support sound economic analysis to inform policy and public expenditure decisions supports the PFP's stated objective of *improving the capacity to monitor economic and financial trends*. Work being done to analyze the impact of policy change on poverty and

income distribution strongly complements the World Bank's support for improving Madagascar's data base and national accounting statistics as it demonstrates the policy-relevant value of improving these systems. Since the work is highly collaborative, knowledge and technology transfer helps ensure sustainability of the analytical work. Collaborative research on the impact of agricultural marketing policies and conditions helps inform the PFP strategy of increasing the participation of producers in the market economy.

## **7. SPO Supports Achievement of SO2 and SO3**

USAID/Madagascar's overall strategy aims to exploit the natural synergies that exist among our strategic objectives and special objective. Towards sustainably reducing poverty, our efforts to improve family health, and those aimed at encouraging families and businesses to adopt environmentally sound practices, are supported by our efforts to *Improve the Environment for Private Initiative*. This section describes the rationale for the SPO and how it supports achievement of the Mission's two Strategic Objectives of *Smaller, Healthier Families* and *Biologically Diverse Ecosystems Conserved in Priority Conservation Zones*.

### *The Development Hypothesis*

- ▶ Improving the environment for private initiative is essential to increasing productive investment. Productive investment is critical to job creation and increasing the productivity of labor. Job creation and increased labor productivity are essential to ensuring that poor families have a steady source of income to meet their basic survival needs. Before these basic needs are met, families cannot consider adopting better health care and family planning practices, nor will they adopt more ecologically sound and sustainable practices.

### *Legal and Judicial Reform*

- ▶ The lack of clearly defined property rights in Madagascar encourages non-sustainable, land-extensive agricultural practices, and land and soil degradation. Reform of property law will lead to better defined and enforced property rights thus discouraging these practices and reducing the threat to common environmental resources.
- ▶ Reform of company law should have a direct impact on the ecotourism sector by reducing administrative obstacles and facilitating the establishment of hotels and tourist operators as legal commercial entities.
- ▶ Improved dissemination of laws and legal information will result in better administration of justice and more knowledgeable legal practitioners, thus enabling improved enforcement and reduced violation of environmental and health laws and regulations.

- ▶ Improvement of the public sector's capacity to conduct audits of public and quasi-public institutions will increase the efficiency of public expenditures thus ensuring that USAID's interventions in public health and conservation of the environment is supported by the sound management of the Malagasy government's own financial contributions in these sectors.

#### *Expanded Access to Financial Services*

- ▶ Increasing families' ability to save and better manage their household finances allows them to more reliably meet the basic needs of their household. Encouraging savings that can be used to buy food in times of shortage contributes to food security and enables families to set aside income for health care needs and child education. Savings permit families to invest in small scale enterprises or improved production tools, which in turn lessens the incentive to employ land-extensive and environmentally destructive practices.

#### *Improved Public Information and Dialogue*

- ▶ Improving public information and dialogue, and the cross-cutting work of the Mission in areas that support the New Partnership Initiative (NPI), exploit linkages across the SOs. Ongoing work under the *Rary* activity focuses on the identification of "public interest issues" and seeks to improve the flow of information and the dialogue between public decision makers and representatives of civil society on these issues. The work of SO2 and SO3 are directly related to these civil society and public/private dialogue issues. For example, *Rary* is working in Mahajanga on the hot issue of the property tax, which is key to increasing the municipality's source of public revenues. The local government's capacity to mobilize resources and allocate them efficiently directly affects decisions to decentralize public expenditures in support of health and sanitation services.
- ▶ Training of journalists under the legal reform activity will include support targeted at strengthening reporting on legal and economic issues relevant to improved family health and sustainable management of national resources.
- ▶ The Mission's work to promote the use of the Internet in Madagascar supports all three objectives. Within each SO, our partners suffer from a lack of data and information resources and weak communication capacity. Expanding our partners' access to and understanding of the power of the global communication network will improve their resource base and ability to communicate.

#### *Improved Economic Analysis for Decision Making*

- ▶ Support provided by SPO for activities which strengthen the analysis of economic data for improved policy dialogue, formulation and implementation improves the informational and analytical basis for decision-making in SO2 and SO3 activities. Collaborative work being done to analyze the impact of policy change on poverty and income distribution should

contribute to better decision-making and monitoring in the health and environmental sectors. Similarly, collaborative research on the impact of agricultural marketing policies and conditions on rural households directly supports and informs SO2's work to promote food security and SO3's work in increasing agricultural productivity in the broader landscapes of the conservation zones.

#### **IV. GOAL AND SPECIAL PROGRAM OBJECTIVE PERFORMANCE MONITORING PLANS**

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

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

**Goal:** USAID plans to measure progress toward achieving its goal of reduced poverty with two indicators: i) a decrease in the percent of the population considered absolutely poor, to below 70 percent by 2002<sup>8</sup>; and ii) an increase in the percent of children who show no signs of stunting, to above 49 percent by 2002<sup>9</sup>.

We have selected these indicators because they are key measures of both poverty and food security, which are intrinsically linked. One factor in their selection was the recommendation of the CSP review that the Mission address the issue of Food Security in collaboration with Title II PVO cooperating sponsors, and consider Food Security as a cross-cutting theme with indicators at the goal level. We will share our new Food Security Strategy in the near future with our virtual teammates in USAID/W who have been instrumental in its development.

**SPO:** The SPO indicators have been chosen through extensive consultation in Madagascar and with virtual team members and consultants from USAID/W. We will continue to refine them as we establish targets in the coming year to assure prudent program monitoring and management.

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<sup>8</sup> The World Bank, *Madagascar Poverty Assessment*, June 28, 1996, p.12.

<sup>9</sup> Only 49 percent of children were not stunted according to the 1992 Demographic and Health Survey, or DHS. Data from the 1997 DHS are expected to be available in mid-1998 and will permit analysis of progress against this baseline.

**Goal: Reduced Poverty**

Performance Measures	Baseline		Performance					
	Year	Value	1997	1998	1999	2000	2001	2002
1. Proportion of people below the poverty line*  <i>Source: World Bank Poverty Assessment, 1995</i>	1993/ 1994	70.3%						
2. Children under 5 years of age who show no signs of stunting**  <i>Source: Demographic and Health Survey, 1992</i>	1992	49.0%						

**Comments/Narrative:**

\* With World Bank support, the National Statistics Agency (INSTAT) will conduct a biannual household survey using the 1993/94 household survey as a baseline. A new household survey was conducted in 1997. The data will be compiled, analyzed, with results expected to be published in July 1998. Another survey is planned for 1999.

\*\* The 49% figure is from the 1992 DHS. New data from the 1997 DHS are expected to be available in April 1998. Unfortunately, no significant increase is anticipated. The indicator description is "percent of children under 5 whose height for weight is not less than 2 standard deviations from the median of the International Reference Population (NCHS/CDC/WHO)." National level data will be measured again in the 2002 DHS. In the interim, USAID will undertake mini-surveys concerning the results of nutrition interventions in areas where partners are active and will monitor other data sources.

**B. SPO: PERFORMANCE MONITORING PLAN**

**SPO: Improved environment for private initiative**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
1. Private Investment as percent of GDP <i>Source: National Institute of Statistics (INSTAT)</i>	1996	4.9%	5.4%	6.3%	7.3%	8.6%	10.3%	12.5%
2. Number of new firms created each year <i>Source: TBD</i>	1996	TBD	TBD	TBD	TBD	TBD	TBD	TBD
3. Number of wage-earners in formal sector <i>Source: CNAPS (National Social Security Fund), and USAID Projection</i>	1994	322,460	440,000	489,000	544,000	612,000	693,000	791,000

**Comments/Narrative:**

1. This indicator reflects the conduciveness of the environment for private initiative and the relative importance of the private sector as a source of investment capital. Targeted figures derive from the IMF/GOM projections as of December 1996. The Policy Framework Paper and corresponding targets are currently being reviewed and revised. If necessary, next year we will revise these targets to conform to the revised GOM/IMF targets.
2. The baseline and targets will be determined when the data source is determined. Possible sources include: Bureau of Companies under the Ministry of Budget and Decentralization, the Trade Registry Office under the Ministry of Justice, or the Service of Statistical Identification Numbers at the National Institute of Statistics.
3. This figure only includes formal private sector employment which comprises roughly 7.5% of total employment. We can only track formal sector job growth which is available at the National Social Security Fund. We consider it important to track formal sector job growth since it reflects the people-level impact of an improved environment for private initiative. The targets were derived from the investment growth targets given in the PFP which assumes that one job is created per \$10,000 of new investment. This assumption is based on an analysis of employment and industrial investment data provided by UNIDO and Madagascar's One-Stop Investment Bureau. This target will be also revised in the next R4 if there are changes in the GOM/IMF investment targets

**SPO: Improved environment for private initiative**

**IR1.1: Improved legal, financial, and policy conditions for trade and investment**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
1. Laws modernized in major areas of business law, thereby removing legal obstacles to trade and investment  <i>Source: MINJUS / US Contractor</i>	1997	0	0	TBD	TBD	TBD	TBD	TBD
2. Cumulative percentage reduction in number of private sector related court decisions rendered but not yet officially registered  <i>Source: MINJUS / US Contractor</i>	1997	n/a	n/a	20%	35%	45%	50%	55%
3. Number of audits performed annually of public entities performed by the Chamber of Accounts and the Inspector General using Generally Accepted Audit Methods.  <i>Source: Chamber of Accounts and Inspector General</i>	1996	0	2	3	6	10	15	20

**Comments/Narrative:**

1. Analysis and selection of the legal reform priorities will be determined by the Malagasy Business Law Reform Commission with the support of US technical assistance in 1998. We expect that to qualify for inclusion as part of this indicator, a law enacted by the National Assembly must be significant in removing a major obstacle to trade and/or investment and improving the environment for private initiative. By the next R4, USAID/Madagascar will provide targets on the number of laws to be reformed.
2. This indicator measures improved timeliness of court administration and a reduction in the court case backlog. Court decisions can only be executed once typed and registered. The indicator will report on the reduction in the backlog of the number of court decisions to be typed in areas of law affecting the private sector. Reporting will cover all courts supported under LRJ. Baseline figure for 1997 will be provided in the next R4.
3. This indicator reflects an improvement in public sector financial accountability. The importance of improving transparency in public administration is that it will increase private sector confidence in the government's management of public resources, thus creating a better climate for private sector investment. A brief narrative that describes the impact of improved public financial accountability will also be provided.

