

Madagascar: Poverty Reduction Strategy Paper

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REPUBLIC OF MADAGASCAR

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P.R.S.P.

POVERTY REDUCTION STRATEGY PAPER

Updated July 2003

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**SPEECH BY HIS EXCELLENCY MR. MARC RAVALOMANANA,
PRESIDENT OF THE REPUBLIC OF MADAGASCAR**

WORKSHOP FOR A NATIONAL DISCUSSION ON THE PSRP

March 25–26, 2003 at Iavoloha, Antananarivo

Ladies and Gentlemen,

First I should like to welcome you.

In the present context, Malagasies and their partners must mobilize and come together for the recovery and the rapid and sustainable development of the country, and for the fight against poverty.

I am particularly happy to see here, brought together, representatives from all the sectors of the nation, from all four corners of the island: civil society, economic operators from various sectors, political classes, churches, secular organizations, citizens, country people. In short, all talents from all horizons are here to discuss and to reach agreement on a strategy to remove this country from the poverty in which it has been plunged for more than 40 years.

This is witness that Malagasies are no longer prepared to resign themselves to live in precarious conditions, sometimes in intolerable impoverishment, and in a dilapidated environment.

Malagasies say no to authoritarian rule, to waste, to bad governance, to corruption, etc.

Yes, Malagasies are determined to be responsible for their own future, to no longer be assisted, but to be the primary agents of their own development.

You all know as well as I do, that a strategy not imagined and wanted by the people themselves, would be doomed to failure.

Theoretical, pre-determined, remote-controlled plans are no longer acceptable.

Today we are about to begin discussions leading to a strategy to fight for a reduction of poverty that will be created by and for the people of Madagascar.

The governing and the governed have full responsibility to lead this country on the road to development and prosperity.

In order to accomplish this we must have a common vision, we must look in the same direction, and act in unison.

We are all here today to reach agreement on clear objectives, on a coherent strategy for optimal legibility of the action that we will undertake, to establish a framework for efficient monitoring and evaluation of our activities.

The increased trust of our partners and donors will ensue. I have no doubt that they will constantly accompany us, and that they are waiting to make their contribution, because they too love this country.

Ladies and Gentlemen,

In a country like ours, blessed by the Gods, in this country that is relatively sheltered from the most devastating cataclysms, far from murderous conflicts, in this hospitable land it is unthinkable and unacceptable that 85 percent of the population are living in the conditions that we all know.

We cannot allow such a situation to continue. Therefore, we must act together to immediately put a stop to and rapidly overturn this situation.

To do this, we must dare to set our standards very high :

- A growth rate of at least 8 percent;
- An investment rate of 20 percent.

These are ambitious objectives that are nevertheless realistic, if only we can work together in the right frame of mind, without beating about the bush, and avoiding simplistic political impulses.

The figures I have mentioned must translate as tangible results and be felt by Malagasies in their daily lives, without which they will have no meaning.

Our action must include :

- Immediate and emergency action, because a number of daily preoccupations cannot wait, and the most vulnerable social categories of society are in danger;
- Short- and medium-term action to lay the basis for a modern, strong and truly democratic society.

Ladies and Gentlemen,

I believe in the ability of the Malagasy people to come to terms with themselves.

I believe in the ability of the administration and of all the authorities, from the central level to the communes and the *fokontany* to take up the challenge, and break away from the legendary red tape and nonchalance of the administration.

We are convinced that like us, you the donors and partners, will also overcome the administrative constraints and bureaucratic red tape on your side that sometimes put a brake on our collaboration and cooperation.

We are counting on a firm commitment by you in the implementation of this PSRP, which reflects the hopes for development of the Malagasy people.

Cooperation and partnership based on mutual trust with you, who are Madagascar's friends, are more than a necessity.

If we work hand in hand, Madagascar will become the modern and prosperous country that we wish for with all our hearts.

Thank you very much.

PRIORITY MEASURES 2003-2004

The development objective for Madagascar is the promotion of rapid and sustainable development in order to reduce the poverty rate by half in 10 years. As the outcome of the national participative process, this PSRP groups together strategic orientations to reach this objective. Based essentially on the principle of "Public-Private partnership," these strategies are organized around 3 major focuses:

- Restore the rule of law and a well-governed society;
- Foster and promote economic growth on a very enlarged social base;
- Foster and promote enlarged systems of human and material security providing expanded social protection.