**SPO: Improved environment for private initiative**

**IR1.1: Improved legal, financial, and policy conditions for trade and investment**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
4. Average number of days required for realization of planned investment  <i>Source: TBD by planned study</i>	1997	TBD	TBD	TBD	TBD	TBD	TBD	TBD
5. Number of WTO participation requirements met per year  <i>Source: TBD by planned study</i>	1997	TBD	TBD	TBD	TBD	TBD	TBD	TBD
6. Deposits and Number of Clients at the National Savings Bank  - Deposits (FMG Million) - Number of Clients (T:Total, M: Male, F: Female Clients)  * 1997 figures are Actuals also reported in our FY 2000 R4	1996 1996	48,644 T: 365,559 M: 196,837 F: 168,722	78,714 * 420,602 *	100,000 460,000	120,000 500,000	145,000 545,000	170,000 595,000	200,000 650,000
7. Indicator of CEM profitability/sustainability  <i>Source: National Savings Bank (CEM)</i>	1997	TBD	TBD	TBD	TBD	TBD	TBD	TBD

**Comments/Narrative:**

**4&5.** Source and mode of data collection will be determined by planned study/assessment.

**5.** Participation requirements include WTO/GATT obligations such as tariff bindings, notifications, as well as the tabling of specific offers.

**6.** This indicator measures savings mobilization among small and microbusinesses and households.

**7.** A new indicator reflecting CEM profitability/sustainability will be established in 1998 and will be reported in the next R4.

**SPO: Improved environment for private initiative**

**IR1.2: More informed and responsive public participation in economic and legal issues**

Performance Measures	Baseline		Performance Targets					
	Year	Value	1997	1998	1999	2000	2001	2002
1. Key public interest issues addressed with the participation of civil society.  <i>Source: Pact/Rary and follow-on, TBD</i>	1996	0	0	2	2	TBD	TBD	TBD
2. Key actions taken by power holders to increase communication and dialogue with civil society on economic and legal issues  <i>Source: Pact/Rary and follow-on, TBD</i>	1996	0	3	5	3	TBD	TBD	TBD
3. Demand for and use of economic analysis in policy decisions and dialogue  <i>Source: Cornell University/INSTAT, IFPRI/FOFIFA</i>	1996	0	2	5	5	3	3	3

**Comments/Narrative:**

1. Key public interest issues include municipal finance, municipal services, cost-recovery of health, and road infrastructure.
2. Actions include for e.g., holding public hearings, town meetings, and the appointment of CSO representatives in government bodies.
3. Unit of measurement: Number of quality economic studies disseminated and discussed in public fora per year. A brief narrative describing policy significance of studies, benefits gained from the dissemination, and stakeholders' use of information will be reported. The studies will be those undertaken by USAID partner institutions.

## V. RESOURCE REQUIREMENTS

### A. Programming Options

Table 5.1 below presents the funding levels approved at the March 1997 review of Madagascar's Country Strategic Plan (1998-2002) as reported in 97 State 135276 (Appendix A). The Mission takes these figures as its baseline figures. Table 5.2 on the following page presents the funding needed to achieve the results specified in the CSP. The narratives below describe what activities and results would be dropped or foregone if the funding levels in Table 5.2 are not made available. As recommended in the above cable (which together with 97 State 147043, which reported on the review of our FY 1999 R4 constitutes the Mission's current Management Contract), the SPO narrative also includes a discussion of how results could be extended if additional EG/DG resources become available.

**Table 5.1 (Original Table 8.1 update)**  
**Option One: MANAGEMENT CONTRACT SCENARIO (\$ 000)**

<b>OBJECTIVE</b>	<b>FY 1998 NOA Levels</b>	<b>FY 1999 NOA Levels</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>CSP TOTALS FY98-02</b>
<b>SPO: Total</b>	<b>2,000</b>	<b>2,200</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>11,700</b>
E/G	0	1,000	1,500			
D/G	2,000	1,200	1,000			
<b>SO2: Total</b>	<b>11,470</b>	<b>12,341</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>	<b>62,811</b>
□ DA	6,500	6,400	7,000	7,000	7,000	33,900
□ Title II:	4,970	5,941	6,000	6,000	6,000	28,911
<b>SO3: Total</b>	<b>8,500</b>	<b>7,900</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>	<b>37,400</b>
E/G	1,500	-	-	-	-	1,500
ENV	7,000	7,900	7,000	7,000	7,000	35,900
<b>Total DA</b>	<b>17,000</b>	<b>16,500</b>	<b>16,500</b>	<b>16,500</b>	<b>16,500</b>	<b>83,000</b>
<b>Total Title II</b>	<b>4,970</b>	<b>5,941</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>28,911</b>
<b>CSP Totals</b>	<b>21,970</b>	<b>22,441</b>	<b>22,500</b>	<b>22,500</b>	<b>22,500</b>	<b>111,911</b>

**Table 5.2 (Original Table 8.2 update)  
Option Two: LEVELS REQUIRED TO ACHIEVE CSP  
("PLUS-UP" FROM THE MANAGEMENT CONTRACT)  
(\$ 000)**

<b>OBJECTIVE</b>	<b>FY 1998 NOA Levels</b>	<b>FY 1999 NOA Levels</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>CSP TOTALS FY98-02</b>
<b>SPO: Total</b>	<b>2,000</b>	<b>2,200</b>	<b>2,800</b>	<b>2,500</b>	<b>2,500</b>	<b>12,000</b>
E/G	0	1,000	1,800			
D/G	2,000	1,200	1,000			
<b>SO2: Total</b>	<b>11,470</b>	<b>12,341</b>	<b>13,600</b>	<b>13,000</b>	<b>13,000</b>	<b>63,411</b>
□ DA	6,500	6,400	7,600	7,500	7,000	34,500
□ Title II:	4,970	5,941	6,000	6,000	6,000	28,911
<b>SO3: Total</b>	<b>8,500</b>	<b>7,900</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>41,900</b>
E/G	1,500	-	-	-	-	1,500
ENV	7,000	7,900	8,500	8,500	8,500	40,400
<b>Total DA</b>	<b>17,000</b>	<b>16,500</b>	<b>18,900</b>	<b>18,000</b>	<b>18,000</b>	<b>88,400</b>
<b>Total Title II</b>	<b>4,970</b>	<b>5,941</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>28,911</b>
<b>CSP Totals</b>	<b>21,970</b>	<b>22,441</b>	<b>24,900</b>	<b>24,000</b>	<b>24,000</b>	<b>117,31</b>

**SO3:  
Biologically Diverse  
Ecosystems Conserved  
in Priority Conservation  
Zones**

**1. SO3: Budget Scenarios:** Although the SO3 strategy was approved during review of our February 1997 CSP submission, the Environmental (ENV) funds budget for SO3 subsequently provided in the management contract was straight-lined at \$7.0 million as compared to the \$8.5 million *minimum* budget requested in the CSP. (The CSP called for obligations of \$8.5 million per year for SO3 at our base program<sup>10</sup>, a straight-line of our planned FY98 program level.<sup>11</sup>) Although present NOA levels for FY99 at increase this figure to \$7.9 million, the life-of-CSP shortfall for this SO is still \$6.6 million.

<sup>1010</sup> See Table 8.2 on page 98 of our February 1997 Country Strategic Plan.

<sup>1111</sup> Although in FY98 and prior years funding for SO3 was split between Economic Growth (EG) and Environmental (ENV) funds, from FY99 onward we are requesting only ENV funds for this SO.

**SO3: What Gets Dropped?** If we are unable to obligate at least this minimum annual level of funding, this would seriously harm our ability to achieve two of this SO's Intermediate Results: IR 3.3, *Domestic Financial Mechanisms Mobilized*, to which we plan to devote some \$3.0 million; and IR 3.4, *Supportive Environmental Policies and Procedures*, for which we plan to devote \$5.4 million. The gap between the management contract, or "base" level for SO3, and the "plus-up" we need to carry out our strategy will, if not corrected, effectively eliminate IR 3.3 and the biological monitoring component of IR 3.4, and will also reduce the level of effort for environmental assessments under IR 3.4. Under IR 3.3, institutional support to the Tany Meva Foundation, efforts to investigate the feasibility of and then implement tourist fees, green taxes, and financial transparency and accountability would be effectively stopped. Under IR 3.4, institutional support to ONE (the National Environment Office) to improve environmental policy implementation and environmental assessments would be greatly curtailed, as would funds available for ecological monitoring of the USAID-assisted biodiversity program under SO3's RP3.1. Ninety percent of indicators under these two IRs would no longer be valid.

The elimination of IR3.3 and a large portion of IR3.4 would have the following consequences:

- ▶ Financial Sustainability: Long-term financial sustainability across a number of key Malagasy environmental institutions would not be specifically addressed unless another donor could be convinced to increase its participation in this area. Within EP2, USAID was to be the lead donor in this area. Key NEAP environmental organizations would not receive the technical assistance they need to deepen their capacity to manage funds effectively and transparently, which is essential to their capacity to attract external financing. Their ability to pursue progressive revenue capturing measures, such as green taxes, would also be hampered.
- ▶ Environmental Assessment Procedures: Institutional capacity to promote and implement environmental assessment procedures for investment projects would be greatly curtailed. This would result in poor quality decision making by GOM counterparts on key projects affecting the environment.
- ▶ Ecological Monitoring: Ecological monitoring for biodiversity under the PE2 program would be greatly curtailed as many other donors and the GOM were looking to USAID to take the lead in this area due to our comparative advantage and U.S. leadership in the scientific community.

**SO3 Resource Gap:** The gap between the management contract scenario shown in Table 5.1, which programs \$35.9 million in Environmental funds for SO3 over the life of our strategy (FYs 1998-2002), and the amount that we estimate is needed to achieve all the results to which we and our partners are committed (\$8.5 million per year over five years, or \$42.5 million) is \$6.6 million.

**SPO:  
Improved Environment  
for Private Initiative**

**2. SPO - Budget Scenarios:** The management contract instructs USAID to prepare a Special Objective (SPO) "to reflect an annual budget planning level of \$2.5 million (1998-2001)." As this CSP Amendment describes, we have done so. Yet the NOA control levels for the new SPO are only \$2.0 million for FY 98 and \$2.2 million for FY99. Thus, at present, the net shortfall to SPO is \$800,000.

**What Gets Dropped or Added?** If maintained, these limits would force our already tightly-constrained SPO to drop its support for several new initiatives. To illustrate:

*If EG/DG funding falls \$500,000 below the baseline of \$2.5 million:*

- ▶ SPO would have to drop its support for new initiatives aimed at improving the investment and trade regime. Using existing resources, and in possibly collaboration with the World Bank, we plan to fund an Investor Road Map in 1998. This proposed activity has been endorsed by the GOM and the World Bank as a valuable means of identifying changeable impediments to increased efficiency of trade and investment. It is expected that the process will produce some significant policy and/or administrative reforms as well as tangible recommendations for other reforms. The expected result is a reduction in the time needed to make productive investments. This result may not be achieved, however, if resources are not available to support implementation of the recommended reforms.
- ▶ To better integrate Madagascar into the regional and global trade arena, USAID also intends to conduct an assessment of the country's WTO trade agreement obligations and compliance therewith with a view towards prioritizing those gaps which should be immediately addressed. The expected result is an increase in the number of WTO obligations and membership requirements that Madagascar fully meets. This would strongly complement USAID's support for commercial law and judicial reform and will help ensure that Madagascar's policies and laws conform to globally accepted norms. These results could not be assured, however, with a \$500,000 cut in funding.<sup>12</sup>

*If EG/DG funding falls by an additional \$500,000:*

- ▶ We would have to drop our support for *improved economic policy analysis*. Eliminating this support would mean there would be no U.S.-Malagasy joint economic research activities following the completion of the ongoing Cornell/INSTAT and IFPRI/FOFIFA collaborative policy research programs. The GOM, the media, public

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<sup>12</sup> Moreover, within this overall funding requirement, we need to receive sufficient EG resources to carry out this effort on WTO compliance, for it falls into the EG realm.

interest groups, and the donor community would lose a valuable source of informed analysis of policy change and its impact on poverty and income distribution. In addition, due to the highly collaborative nature of the U.S.-Malagasy research programs, the GOM would lose access to an important means of strengthening its own analytical capacity, while USAID would lose access to analytical research inputs to inform its own results analysis and program management.

**SPO: What Could be Added?** On the other side of ledger, SPO could absorb funds in excess of the baseline \$2.5 million:

- ▶ *We could use an increment of \$250,000 to increase support for improved public information and dialogue* under IR1.2. The Mission's ongoing support of this result has generated considerable interest and enthusiasm among civil society groups, the municipal and central government, and other donors for its innovative approach and emphasis on bridging the communication gap between the government, donors, and the public. The involved local governments and the national government have embraced the activity as a means of effectively advancing their decentralization goals. The national Government has expressed its hope that the benefits of the activity could be extended more broadly nationwide. The activity operates under a modest budget. While no follow-on activity has yet been designed, the baseline funding scenario allows resources of approximately the same magnitude as the existing activity. Additional resources would allow grants or sub-grants to local civil society organizations in order to further nationalize this effort. It would also allow for a mechanism to improve the extension of benefits nationwide. Training of journalists on economic and legal reporting and the coverage of civil society and public interest issues would be made possible through a larger program .
- ▶ *A second increment of \$250,000 could be added to the microfinance activity.* This would allow limited commodities needed to improve the CEM's management information system nationwide, and additional technical support for the possible pilot in microcredit.

If additional resources are made available, we and our partners will modify expected results accordingly.

**3. SO2 - Budget Scenarios:** The management contract states that we should plan on a total of \$7.0 million per year from "various HPN earmarks" over the life of the CSP. This is the minimum needed to achieve the results specified in our approved CSP for this SO. Yet, as shown in Table 5.1, the total NOA control levels for HPN funds are only \$6.5 million for FY98 and \$6.4 million for FY99, and only \$4.97 million and \$5.94 million in Title II resources for FY98 and FY99, respectively.

**SO2:  
Smaller, Healthier  
Families**

**SO2 - What Gets Dropped?** If not augmented, these shortfalls would harm our ability to achieve results at each IR level, but particularly the community level. More specifically:

- ▶ Starting in FY 1998, the main implementing mechanism for SO2 will be an integrated technical assistance contract. The competitively selected contractor is to be responsible for equipment purchase, rehabilitation and management of grants to local entities, and for technical assistance for population, child survival and AIDS prevention. A reduction in funding for the contract would eliminate results at each IR level, but the main impact would be felt at the community level, where the most intensive work will be needed to achieve behavior change (as the results reported in this R4 clearly indicate). As shown in the preliminary results of the 1997 DHS, improvements in health services, in institutional capacity, and in national policy can only indirectly change behavior and use of services at the family level. Behavior change and community empowerment require focused approaches and materials, and considerable work on a pilot basis. This would especially affect the important and innovative work being done in nutrition.<sup>13</sup>
- ▶ Reductions in child survival funding would also make it impossible to continue activities initiated under the Linkages central activity.
- ▶ Shortfalls in population funding would make it difficult or impossible to ensure adequate availability of contraceptives, especially condoms vital to the success of the social marketing program.
- ▶ Any reduction in the already minimal amount of AIDS funds would make it impossible to support targeted behavior change activities in the port cities and other “hot spots” for AIDS transmission.

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<sup>13</sup> It should be noted that reducing the scope of SO2's work in the areas of improved quality of and access to health services in response to budget shortfalls is not an option for us. The Ministry of Health and other government partners are eager to continue improving quality and access, so even at the present reduced funding level efforts in these areas would be impossible to scale back without major problems in partnership and acceptance of the program.

## **P.L. 480 Title II**

- ▶ SO2 is working closely with Catholic Relief Services (CRS) to achieve a transition from a center-based child weighing and food distribution process into a community-based health education and nutrition improvement program, with Title II foods targeted to malnourished children and pregnant or lactating women. While some of the support for this transition has been provided through a DA-funded grant to CRS, consistent levels of food aid are required if the program is to continue. Shortfalls would not allow CRS to expand the program to new communities, so the gains of targeting food resources to malnourished children would not be reflected in more malnourished children being reached.
  
- ▶ Under SO2, the Mission is also supporting three USPVO partners in an umbrella Title II monetization program. Their development activities each have somewhat different foci but all directly contribute to improvement of food security among target populations. Reductions in the level of food aid provided under this program would directly impact our ability to contribute to increased food security in Madagascar. Reduced levels of Title II support for monetization would also eliminate the synergies expected between child survival/health education on the one hand, and increased access and availability of food on the other.

## **B. Staffing Resources**

USAID/Madagascar's personnel staffing history over the CPSP period is presented in Table 5.3 which is divided into Full Mission and Limited Mission eras. As a result of absolute downsizing and in line with the transition to limited mission status, USAID/Madagascar has followed former Africa/AA's recommendation to protect program staff resources and to fully staff our three Strategic/Special Objective Teams to the extent possible. The principal vehicle to accomplish this is the new ICASS (International Cooperative Administrative Support Services). The Mission has decided to obtain residential maintenance, vehicle maintenance, expendable property management and non-expendable property storage from the Embassy service provider. With this shift the Mission expects to relocate 4 FSN-PSC positions to the Embassy service provider. In addition, 3 contract positions that are associated with providing these services will be eliminated. These services are expected to cost USAID approximately \$65,000 per year, a net savings of approximately \$55,000 OE per year. USAID has also opted to create its own Class B Cashier operation instead of using those services provided by the Embassy. We will add one-half FSN-PSC position to handle the increased cashier load previously handled by the Embassy. Total cost savings will be approximately \$10,000 per year. USAID also is a service provider for the Peace Corps and USIS for Information Systems. Three FSN-PSC personnel are involved in providing these services to the other agencies. The cost of these services and the amount reimbursed by the other agencies for these services is approximately \$32,000, resulting in no net increase or decrease in our total OE budget levels.