To realize this objective, the government is firmly determined to accept the challenge and implement the following priority measures as early as 2003:

OBJECTIVES	POLICIES AND MEASURES
IMPROVEMENT OF THE FRAMEWORK USED FOR ORGANIZING POVERTY REDUCTION ACTIONS	• A comprehensive PRSP is completed and its contents satisfactorily executed in line with the joint evaluation called for by the annual progress report. • The savings resulting from the interim debt relief are used in line with the criteria established at the decision point. The use of funds resulting from the interim debt relief has been the subject of reports and discussions twice a year in the course of the process of consultation on the PRSP. • Macroeconomic stability is maintained thanks to satisfactory execution of a program supported by a PRGF.
INSTITUTIONAL DEVELOPMENT, BUSINESS ENVIRONMENT, PRIVATE SECTOR, IMPROVEMENT OF GOVERNANCE AND TRANSPARENCY	• Annual report to Parliament on the use of special funds. • Physical and financial monitoring system for the budget cycle (commitment, liquidation, disbursement order, payment) is drawn up and implemented in six ministries (Health, Education, Water and Forests, Infrastructure, Agriculture, Justice). This system will be extended to all ministries beginning in 2004. Resumption of the annual review of public expenditure. • Clarification of the number of civil servants supported by the general government budget (by category, by ministry or by governmental entity) to improve planning and management of payroll expenditures in the budget law. • Promulgation of a general civil service code after consultation with the various entities concerned

	(employee unions, civil society, etc.) • Evaluation of the proposals put forward by the Coordination Cell of the monitoring agencies; effective implementation of these proposals via short- and medium-term action plans. • Start-up of the independent commission to fight corruption via adoption of a decree or law defining its role and its sphere of competence. The commission is required to submit regular reports to the President of the Republic and the Parliament describing the current state of the field under its purview, the actions to be taken within the framework of prevention and education of the citizens. • Creation of administrative and courts, according to a calendar specified by the government, aimed at achieving effective application of (a) the statutory measures governing relations between provinces and municipalities, and (b) legal and budgetary control in the provinces.
JUSTICE	• Implementation of the judicial agencies called for by the constitution. • Study on creation of a corruption monitoring body. • Strengthening of the inspection and control missions of jurisdictions and prisons by the Control Department of the Ministry of Justice, and Supreme Court's Control Commission. • Training of magistrates and clerks to improve functioning of the Commercial Courts. • Devolution of courts and tribunals. • Accelerated processing of cases • Increased staffing in the prison administration.
SECURITY	• Implementation of the legal and operational framework of nation, regional and local agencies concerned with risk and disaster management. • Implementation of the DINA Conventions related to public safety. • Strengthening of urban security. • Extension of security-maintenance procedures to other cases of theft in rural environments.
DECENTRALIZATION/DEVOLUTION	• Creation of a context favorable to economic and social development of the communes.

	• Improvement of the financial independence of the communes. • Empowerment of the communes in management of health and education services.
ADMINISTRATIVE REFORM	• Draft decree creating and specifying the territorial administrative constituencies of the state. • Draft decree defining the powers of administrative heads of territorial constituencies of the state. • Draft decree defining the compensation, benefits and privileges granted to heads of territorial constituencies of the state. • Presentation of legal texts related to communal elections.
CIVIL SERVICE	• Updating and dissemination of legislative and regulatory texts on behavior and attitude change. • Reorganization and clarification of the data base maintained by the Office of Government Personnel. • Creation of an Internet network.
PUBLIC FINANCE	• Adoption of legislative and regulatory texts that are organized on hierarchical principles, modernized, made relevant to the current state of affairs, and supplemented by procedure and execution manuals, management tools geared to day-to-day activities (internal and external management). • Strengthening of control and internal audits. • Creation of a Steering Committee charged with monitoring tax and customs administration reform programs, chaired by the Minister of the Economy, Finance and the Budget, with six representatives of the private sector and six representatives of the government. • Printing and dissemination of the application and interpretation texts of the General Tax Code. • State assumption of the debt of Solima towards the Central Bank, and creation of a reimbursement agreement. • Finalization of legal texts on the implementation of the IGF. • Audit of the Treasury. • Reform of customs duties • Drawing up of regulations governing non-mutual micro-financing.