Table 5.4 (a)-(c) show proposed Mission staffing under for the FY98 to FY02. With regard to OE staffing, USAID/Madagascar accepts the leveling out of USDH positions at eight. This is commensurate with our status as a Limited Mission. USAID has hired and empowered higher level FSN personnel in recent years to compensate for reductions in USDH personnel. Reductions in locally hired OE FSN PSC positions enabled the Mission to reach the FY98 Management Contract level of 72 total staff. This has been accomplished by shifting support functions discussed above to ICASS and by privatizing others. The substantial OE cost savings associated with undertaking our own Class B Cashier operation leads us to request one additional OE FSN PSC position throughout the planning period. Given the diversity and cutting edge nature of our program, we have requested an HPN IDI beginning in FY98. We believe the USAID program and the close U.S. Mission collaborative partnership in implementing the Mission Performance Plan (MPP) would provide an IDI with an outstanding training opportunity. In FY 2000, we anticipate that the locally recruited OE FSN PSC staff will have received adequate training to eliminate the OE Internationally Recruited TCN PSC Personnel Specialist.

With regards to program staffing, a program-funded FSN PSC on the SO2 team is being groomed to replace the HIV/AIDS TAACS Advisor, who will depart in mid-FY99. We thus propose hiring a new junior FSN PSC in FY99 to replace the one who is moving up. We also request continuation of the other TAACS Advisor throughout the planning period. This position engenders the continuation and deepening of the use of data for decision making across the Mission's program. It also results in the transfer of key data collection and analytical expertise to Malagasy researchers and technical institutes, such as INSTAT, the Malagasy Bureau of Census equivalent. Given the integration of economic growth results with those of democracy and governance in our Special Program Objective, and the opportunity to participate firsthand in deepening the democratic institutions in this young democracy, we have requested a Democracy Fellow beginning in FY 1999. We also request continuation of a Fellow position in the SO3 NRO portfolio throughout the planning period.

At present, we do not believe that the addition of the "plus-up" we have requested for FY 2000 of \$2.4 million in program resources above our management contract level of \$16.5 million would require additional personnel, because our FSN empowerment and mature partnerships have already enabled each of our SPO/SO teams to manage resources efficiently and effectively at this higher level.<sup>14</sup>

As Table 5.4 (a) shows, of 73 employees under our FY 98 requested level, 39 or 53 percent (45 out of 79 or 57 percent of total staff) will be dedicated to the work of our two Strategic Objectives and one Special Program Objective Teams. This does not count those people under the program management and support category, such as the Director, Assistant

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<sup>14</sup> To illustrate: In our "plus up" request (Table 5.2), the average program level SPO would receive is \$2.5 million, a \$500,000 increase over the portfolio it is managing with existing staff; SO2 would receive a maximum of \$7.6 million annually, the same DA portfolio it is managing with existing staff; and SO3 would receive a maximum of \$8.5 million annually, the same amount that it is managing with existing staff.

Director/SPDO, PDO and the training unit (3) as well as the Controller and EXO (including procurement and contracting staff) who provide substantial program support. Thus, a fair assessment is that roughly of 75 percent of the Mission's staff will be focused on obtaining program results.

Table 5.4 (a) also shows how the Mission has allocated total staff (including TAACS, Fellows and IDIs) among the two Strategic Objectives and one Special Program Objective teams. SO3, Biological Ecosystems Conserved in Priority Conservation Zones, gets 40 percent of total SO Team staffing; SO2, Smaller, Healthier Families, gets 40 percent; and SPO, Improved Environment for Private Initiative, gets 20 percent. This allocation is based on both implementation complexity and amount of funding.

Tables 5.4 (b) and (c) show no growth in total staffing levels and only minor shifts in allocation for the plan period.

**Table 5.3 (derived from Original Table 8.3)  
USAID/Madagascar Recent Staffing History  
(end of FY figures)**

STAFFING CATEGORY	Full Mission: Approved Levels				Limited Mission: Approved Levels		
	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
USDH	15	15	15	14	8	8	8
Other U.S. Citizens							
• OE International							
• OE Local			1	1			
• Program	9	10	5	5	5	6	6
FSN/TCN DH							
• OE International							
• OE Local	1	1	1	1			
FSN/TCN Non-DH							
• OE International	3	2	2	2	2	1	1
• OE Local	67	71	69	75	68	55	40
• Program	6	8	7	7	17	17	17
TOTAL Staff Levels	101	107	100	103	98	87	72
TAACS	-	1	-	1	1	2	2
Fellows					2	3	3
IDI					1	1	1

**Table 5.4 (a)**  
**USAID/Madagascar Staffing FY 1998**  
**(end of FY figures)**

STAFFING CATEGORY	Technical Program			Management			MISSION
	SPO	SO2	SO3	Prog. Mgmt.	EXO	Cont.	TOTALS
USDH	1	1	2	2	1	1	8
Other U.S. Citizens							
• OE International							
• OE Local							
• Program	1	2	3				6
FSN/TCN DH							
• OE International							
• OE Local							
FSN/TCN Non-DH							
• OE International					1		1
• OE Local	4	4	4	7	9	12	40
• Program	3	6	8	1			18
TOTAL Staff Levels	9	13	17	10	11	13	73
TAACS		2					2
Fellows		2	1				3
IDI		1					1

**Table 5.4 (b)**  
**USAID/Madagascar Staffing FY 1999**  
**(end of FY figures)**

STAFFING CATEGORY	Technical Program			Management			MISSION
	SPO	SO2	SO3	Prog. Mgmt.	EXO	Cont.	TOTALS
USDH	1	1	2	2	1	1	8
Other U.S. Citizens							
• OE International							
• OE Local							
• Program	1	2	3				6
FSN/TCN DH							
• OE International							
• OE Local							
FSN/TCN Non-DH							
• OE International					1		1
• OE Local	4	4	4	7	9	12	40
• Program	3	7	8	1			19
TOTAL Staff Levels	9	13	17	10	11	13	74
TAACS		1					1
Fellows	1	1	1				3
IDI		1					1

**Table 5.4 (c)**  
**USAID/Madagascar Staffing FY 2000-2002**  
**(end of FY figures)**

STAFFING CATEGORY	Technical Program			Management			MISSION
	SPO	SO2	SO3	Prog. Mgmt.	EXO	Cont.	TOTALS
USDH	1	1	2	2	1	1	8
Other U.S. Citizens							
• OE International							
• OE Local							
• Program	1	2	3				6
FSN/TCN DH							
• OE International							
• OE Local							
FSN/TCN Non-DH							
• OE International							
• OE Local	4	4	4	7	9	12	40
• Program	3	7	8	1			19
TOTAL Staff Levels	9	14	17	10	10	13	73
TAACS		1					1
Fellows	1	1	1				3
IDI		1					1

### C. Operating Expense Requirements

USAID/Madagascar has gone through an extensive budget reduction exercise over the past four years, looking for belt-tightening measures that save OE while not reducing the quality of services. Some of the measures used were: putting FSNs in former USDH and/or TCN positions (e.g., Program Officer, GSO, Automaton Systems Manager, Chief Accountant), using sea freight instead of air for HHE, competing for travel services, using e-mail internet fax, giving up our GSO complex, and using ICASS both as a provider and a receiver. As a result we were able to drive OE costs down markedly even before becoming a Limited Mission. As can be seen in Table 5.5, OE funding was cut by 35 percent from FY93 to FY97. In real terms, this was equal to a 13 percent reduction in OE expenses per year.

**Table 5.5 (Original Table 8.6 Update)**  
**USAID/Madagascar OE History**  
 (\$ millions)

Operating Expense	Full Mission:				Limited Program:		
	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
Regular OE	2.100	2.045	1.564	1.669	2.125	1.935	2.083
Trust Funds	0.847	0.943	1.023	0.864	-	-	-
<b>Total OE</b>	<b>2.947</b>	<b>2.988</b>	<b>2.587</b>	<b>2.533</b>	<b>2.125</b>	<b>1.935</b>	<b>2.083</b>

With the implementation of ICASS and increased FSN salary costs, OE will increase to \$2.083, \$2.083, and \$2.115 million for FYs 1998, 1999, and 2000, respectively. See Table 5.6. If one subtracts ICASS requirements of \$198,000, \$198,000 and \$230,000 respectively for FYs 1998, 1999, and 2000, the annual non-ICASS budget amounts to \$1.885 million for each of these three years. The OE budgets for FY 1999 and FY 2000 are essentially straight-lined from the FY98 figure. The Mission believes, barring unforeseen events, that it can live within these figures if the additional ICASS amounts we have requested are provided to cover the yearly ICASS requirements for FY 2000. If the ICASS contribution must come out of the control figure of \$1.885 million, the Mission would have to cut oversight to the point to where program levels would have to be cut accordingly.

**Table 5.6**  
**USAID/Madagascar OE Requirements**  
 (\$ millions)

	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
Non ICASS	1.885	1.885	1.885
ICASS	.198	.198	.230
<b>Total</b>	<b>2.083</b>	<b>2.083</b>	<b>2.115</b>

The Mission has made great efforts to respond to USAID/W budgetary limitations while continuing the same level of service. During this year, we have rationalized our support services by privatizing some services, shifting some to ICASS starting April 1, 1998, and retaining some services in-house to get the best quality-cost ratio. With the OE savings from this rationalization (approximately \$65,000 per year), there were sufficient funds available for necessary salary increases and other operating expense increases due to inflation.

In summary, FSN empowerment and support service rationalization have provided for efficiencies in operations. The result is that very little, if any, other large reductions in OE staff or funds are to be found. As things now stand, with the program described in this CSP amendment, the FY 1999 and FY 2000 OE funding and staffing limitations are the absolute minimum needed to manage the program with its present size and complexity. Further reductions in either OE funding or personnel would necessitate program reductions to avoid implementation problems due to insufficient oversight and internal control weaknesses due to insufficient personnel.

## **APPENDIX A**

# **MANAGEMENT CONTRACT**

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**FEBRUARY 1997 CSP SUBMISSION REVIEW CABLE**

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AIDAC AID FOR USAID/MADAGASCAR

E.O. 12958 : N/A

TAGS :

SUBJECT : MADAGASCAR COUNTRY STRATEGIC PLAN : FY 1998 -  
2002

1. SUMMARY. USAID/MADAGASCAR'S PROGRAM WEEK WAS HELD MARCH 4-7, 1997 IN WASHINGTON. USAID/MADAGASCAR'S PROPOSED COUNTRY STRATEGIC PLAN (CSP) : FY 1998 - 2002, CONSISTING OF THREE STRATEGIC OBJECTIVES IN ECONOMIC GROWTH - DEMOCRACY/GOVERNANCE, FAMILY HEALTH AND ENVIRONMENT WAS REVIEWED. THE USAID/MADAGASCAR PROGRAM WAS APPROVED WITH THE MISSION'S PROPOSED STRATEGIC OBJECTIVES IN FAMILY HEALTH AND THE ENVIRONMENT, WITH A RECOMMENDATION TO SUPPORT MADAGASCAR'S STRUCTURAL ADJUSTMENT PROGRAM THROUGH A TIME-BOUND SPECIAL OBJECTIVE. ANTICIPATED ANNUAL DEVELOPMENT ASSISTANCE FUNDING OF USD 16.5 MILLION AND STAFF LEVELS AT AFR BUREAU CONTROL FIGURES WERE CONFIRMED, WITH THE PROVISIO THAT LIMITED MISSIONS ARE VULNERABLE TO FUTURE BUDGET AND STAFF CUTS IF RESOURCE DEMANDS EXCEED BUREAU LEVELS. THE MANAGEMENT CONTRACT BETWEEN THE MISSION AND USAID/WASHINGTON CONSISTS OF THIS CABLE AND THE AMENDED CSP TO BE PREPARED BY THE MISSION. END SUMMARY.

2. USAID/MADAGASCAR'S STRATEGIC PLAN FOR FY 1998 - 2002 WAS REVIEWED IN WASHINGTON MARCH 4-7, 1997. PROGRAM WEEK MEETINGS WERE CHAIRED BY DAA/AFR GARY BOMBARDIER AND THE WRAP-UP MEETING BY A/AA/AFR CAROL PEASLEY. REPRESENTATIVES FROM THE AFRICA, GLOBAL, MANAGEMENT, PPC AND BHR BUREAUS PARTICIPATED IN THE REVIEW. USAID/MADAGASCAR WAS REPRESENTED BY DEPUTY DIRECTOR KAREN POE, SUPERVISORY PROJECT DEVELOPMENT OFFICER FRANK MARTIN, SUPERVISORY HEALTH/POPULATION OFFICER CAROL PAYNE, SUPERVISORY NATURAL RESOURCES OFFICER HELEN GUNTHER, AND ENVIRONMENTAL SPECIALIST LISA GAYLORD. THE TWO WORKING

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SESSIONS ON MARCH 4 AND 6 WERE DEVOTED TO ISSUES ON EACH OF THE STRATEGIC OBJECTIVES AND ON MANAGEMENT CONCERNS. MOST OF THE DISCUSSION TIME WAS DEVOTED TO THE MISSION'S PROPOSED ECONOMIC GROWTH/DEMOCRACY-GOVERNANCE (EG/DG) STRATEGIC OBJECTIVE.

3. DAA/AFR OPENED THE MEETING BY CONGRATULATING THE MADAGASCAR MISSION ON THE HIGH QUALITY OF THE CSP DOCUMENT. HE EXPLAINED THAT THE AFRICA BUREAU ENCOURAGES MISSIONS -- OF WHATEVER DESIGNATION -- TO PUSH THE ENVELOPE OF CREATIVITY, BOTTOM-UP DEVELOPMENT, AND RESULTS ORIENTATION. HE COMPLEMENTED VIRTUAL TEAM MEMBERS IN WASHINGTON FOR RESOLVING THE MAJOR ISSUES ON SO2 AND SO3. HE STATED THAT THE FOCUS OF THE WEEK WOULD BE ISSUES SURROUNDING SO1 (ED/DG) AS WELL AS MISSION STAFFING.

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SO1: REDUCED POVERTY (EG/DG)  
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4. THIS STRATEGIC OBJECTIVE (SO) GENERATED MOST OF THE DISCUSSION DURING PROGRAM WEEK. MOST PARTICIPANTS SHARED THE VIEW THAT THIS OBJECTIVE HAD AN AIM THAT EXCEED ITS REACH; THIS ENGENDERED GENERAL AND PROLONGED DISCUSSIONS ON ALTERNATIVE APPROACHES AND LINKAGES BETWEEN THE PROPOSED THREE SOS. IT WAS ACKNOWLEDGED THAT THE MISSION'S INFLUENCE FAR OUT-WEIGHED ITS LIMITED EG AND DG RESOURCES. OTHER DONORS, NOTABLY THE WORLD BANK, HAVE UNDERLINED THE IMPORTANCE OF USAID KEEPING ITS SEAT AT THE STRUCTURAL ADJUSTMENT TABLE THAT THIS SO ENABLES. CONCERN WAS EXPRESSED OVER THE POTENTIAL IMPACT OF THE USG WITHDRAWING FROM DONOR-MALAGASY DISCUSSIONS ON ECONOMIC POLICY, THE RULE OF LAW, AND GOVERNANCE.

5. THERE WAS AGREEMENT THAT THE SCOPE OF THE SO SHOULD BE NARROWED FROM QUOTE REDUCE POVERTY UNQUOTE. THE MISSION PROPOSED THE FOLLOWING WORDING FOR THE SO, QUOTE IMPROVED ENVIRONMENT FOR PRIVATE INITIATIVE UNQUOTE., NOTING THAT THE FINAL WORDING WOULD BE BASED ON DIALOGUE WITH THE

EXTENDED SO TEAM. SECOND, THE DESCRIPTION AND PERFORMANCE MONITORING PLAN OF THE SO IN THE FINAL VERSION OF THE CSP SHOULD BE REVISED TO REFLECT AN ANNUAL BUDGET PLANNING LEVEL OF USD 2.5 MILLION (1998-2001). NOTE THAT THE FINAL LEVEL WILL DEPEND ON THE SUBSTANCE OF THE SPECIAL OBJECTIVE (SEE PARA 8) AND THE CONFIGURATION OF THE OTHER SO2/SO3 FRAMEWORK.

6. THERE WAS DISAGREEMENT BETWEEN THE AFRICA BUREAU AND THE BUREAUS FOR MANAGEMENT (M) AND PPC ON THIS SO. AFR WAS SATISFIED WITH PROGRAM LINKAGES. IMPRESSED BY THE RESULTS THE MISSION HAD ACHIEVED WITH LIMITED RESOURCES, AND WAS PREPARED TO APPROVE THIS SO ON A PROVISIONAL BASIS.

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7. M AND PPC WERE NOT CONVINCED A) THAT SO1 IS INTEGRATED WITH THE OTHER TWO SOS AND B) THAT SO1 IS NECESSARY FOR SUCCESS UNDER THE OTHER TWO SOS. THESE BUREAUS RECOMMENDED THAT EG AND DG ACTIVITIES CURRENTLY IN SO1 WHICH ARE NECESSARY TO ACHIEVING THE ENVIRONMENT AND POPULATION OBJECTIVES BE INTEGRATED WITH THESE OBJECTIVES. IN THIS WAY, THE MADAGASCAR PROGRAM CAN RESPOND TO AGENCY GUIDANCE WHICH GENERALLY LIMITS THIS TYPE OF PROGRAM TO SUPPORTING 1-2 AGENCY GOALS. THEY RECOMMENDED THAT THE MISSION'S CONTRIBUTION TO MADAGASCAR'S STRUCTURAL ADJUSTMENT PROGRAM BE MADE THROUGH A TIME-BOUND (LINKED TO THE DURATION OF THE PFP) SPECIAL OBJECTIVE (SPO) WITHOUT THE FULL RANGE OF ELEMENTS INCLUDED IN THE MISSION'S PROPOSED SO.

8. ON APRIL 4, THE USAID ADMINISTRATOR APPROVED THE FOLLOWING OPTION: THE USAID/MADAGASCAR PROGRAM IS APPROVED WITH THE MISSION'S PROPOSED STRATEGIC OBJECTIVES IN POPULATION/HEALTH AND THE ENVIRONMENT, WITH A RECOMMENDATION TO SUPPORT MADAGASCAR'S STRUCTURAL ADJUSTMENT PROGRAM THROUGH A SPECIAL OBJECTIVE.