	• Development of a new policy on management of the public debt. • Universal extension of the Program Budget for the six pilot ministries. • Continuation of work on recasting the General Accounting Plan (Plan Comptable Général). • Finalization of a new contract with a pre-embarkation inspection company • Revival of the activities of Tax Centers outside Antananarivo. • Expansion of computerization of the customs service. • Follow-up of the IPPTE program. • Timely preparation of the definitive government accounts. • Settlement of government arrears to the private sector (reimbursement of VAT credits and settlement of invoices in arrears). • Establishment of a guarantee fund. • Revitalization of the private sector. • Creation of the One-Stop Shop for Investment and Business Development (GUIDE).
IMPROVEMENT OF THE BUSINESS ENVIRONMENT AND DEVELOPMENT OF THE PRIVATE SECTOR	• Launch of bidding procedure after identification of the tourism and manufacturing sites. • Transparency regarding the state of affairs in privatization; resumption of the process according to an updated schedule. • Revision of regulations in view of possible elimination of approval stamps, in the event that changed circumstances warrant it. • Drawing up of a business ethics code for the private sector, based on the principles of the International Chamber of Commerce (ICC); submit this code to Parliament in 2004. • Harmonization of legal texts to reflect a responsible, sustainable shrimp harvesting industry. • Recasting of the mining taxation regime. • Creation of a new system for governance of mineral resources.
LABOR AND SOCIAL LEGISLATION	• Finalization of the law governing the Labor Code.

SOCIAL DEVELOPMENT	• Continuation of a system of premiums for teachers in rural EPPs; recognition of the status of teachers supported by the parents of pupils prior to recruitment of new teachers on a contract basis. Gradual coverage of new recruits by the general budget. • Improvement of the flow of pupils in primary schools by implementation of an action plan to reduce the rate of repeated grades. • Subsidize registration fees for basic education. • Facilitate access to basic education. • Recruitment and reassignment of rural teachers. • Partnerships with the private sector in vocational training, professional and higher education. • Expansion of continuing education in the higher education system. • Decentralization of management of communal healthcare centers, training of paramedic and reassignment of existing medical personnel. Increased coverage of basic drugs based the sales of the Central Purchasing Agency (SALAMA). • Strengthening the system for initial social marketing of mosquito netting in collaboration with the PSI, based on the strategy formulated by the Ministry of Health, especially as regards the achievement of objectives in keeping with the action schedule, from 2003 to 2005. • Strengthening of vaccination activities against PEV targeted diseases (tuberculosis, poliomyelitis, diphtheria, tetanus, whooping-cough, hepatitis B, etc.). • Improved access to quality healthcare of all populations. • Strengthening of the "Birth without Risks" strategy. • Strengthening of the fight against malnutrition. • Improvement in the rate of delivery of drinking water. • Improved rate of access to excreta disposal facilities. • Implementation of a new legal and institutional framework for water and sanitation. • Continuation of the national AIDS awareness and prevention campaign, including a national workshop
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	once a year and identification of prevalence and behavior indicators to be attended to closely. • Twice-yearly reports on the educational and health sectors prepared by central administration and local administrations. These are to include (i) budget allocation and execution of expenditures; (ii) concrete accomplishments.
INFRASTRUCTURES	• Recasting of the status of the FER: ➤ Explicit statement of specifications of work to be financed by the FER; ➤ Recovery of loans avoiding passage of resources through the accounts of the Treasury. • Turn over running of the Port of Toamasina to a concession. • Pursue a strategy of government disengagement from the airport system. • Turn over rail transportation system (north network and south network) to concessions. • Road maintenance needs 100% covered by the Fonds d'Entretien Routier, including a minimum of 10% allocated to rural roads. • Definition and implementation of the road transportation policy. • Extension of Post Office, telecommunications and communications services to unserved rural areas.
ENVIRONMENT, WATER AND FORESTS	• Development of institutions and regulatory frameworks for protection of the environment and nature. • Promotion of inclusion of the environmental dimension in regional development plans. • Promotion of consideration of the MECIE in all investments. • Promotion of sustainable management of land, sea and coastal resources. • Promotion of a national reforestation program. • Improvement of methods and means for controlling brush fires. • Permanent financial support to the national network of protected areas and development of a permanent financing mechanism for environmental action. • Promotion of environmental education and related

	communication activities
AGRICULTURE, CATTLE RAISING AND FISHING	• Promotion of an information system for the rural world. • Implementation of a national land tenure program (over 30 years). • Implementation of a rural financing system. • Development of irrigation networks. • Development of cattle raising infrastructures (animal vaccination corridors, watering holes, slaughtering facilities). • Promotion of transfer of management of reservoirs. • Granting of industrial fishing permits. • Awareness campaign for harvesters, fishermen, focused on process and practice of hygiene. • Support to management and planning of reservoirs. • Restocking of continental water bodies with fish. • Identification of sites for shrimp farming. • Harmonization of legal texts geared to a responsible and sustainable shrimp farming industry. • Training of private alewife producers. • Environmental monitoring of fishing and fish farming sites.
MINES AND GEOLOGY	• Publication of various legal application documents: Mining Code, IGM Statutes, LGIM, BAM. Establishment of the Institute of Gemology of Madagascar • Study in view of recasting the Mining Tax Code. • Decentralize management of mineral resources.

EXECUTIVE SUMMARY

The Intermediate Poverty Reduction Strategy Paper (PRSP-I) was drafted in November 2000 and enabled Madagascar to benefit from the Highly Indebted Poor Countries (HIPC) initiative with a reduction of its debt service of US\$50 million per year.

The drafting process of the complete PRSP started anew in September 2002 after the political events of January to August 2002.

The Poverty Reduction Strategy Paper (PRSP) is the fruit of a sustained participatory process involving all vital strengths of the nation: administration, elected representatives, political parties, entrepreneurs, civil society, non-governmental organizations, professional and church organizations. Various thematic workshops at the regional and national levels were organized from November 2000 to March 2003 to suit these participants.

This document is the result of the improved intermediate PRSP, and takes into account the new policy orientation of the government. The objective is to reduce the poverty rate by half over the next 10 years. The strategy to be implemented is ambitious but realistic. The principle of "public-private partnership" will play a predominant role. In addition, this strategy is based on an objective analysis and on precise criteria, and will be subject to a yearly update.

The document consists of 5 major parts. The first part presents the general framework of intervention of the PRSP, situating the overall context and giving a description and an analysis of poverty. The second part defines the strategies of the fight against poverty and provides overall objectives. The programs as well as the actions to be implemented are discussed in the third part of the document. The fourth part presents the cost and the financing of the programs to be implemented. Lastly, the fifth part describes the monitoring and evaluation methods of the poverty reduction strategy. The action plans of each ministry are presented in the Annex.

Analysis and Description of Poverty

In 2001, the threshold of monetary poverty in Madagascar was estimated at FMG 988,600 per year per person, which yields 69.6 percent of Malagasies living in poverty. Poverty differs depending on the provinces.

Poverty is essentially a rural phenomenon since 85 percent of the poor live in rural areas. The poor generally come from households whose heads are small farmers. The main assets which contribute most directly to the satisfaction of household needs are land and labor. Access to land is becoming more and more difficult. Its distribution is unequal, and the less land households possess, the more acute is their poverty. Labor is seen as a problem of skills and under-employment, linked to the short duration of work hours. Labor costs are relatively low in Madagascar.

Food expenses take up 70 percent of the income of the majority of Malagasies, which leaves them with only meager resources to satisfy other essential needs (health, education, housing, etc.)

Some factors hinder increasing the productivity of assets, namely: (i) weak dynamism of agriculture linked to the agricultural policy and to institutional constraints; (ii) the distance to the various services and markets reducing the production output; and (iii) the problem of insecurity.

The inadequacy of economic infrastructures contributes greatly to the increase in poverty: roads, transportation, Post-Office and telecommunications, energy, etc.

As for the social situation, much needs to be done to improve the health status of the population. Infectious diseases affect Malagasy children; AIDS essentially strikes populations in their working years. School indicators show an alarming situation in education. Nearly half of the

population is illiterate (48 percent), and of these, 61 percent come from rural areas (versus one third from urban areas) and 50.6 percent are women. Lastly, problems of access to drinking water, to sanitation, and problems related to the environment still persist. Among the poorest households, only 7 percent have access to drinking water, as opposed to 43 percent among the wealthiest.