9. USAID/MADAGASCAR IS HEREBY REQUESTED TO ENGAGE IN A COLLABORATIVE PROCESS FOR RETOOLING SO1 IN WAYS THAT SUPPORT SOS 2 AND 3, AND ADD THE SPO. ONE POSSIBLE WAY OF DOING THIS WOULD BE TO ESTABLISH A VIRTUAL TEAM WITH G, AFR, M AND PPC PARTICIPATION. IN THIS REGARD, THE MISSION MAY WISH TO EXPLORE FURTHER THE POSSIBILITY OF WORKING IN BUSINESS LAW REFORM TO IMPROVE THE LEGAL, REGULATORY AND JUDICIAL FRAMEWORK FOR PRIVATE SECTOR ACTIVITY AND TO PROMOTE MADAGASCAR'S PARTICIPATION IN GLOBAL/REGIONAL TRADE INITIATIVES. TDY ASSISTANCE TO MADAGASCAR BY G, AFR, M AND PPC COULD BE AN IMPORTANT WAY TO RESOLVE OUTSTANDING ISSUES AND SPEED UP THE REVISION PROCESS.

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SO2 SMALLER HEALTHIER FAMILIES  
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10. THIS SO WAS APPROVED AS SUBMITTED. IN ADDITION, THE BUREAU SUPPORTS MADAGASCAR'S PLANNED REQUEST FOR A TITLE II MONETIZATION PROGRAM. THE ISSUES RESOLVED AT THE TECHNICAL LEVEL DURING SIDE MEETING PRIOR TO PROGRAM WEEK DEALT WITH INDICATORS AND TARGETS FOR MONITORING RESULTS UNDER SO2. THE MISSION AGREED TO DEVELOP A NUTRITIONAL STATUS INDICATOR FOR THE SO LEVEL; TO USE PROXIES AND OTHER DONOR SURVEYS FOR NON-DHS YEARS; AND THAT OUTYEAR TARGETS WOULD BE REVISED BASED ON THE 1997 DHS.

11. THE MISSION AGREED TO ADDRESS THE ISSUE OF FOOD SECURITY IN COLLABORATION WITH THE NGO COMMUNITY AS PART

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OF THE TITLE II PROGRAM. BHR AGREED TO ASSIST. A PROPOSED OPTION IS TO CONSIDER FOOD SECURITY AS A CROSS-CUTTING THEME WITH INDICATORS AT THE GOAL LEVEL. THIS WAS SEEN AS APPROPRIATE AS WORLD BANK INDICATORS OF POVERTY INCLUDE FOOD SECURITY INDICATORS. THERE WAS AGREEMENT THAT FOOD SECURITY WOULD NOT BE CONSIDERED AS AN ADDITIONAL SO. THE ANALYTICAL WORK ON INTEGRATION OF FOOD SECURITY WILL BE DONE IN CONJUNCTION WITH THE DESIGN OF THE TITLE II MONETIZATION PROGRAM.

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SO3 UNIQUE BIOLOGICAL DIVERSITY CONSERVED  
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12. SO3 WAS APPROVED. THIS SO HAD NO UNRESOLVED ISSUES AT THE TIME OF PROGRAM WEEK. AFTER DISCUSSIONS AT THE ISSUES MEETING THE MISSION AGREED TO CHANGE THE WORDING OF THE STRATEGIC OBJECTIVE TO QUOTE BIOLOGICALLY-DIVERSE ECOSYSTEMS CONSERVED IN PRIORITY CONSERVATION ZONES UNQUOTE. THIS CHANGE PRODUCED A CLOSER LINKAGE BETWEEN THE OBJECTIVE AND THE SO3 INDICATORS. MISSION STAFF AND USAID/W PERSONNEL REPORTED PROGRESS IN REFINING THE SET OF SO INDICATORS. THE MISSION WILL DEVELOP INDICATORS WHICH MEET THE FOLLOWING REQUIREMENTS: 1) A KUNCLAS AIDAC SECSTATE 135276EYSTONE SPECIES OR BIOMASS INDICATOR WHICH REFLECTS THE CONSERVATION OF BIOLOGICAL DIVERSITY IN AN ECOSYSTEM OR A HABITAT, 2) A SUSTAINABLE AGRICULTURE PRODUCTION INDICATOR, AND 3) A COMMUNITY PARTICIPATION INDICATOR.

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MANAGEMENT ISSUES  
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13. THE MISSION STATED THAT IT COULD CARRY OUT ITS PROGRAM OF THREE SOS WITH THE FY98 STAFFING CONTROL LEVELS GIVEN TO THE MISSION. THE MISSION QUALIFIED THIS STATEMENT WITH THE PROVISIO THAT IT COULD CARRY OUT THE PROGRAM PROVIDED THE REDUCTIONS RELATED TO ICASS TRANSFERS COULD BE COUNTED TOWARD THE 1996 - 1998 STAFF REDUCTION. IF INSTEAD ICASS TRANSFERS ARE SUBTRACTED FROM THE 1998 CONTROL FIGURES, THE MISSION WOULD NOT HAVE ADEQUATE STAFF TO CARRY OUT EVEN ONE SO. THE BUREAU ACCEPTED THE STAFF CONTROL FIGURES AS REASONABLE PLANNING FIGURES FOR A LIMITED MISSION, BUT NOTED AGAIN THAT LIMITED MISSIONS ARE THE FIRST TO SUFFER WHEN DEMANDS EXCEED BUREAU RESOURCES. WORKFORCE CEILINGS/TARGETS FOR MADAGASCAR ARE AS FOLLOWS :

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Appendix A - page 6

	UNCLAS	AIDAC	SECSTATE	135276
FY 1999		FY 1996	FY 1997	FY 1998
CATEGORY	CEILING	CEILING	CEILING	TARGETS
USDH	8	8	8	8
INT'L HIRED OE	2	2	2	1
LOCALLY HIRED OE	66	58	45	38
TOTAL OE	76	68	55	47
PROGRAM	22	19	17	23
TOTAL	98	87	72	70

THE MISSION ALSO REQUESTED AUTHORITY FOR 23 PROGRAM FUNDED POSITIONS IN FY98 AND INDICATED ITS WILLINGNESS TO REDUCE ITS LOCALLY HIRED OE LEVEL BY 5 TO 38 IN RETURN. THE MISSION POINTED OUT THAT WOULD SAVE THE BUREAU SCARCE OE WHILE MAINTAINING CRITICAL PROGRAM FUNDED TECHNICAL STAFF. THE BUREAU NOTED THIS REQUEST AND INDICATED A DECISION WOULD MADE DURING THE R4 REVIEW.

14. THE MISSION SHOULD ANTICIPATE A BUDGET LEVEL OF USD 16.5 MILLION, WITH THE FOLLOWING AMOUNT FROM EARMARKED SOURCES: USD 7 MILLION - VARIOUS HPN EARMARKS, USD 7 MILLION - ENV. SUBJECT TO THE AVAILABILITY OF FUNDS THE MISSION WILL CONTINUE TO RECEIVE D/G AND EG FUNDS.

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CONCLUSION  
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15. THE USAID/MADAGASCAR PROGRAM IS APPROVED WITH SO2 AND SO3, AND WITH A RECOMMENDATION TO SUPPORT MADAGASCAR'S STRUCTURAL ADJUSTMENT PROGRAM THROUGH A SPECIAL TIME-BOUND OBJECTIVE. THE MISSION WILL REVISE THE CSP AND PROVIDE AFR/DP AND AFR/EA WITH THE REVISED VERSION. THE MISSION MUST TAKE ACCOUNT OF THE FOLLOWING GUIDANCE IN PREPARING

THE REVISED CSP: FIRST; SPO1 AND SO3 ARE TO BE MODIFIED IN ACCORDANCE WITH THE DISCUSSIONS OF PROGRAM WEEK AND CONSIDERATION SHOULD BE GIVEN TO MODIFYING THE WORDING OF THE GOAL STATEMENT. SECOND, THE MISSION WILL REFINE SPO1 TO REFLECT THE ANTICIPATED ANNUAL BUDGET LEVEL OF USD 2.5 MILLION. THE MISSION'S APPROACH CAN BE QUOTE MODULAR UNQUOTE BY INDICATING ACTIVITIES THAT WILL BE ADDED OR EXPANDED IF BUDGET ALLOCATIONS EXCEED USD 2.5 MILLION. THE RESULTS MONITORING PLAN FOR SPO1 WILL BE REFINED TO REFLECT THE ANTICIPATED LEVEL OF RESOURCES.