The poverty situation also reveals weaknesses in governance which affect the entire system and all its actors: the state, civil society, the private sector, households, etc.

Poverty encourages adoption of personal strategies with no regard for traditional values, for the law, for integrity of the human being and for environmental conservation.

Development objective

The development objective consists in reducing the poverty rate by half within 10 years, i.e., to go from the current rate of 70 percent to 35 percent by 2013—this to be achieved through the promotion of rapid and sustainable development. The concept of resources for sustainable existence is placed at the center of the fundamental concerns of the poverty reduction strategy and it rightly responds to the challenge of rapidity and sustainability which governs and must govern the principles and actions of the government.

The strategy, based on the notion of rapid and sustainable development, comes into its full meaning since the phenomenon of poverty is acute among the great majority of the population. The absence of comprehensive strategies in the area of development and social protection and the ineffectiveness of the strategies that have been used up to now, have had negative repercussions, exacerbated by the recent crisis. This situation has forced the authorities as well as various other entities to react and adopt radical strategies capable of resolving the problems of poverty and development in their entirety quickly, in the best way possible, and in a durable way.

The Strategic focuses

The diagnosis and analysis of the characteristics of poverty, the requirements and imperatives of rapid and sustainable development to reduce poverty by half in 10 years, the lessons from the implementation of previous plans as well as the recommendations from various world or/and regional summits Madagascar has joined, have pinpointed three major strategic focuses:

- Focus No. 1: Restore the rule of law and a well governed society;
- Focus No. 2: Foster and promote economic growth on a very broad social base;
- Focus No. 3: Foster and promote systems for establishing human and material security and enlarge social protection.

The first focus combines a group of actions related to the renewal, improvement, modernization, reinforcement and development of an institutional framework of good governance. The objective is to **ensure an environment that is favorable to rapid and sustainable development**, whose implementation turns out to be one of the essential conditions for the success of the promotion of economic growth. **This focus will allow the state to assume effectively and with transparency its role of facilitator and driving force of the economy.**

The second focus consists in distributing judiciously and intensifying the means of production; in defining, promoting and setting up a framework of action based on partnership and/or solidarity; and defining and implementing systems to transfer technical and professional expertise as well as competencies in the area of research. Accelerating growth by increasing efficient investment and by opening up Madagascar's economy to the world economy constitutes the objective of the second focus. The private sector will play the role of an engine in this process, whereas the Public Investment Program (PIP) will act as a development lever in the allocation of resources.

The constitutive elements of Focus 3 deal with the definition and the implementation of systems of management that are geographically dispersed and supportive—programs of food security, health, education, housing, environment. The commune will serve as an anchor for all actions providing most local services. The objective is to make sure every Malagasy can benefit from the fruits of growth

Implementation programs

Fifteen programs support the various actions, ranging from the institution of good governance (governance and fight against corruption, governance and respect for democracy, local governance, etc.) to education and health, and including macroeconomic stability and growth, development of strong sectors, development and intensification of structuring infrastructures. These programs rely on the current actions. In addition, they take into consideration the new orientations of the government and the recommendations from project portfolio review.

Actions to be undertaken in the various programs are prioritized according to the needs stated by each ministerial department.

The monitoring and evaluation of all actions undertaken under the PRSP require strengthening of the participatory process. The objective is to have in real time targeted items of data regarding the relevancy and efficiency of implemented programs.

The monitoring system to be created consists in building on the study and research work already realized in the area of poverty, and in starting other new actions with a view to have a whole set of reliable data on the standard of living of the population and on the economy.

First of all, the strategy for the reduction of poverty calls for a more precise identification of the determinant factors of poverty. With a view to this, efforts have been made in various studies and surveys mainly undertaken by the National Institute of Statistics (INSTAT) in collaboration with various national and international partners.

The proposed institutional apparatus will see to the clarification of the various tasks assigned to each group involved. To this effect, steering and coordinating bodies and consultative groups in each sector will be set up, such as the Technical Cell in charge of drafting and monitoring the poverty strategy.

A method of participatory monitoring will be set up with sector working groups involving the participation of various groups that took part in the drafting of the PRSP, to analyze results of work carried out by INSTAT and its partners. Sector working groups will have the participation of various entities: administration, elected officials, civil society, private entrepreneurs, NGOs and associations. Participatory workshops on monitoring will be organized in each provincial capital every 6 months.

Program costs

To reduce poverty by half in 10 years (poverty rate = 34.2 percent in 2013 versus 71.6 percent in 2002 and 68.5 percent in 2003), the macroeconomic framework indicates that public investment resources to be mobilized should be FMG 13,390 billion (i.e. about US\$1.9 billion) during the period 2004-2006 and the additional resources required are nearly US\$1 billion. These figures correspond to the prioritized financing actions.

1 GENERAL INTRODUCTION

The first poverty reduction programs were implemented in the late 1980s with a view to alleviating the negative effects of structural adjustment, within the framework of adjustment programs with social dimensions. A few measures oriented towards the poor were undertaken in this respect through social funds, safety nets and specific programs. Such programs were not supported by a truly comprehensive strategy of poverty reduction, and consequently the impacts as well as the results were rather limited: the poverty rate rose from 47 percent to 70 percent during the period 1980-93.

Attempts at pursuing a National Poverty Reduction Strategy were carried out during the 1990s. They failed for lack of significant political resolve as to their appropriation. The “restructuring of the economy” aspect received much more consideration. That is also true for the PNARS or the National Plan for Social Recovery adopted in 1994, and later on the National Action Plan for Social Development proposed at the Copenhagen World Summit on Social Development, which were too much centered on sectoral aspects.

In early 2000, the government decided to draft the PRSP or Poverty Reduction Strategy Paper. The finalization of the interim Paper enabled Madagascar to benefit from the first tranche of financing from the HIPC initiative.

The present government firmly undertook to implement rapid and sustainable development. To that effect, the priority of all priorities will be good governance, the development of infrastructures, health, education and support to the private sector. A plan for economic recovery covering the period from 2002 to 2005 was established in the course of the years 2001-2002.

The intermediate PRSP has been improved upon in order to take into account the major government orientations, and to reflect in operational terms the government’s political willingness to carry through the recovery plan, and by so doing cut the poverty rate by half in ten years. The strategy is ambitious but realistic: it gives priority to the “public-private partnership” principle, relies on objective analysis and accurate criteria, and will be updated every year. It is a national strategy in that it is the fruit of consultation involving all the segments of Malagasy society. It hews to the objectives of international agreements to which Madagascar has subscribed: Millennium Declaration, NEPAD, World Summit on sustainable development, etc.

The stakes underlying the decision to complete the PRSP are considerable since the document itself reflects a political choice and resolve which will engage the responsibility of the public authorities in the medium term vis-à-vis the urgent expectations of the Malagasy population, notably the poor. This is in no sense a makeshift choice imposed by the current circumstances.

1.1 VISION AND AMBITION

Poverty could be described as a state of enslavement and helplessness in which a person is partially or totally deprived of sustainable means of existence, and finds himself excluded from enjoying the fruits of growth. It results in such a person feeling alienation which makes him feel like “a stranger” to the development process¹.

¹This description does not question the classical definition of poverty based on calorie consumption.

Malagasy people, deeply impregnated with ancestral spiritual and religious values—“*ny fanahy no mahaolona*”²— have a tendency, when experiencing poverty, to deviate from the way expressed by these values, and to adopt “*deviant*” behavior in order to survive, or resort to makeshift solutions that belong to no overall framework.

Malagasy people, especially the poor, have the impression nowadays that they are losing part of their souls—“*very fanahy mbola velona*”³—as all the values attached to their authenticity as Malagasies respecting *fihavanana*—solidarity, mutual aid, humility, and dialogue—have vanished as though by magic. They then adopt a drifting life illustrated by the Malagasy saying, *Fiainana kodia very tsihy*⁴.

The rebirth of a society that recovers its soul constitutes the main desire of the majority of Malagasies, who see in it a framework for their reinsertion into the development process. Restoring *fahamarinana* and *fahamasinana* has become the leitmotiv of a whole people.