16. THE MISSION WILL COMPLETE THE FOLLOWING ACTIONS THIS CALENDAR YEAR: SO2 AND SO3 INDICATORS WILL BE EXPANDED AS DESCRIBED ABOVE. THE MISSION WILL DEVELOP A MEDIUM FOR INFORMING THE BUREAU OF THE WAYS IN WHICH THE SPO/SOS SUPPORT AND RELY ON EACH OTHER; FOR EXAMPLE, WITH THE USE OF ADDITIONAL INDICATORS, OR THE R4 REPORT NARRATIVE, OR A STAND-ALONE REPORT MODELED ON THE NPI REPORT. THROUGHOUT IMPLEMENTATION OF THE CSP, THE MISSION MUST KEEP IN MIND THAT THE OVERALL RESOURCE CLIMATE FOR THE AGENCY AND THE

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BUREAU SUGGEST THE POSSIBILITY OF FURTHER PROGRAM AND OE  
REDUCTIONS. THIS MEANS THAT THE MISSION NEEDS TO HAVE  
CLEAR PROGRAM PRIORITIES. IN THE FUTURE, THE MISSION  
SHOULD BE PREPARED TO INDICATE WHICH ELEMENTS OF THE PROGRAM  
WOULD HAVE HIGHEST PRIORITY, AND WHICH WOULD BE DROPPED OR  
RECONFIGURED. WHILE IT IS DIFFICULT TO MAKE LONG-TERM  
COMMITMENTS IN THIS UNCERTAIN ENVIRONMENT, THE BUREAU WILL DO  
ITS BEST TO HONOR THE DECISIONS ELABORATED ABOVE, WHILE  
KNOWING THAT PERIODIC ADJUSTMENTS MAY BE NECESSARY.  
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ADM AID FOR USAID/MADAGASCAR

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TAGS:

SUBJECT: FY 1999 RESOURCE REQUEST (R4) - MADAGASCAR

1. A MEETING WAS HELD ON MAY 13 TO DISCUSS USAID/MADAGASCAR'S FY 1999 RESULTS REPORT AND RESOURCE REQUEST R4) DOCUMENT. THE PURPOSE OF THE MEETING WAS: (A) TO DOCUMENT RESULTS ACHIEVED THROUGH USG EFFORTS AND RESOURCES FOR USE IN REPORTING TO CONGRESS AND OTHER AUDIENCES, BOTH INTERNAL AND EXTERNAL; (B) TO DISCUSS THE INFORMATION PROVIDED IN THE R4 DOCUMENT SUBMITTED, AND THE EXTENT TO WHICH INTERMEDIATE RESULTS (IR) AND STRATEGIC OBJECTIVE (SO) TARGETS ARE BEING ACHIEVED; (C) TO PROVIDE COMMENTS, SUGGESTIONS AND RECOMMENDATIONS ON THE R4 DOCUMENT, CHANGES IN THE MANAGEMENT CONTACT, AND APPROPRIATENESS/CHOICE OF INDICATORS, AS NECESSARY.
2. AFR/EA CHAIRED THE MEETING, WHICH WAS ATTENDED BY REPRESENTATIVES FROM AFR/DP, AFR/SD, AFR/AMS, AFR/AA, PPC, M/B, BHR/FFP, AND VARIOUS OFFICES WITH THE CENTERS FOR HEALTH/POPULATION/NUTRITION (G/HPN), DEMOCRACY/GOVERNANCE (G/DG) AND PROGRAM DEVELOPMENT AND STRATEGIC PLANNING (G/PDSP).
3. THE MEETING BEGAN WITH AFR/EA PROVIDING A SHORT OVERVIEW OF THE USAID/MADAGASCAR PROGRAM AND RECENT ECONOMIC AND POLITICAL EVENTS WHICH HAVE IMPACTED THE PROGRAM. THIS INCLUDED NEW PROGRAMS WITH BOTH THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND (THE LACK OF WHICH PREVIOUSLY PLACED MADAGASCAR ON THE AFRICA BUREAU'S WATCH LIST), AND THE IMPEACHMENT OF THE PRESIDENT BY THE NATIONAL ASSEMBLY, ELECTIONS, AND THE PEACEFUL TRANSFER OF POWER TO A NEW PRESIDENT. IT WAS ALSO NOTED THAT THE MISSION'S COUNTRY STRATEGIC PLAN: FY 1998 - 2002 WAS RECENTLY APPROVED WITH STRATEGIC OBJECTIVES IN FAMILY

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HEALTH AND THE ENVIRONMENT, WITH A RECOMMENDATION TO SUPPORT MADAGASCAR'S STRUCTURAL ADJUSTMENT PROGRAM THROUGH A TIME-BOUND SPECIAL OBJECTIVE.

4. DISCUSSION THEN BEGAN WITH A REVIEW OF EACH OF MADAGASCAR'S STRATEGIC OBJECTIVES (SO): SO1--FOSTER AN ENVIRONMENT IN WHICH PRIVATE ACTION CAN FLOURISH; SO2--SMALLER, HEALTHIER FAMILIES; SO3--REDUCE NATURAL RESOURCE DEPLETION. AFR/SD SECTOR REVIEW WORKING GROUP LEADERS FOR THE R4 EXERCISE WERE: DEMOCRACY/GOVERNANCE--DON MUNCY; ECONOMIC GROWTH--DAVID ATWOOD; ENVIRONMENT--MIKE MCGAHUEY; CHILD SURVIVAL--MARY HARVEY; AND POPULATION--PHYLLIS GESTRIN. REVIEW TEAMS GRADED EACH SO ON A 1-10 BASIS, WITH A 10 BEING THE HIGHEST POSSIBLE SCORE, AND A 6 BEING AVERAGE. THE AFR/SD SECTOR REVIEW WORKING GROUP LEADERS EACH EXPLAINED THE GRADING PROCESS, HOW THEY ARRIVED AT THEIR SCORES, WHAT THEY LIKED ABOUT THE PROGRAM OR ANY PROBLEMS THAT THEY MAY HAVE ENCOUNTERED. IN RESPONSE TO QUESTIONS RAISED IN THE REVISED MADAGASCAR PROGRAM DAY ISSUES PAPER, AFR/EA HANDED OUT E-MAILS PREPARED BY THE MISSION WHICH RESPONDED DIRECTLY TO THE ISSUES. THE E-MAILS WERE INFORMATIVE, WELL-WRITTEN, AND APPRECIATED BY ALL PARTICIPANTS. SCORES FOR USAID/MADAGASCAR WERE PARTICULARLY HIGH AND IT WAS EMPHASIZED THAT MADAGASCAR'S PROGRAMS IN THE HPN AND ENV SECTORS WERE QUOTE MODELS UNQUOTE FOR THE BUREAU. THE MEETING WAS POSITIVE WITH PARTICIPANTS EXTREMELY COMPLEMENTARY OF THE USAID/MADAGASCAR PROGRAM.

5. SO1: FOSTER AN ENVIRONMENT IN WHICH PRIVATE ACTION CAN FLOURISH. FUNDING CATEGORY: D/G; TOTAL SCORE (MAX OF 100): 67.5; QUARTILE: 2ND; ASSESSMENT OF TARGETS ACHIEVED SCORE (25%): 7; MANAGING FOR RESULTS SCORE (25%): 8; AND TECHNICAL ASSESSMENT SCORE (50%): 6. THIS SO IS A BLEND OF BOTH ECONOMIC GROWTH (EG) AND DEMOCRACY/GOVERNANCE (D/G) ACTIVITIES. THE MISSION HAD REQUESTED THAT SO1 BE REVIEWED AND SCORED BY THE EG TEAM SINCE THE RESULTS REPORTED IN THE R4 ARE ALL EG-TYPE RESULTS. AFR/DP DETERMINED, HOWEVER, THAT SINCE D/G FUNDING IS BEING REQUESTED, THAT THE SO (D/G) WOULD BE REVIEWED AND SCORED BY THE D/G TEAM. THE MISSION BELIEVED THAT THEY WERE PENALIZED BY THIS DETERMINATION. THE D/G WORKING GROUP LEADER AGREED THAT COLLABORATION BETWEEN THE D/G AND EG WORKING GROUPS WAS LACKING. IT WAS NOTED THAT THE D/G GROUP LEADER WOULD DISCUSS THIS MATTER FURTHER WITH THE EG GROUP LEADER. THAT SAID, THE D/G GROUP LEADER STATED THAT THE SCORE GIVEN TO MADAGASCAR FOR ASSESSMENT OF TARGETS ACHIEVED, A 7, ALTHOUGH IT MAY HAVE APPEARED LOW TO USAID/MADAGASCAR, WAS IN ACTUALITY AN ABOVE AVERAGE SCORE. THE HIGHEST SCORE GIVEN BY THE D/G GROUP IN THEIR REVIEWS FOR THAT TARGET WAS AN 8.

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6. THE M BUREAU REPRESENTATIVE COMMENDED THAT M DID NOT LIKE THE FACT THAT D/G MONIES WERE BEING USED FOR EG PURPOSES. THIS LED TO A SHORT DISCUSSION ON THE SYNERGIES BETWEEN D/G AND EG UNDER THIS SO. DAA/AFR GARY BOMBARDIER NOTED THAT THIS WAS NOT A MAJOR ISSUE AND THAT THE

MISSION, IN FACT, SHOULD BE COMMENDED THAT THEY WERE ABLE TO ACCOMPLISH SO MUCH UNDER SUCH DIFFICULT CIRCUMSTANCES. DAA/AFR THEN WENT INTO DETAIL TO DESCRIBE THE PROCESS INVOLVED WITH THE IMPEACHMENT OF THE PRESIDENT, THE ELECTIONS, AND FINALLY THE PEACEFUL TRANSFER OF POWER TO A NEW PRESIDENT IN PERHAPS THE CLOSEST ELECTION IN MODERN AFRICAN HISTORY. ALL THESE POLITICAL MACHINATIONS LED TO A MAJOR HIATUS IN GOVERNMENT OPERATIONS AND REAL UNCERTAINTY ABOUT THE FUTURE. YET DESPITE THESE DIFFICULT CONDITIONS, THE MISSION WAS ABLE TO MAINTAIN EXCELLENT PROGRESS. USAID/MADAGASCAR DESERVED FULL CREDIT FOR THIS MAJOR ACCOMPLISHMENT.

7. SO2: SMALLER, HEALTHIER FAMILIES. FUNDING CATEGORY: CHILD SURVIVAL; TOTAL SCORE (MAX OF 10): 8.75; QUARTILE: 1ST; ASSESSMENT OF TARGETS ACHIEVED (25%) SCORE: 8; MANAGING FOR RESULTS SCORE (25%): 9; TECHNICAL ASSESSMENT SCORE (50%): 9. IT WAS NOTED THAT THE SYNERGY BETWEEN FAMILY PLANNING PROGRAMS AND CHILD SURVIVAL, AND BETWEEN POLICY CHANGES AT NATIONAL LEVEL AND PROGRAMS AT DISTRICT LEVEL, AND PARTNERSHIPS WITH WHO/UNICEF/COUNTRY/NGOS, IS VERY STRONG. IN ADDITION, MADAGASCAR WAS THE FIRST

COUNTRY IN AFRICA TO FULLY INTEGRATE A STRATEGY FOR NUTRITION BY LINKING MICRONUTRIENTS, COMMUNITY-BASED AND CLINIC-BASED ACTIVITIES AND BREASTFEEDING, ALONG WITH PL-480 FOOD ASSISTANCE.

8. SO2: SMALLER, HEALTHIER FAMILIES. FUNDING CATEGORY: POPULATION; TOTAL SCORE (MAX OF 10): 8.25; QUARTILE: 2ND; ASSESSMENT OF TARGETS ACHIEVED SCORE (25%): 7; MANAGING FOR RESULTS SCORE (25): 9; TECHNICAL ASSESSMENT SCORE (50%): 8.5. TARGETS FOR CYP SEEM TO BE OVERLY AMBITIOUS AND MAY HAVE TO BE REVISED AS A RESULT. IT WAS ALSO NOTED THAT USAID/MADAGASCAR HAS AN EXCELLENT INFORMATION AND TRACKING SYSTEM IN PLACE AND THE MISSION TAILORS SO ACTIVITIES IN RESPONSE TO DATA GAINED FROM THIS SYSTEM, AND INVESTIGATES ANOMALIES AS WELL.

9. A NUMBER OF QUESTIONS RAISED BY SECTOR TEAMS WERE ADDRESSED BY THE MISSION'S EXCELLENT E-MAIL. BOTH G/HPN AND AFR/SD AGREED THAT USAID/MADAGASCAR SHOULD BE VIEWED BY THE AFRICA BUREAU AS A MODEL FOR AN INTEGRATED (POPULATION, CHILD SURVIVAL, NUTRITION) AND WELL-PERFORMING PROGRAM.

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10. SO3: REDUCE NATURAL RESOURCE DEPLETION. FUNDING CATEGORY: ENV; TOTAL SCORE (MAX OF 10): 7.5; QUARTILE: TOP; ASSESSMENT OF TARGETS ACHIEVED SCORE (25%): 58; MANAGING FOR RESULTS SCORE (25%): 8.17; TECHNICAL ASSESSMENT SCORE (50%): 8.25. THIS IS A BLEND OF BOTH ENVIRONMENT AND AGRICULTURAL DEVELOPMENT ACTIVITIES. TARGETS, UNDER SO3, WERE SLIGHTLY BELOW AVERAGE BECAUSE MORE TARGETS WERE BELOW EXPECTATIONS THAN ABOVE. HOWEVER, THE COMMITTEE GAVE CREDIT TO THE SO TEAM FOR REPORTING ON A BROAD ARRAY OF INDICATORS. THE MADAGASCAR R4 PROVIDED AN EXCELLENT EXAMPLE OF WHY A WELL-WRITTEN AND INFORMATIVE NARRATIVE IS CRITICAL TO PROVIDING AN ACCURATE ASSESSMENT OF PROGRESS, AND WHY IT IS IMPORTANT TO BASE THE ASSESSMENT ON MORE THAN JUST WHETHER TARGETS WERE ACHIEVED. IN THIS REGARD, THE WRITE UP FOR THE REASONS FOR NOT ACHIEVING THE SO TARGET "AREA UNDER NATIONAL PARKS" WAS EXCELLENT AND INFORMATIVE. THE MISSION RECEIVED A RELATIVELY HIGH SCORE UNDER MANAGING FOR RESULTS BECAUSE: (A) A SIGNIFICANT AMOUNT OF LEARNING WAS APPLIED TO PROGRAMMING DECISIONS AND (B) PROGRESS ON DEVELOPING AN INFORMATION MANAGEMENT SYSTEM WAS ACHIEVED. UNDER TECHNICAL ASSESSMENT, IT WAS NOTED THAT THE SO TEAM

USED A TRUE PARTICIPATORY APPROACH IN DEVELOPING POLICIES AND STRATEGIES WHICH STRENGTHENED MALAGASY OWNERSHIP AND COMMITMENT. IT WAS NOTED THAT THE USAID/MADAGASCAR ENVIRONMENTAL PROGRAM SHOULD ALSO BE VIEWED AS A MODEL FOR THE AFRICA BUREAU.

11. AFR/DP INVITED AFR/SD SECTOR TEAM LEADERS TO ATTEND SENEGAL'S PROGRAM DAY TO SEE IF MADAGASCAR'S TWO MODELS: (1) POPULATION/CHILD SURVIVAL/NUTRITION AND (2) ENVIRONMENT/AGRICULTURE, COULD BE APPROPRIATELY APPLIED IN SENEGAL.

12. DISCUSSION THEN CENTERED UPON MISSION RESOURCES, PARTICULARLY STAFFING AND FUNDING. AT THIS POINT, THE MISSION'S E-MAIL RESPONDING TO RESOURCE RELATED ISSUES WAS HANDED OUT. DISCUSSION QUICKLY CENTERED UPON THE MISSION'S PIPELINE. BOTH AFR/DP AND THE M BUREAU WERE CONCERNED WITH THE PIPELINE ISSUE, PARTICULARLY AS IT PERTAINS TO ENVIRONMENTAL FUNDS. WHILE IT WAS NOTED THAT MADAGASCAR HAS ALWAYS BEEN RECEPTIVE TO RECEIVING ENVIRONMENTAL FUNDS, LAST YEAR ALLOWANCES WENT OUT LATE. USAID/WASHINGTON EMPHASIZED THAT THE MISSION'S PIPELINE APPEARS TO BE EXCESSIVE.

13. THE BUREAU REQUESTS THAT THE MISSION REVIEW ITS OBLIGATION/PROJECTED EXPENDITURE PATTERN AND FORMALLY

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REPORT ON THE FOLLOWING CONCERNS ASAP: (1) POSSIBLE BENCHMARKS TO SHOW CONCLUSIVELY THAT THE MISSION'S PIPELINE IS INDEED FALLING TO MORE "NORMAL" LEVELS. THIS IS PARTICULARLY TRUE FOR ENVIRONMENTAL FUNDING, AND (2) THE NEED FOR ENVIRONMENTAL FUNDS IN FY 1997 AND BEYOND.

14. DISCUSSION THEN PROCEEDED TO THE MISSION'S REQUEST TO SWAP 6 LOCAL OE-FUNDED POSITIONS FOR 6 PROGRAM-FUNDED SLOTS. AFR/AMS NOTED THAT IT WAS DIFFICULT TO COMPLY WITH THIS REQUEST BECAUSE IT WOULD PUT THE BUREAU DIRECTLY ON THE FSN PROGRAM-FUNDED CEILING. THE BUREAU WOULD THEN HAVE DIFFICULTY RESPONDING TO OTHER MISSIONS OR POSSIBLE EMERGENCY SITUATIONS. USAID/MADAGASCAR ALSO PROPOSED TO CONVERT ONE OF THE TWO INTERNATIONAL OE SLOTS TO A LOCAL OE FUNDED POSITION, BRINGING THE LOCAL OE FUNDED POSITIONS TO 38 AND REDUCING THE INTERNATIONAL OE FUNDED POSITION TO 1. THE BUREAU WILL MAKE EVERY EFFORT TO RESOLVE THIS ISSUE DURING THE R4 WRAP-UP SESSIONS.

15. AS A RESULT OF USAID/MADAGASCAR'S COUNTRY STRATEGIC PLAN DISCUSSION IN MARCH AND THE R4 REVIEW IN MAY, THE FOLLOWING CHANGES IN THE MANAGEMENT CONTRACT WITH USAID/MADAGASCAR ARE NOW IN EFFECT:

A. THE USAID/MADAGASCAR PROGRAM WAS APPROVED WITH THE MISSION'S PROPOSED STRATEGIC OBJECTIVES IN FAMILY HEALTH AND THE ENVIRONMENT, WITH A RECOMMENDATION TO SUPPORT MADAGASCAR'S STRUCTURAL ADJUSTMENT PROGRAM THOUGH A TIME-BOUND SPECIAL OBJECTIVE.

B. WHILE ANNUAL DEVELOPMENT ASSISTANCE FUNDING OF USD 16.5 MILLION WAS ORIGINALLY APPROVED DURING PROGRAM WEEK'S REVIEW OF THE MISSION'S FY 1998 - 2002 STRATEGY, THE USD 16.5 MILLION LEVEL MAY NOT BE APPROPRIATE FOR THE STRATEGY REVISION THAT THE MISSION NOW NEEDS TO UNDERTAKE. THIS REVISION IS BASED ON THE MARCH 28 ACTION MEMORANDUM TO THE ADMINISTRATOR, AND THE ADMINISTRATOR'S APRIL 4 DECISION ON THE SCOPE OF THE MADAGASCAR PROGRAM. FINAL FUNDING LEVELS WILL BE DETERMINED ONCE THE REVISION IS APPROVED.

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