Each of these two notions carries a whole spectrum of meanings, ranging, in the case of *fahamarinana*, from accounting accurateness to rectitude, to moral integrity, to psycho-cultural authenticity; as for *fahamasinana*, it includes notions ranging from personal identity and individual temperament to the capacity for reserve and self-discipline.

The availability of sustainable means of existence for the benefit of the whole of the population and its various components—social, economic and geographical—and if possible the opportunity for these components to enjoy the fruits of growth according to their needs and/or aspirations, constitute the other two types of ambition which motivate the vast majority of the people of Madagascar.

In other words, the national ambition thus defined can be expressed in the following way: “Enable the majority of the Malagasy population as a whole to (i) live in serenity; (ii) produce normally and efficiently; and (iii) meet honestly its basic needs and protect those of future generations”.

Vision and ambition constitute the backdrop of the strategy for reducing poverty.

² *Spirit makes us who we are.*

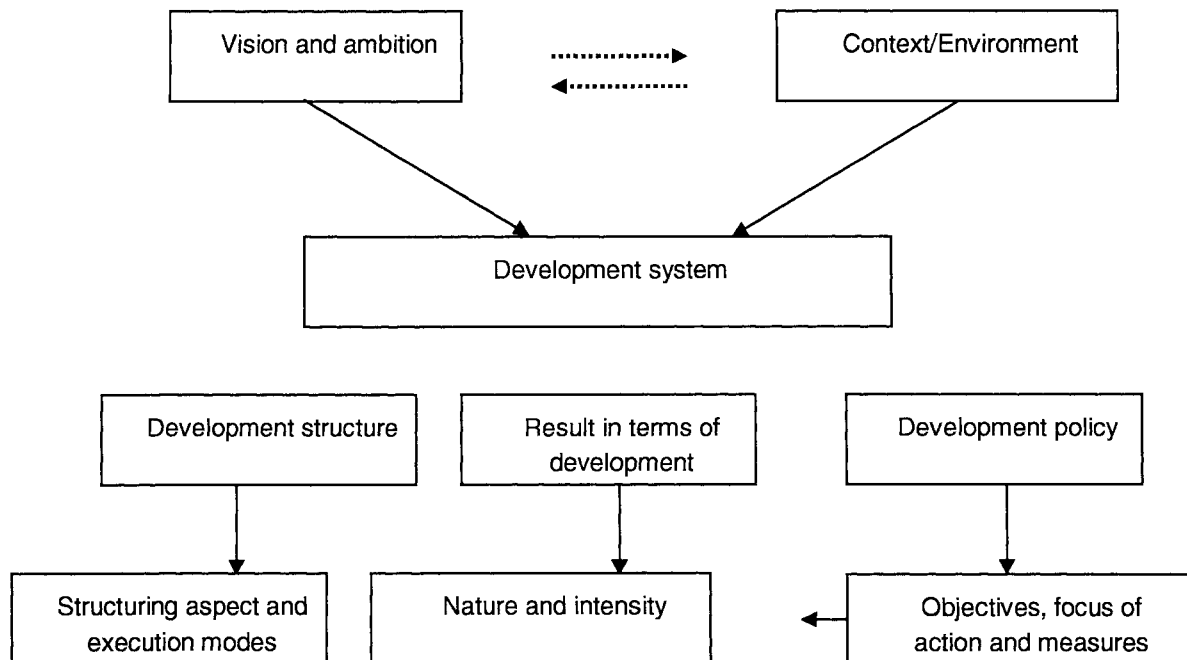
³ *A lost, distraught person.*

⁴ *A life on the road to ruin.*

1.2 THE PARTICIPATORY PROCESS

The Poverty Reduction Strategy Paper defines the policies as well as the ways and means for their implementation. These policies and ways and means are in conformity with Madagascar's vision, aspirations and orientations, and must harmonize with its institutional instruments and technical means. All this in order to reach positive, palpable results as regards poverty reduction. The document is the fruit of collective study according to a participatory process during which all streams of national, regional, and local opinion, whether of the public sector, private sector or civil society, had the opportunity to express their views. Furthermore, they have been able to confront their respective interests, and together have come up with coherent policies and paths of action concerning poverty reduction.

The following chart shows the main relations between aspects mentioned above:



1.2.1 IN DESIGNING AND DRAFTING

The drafting of the PRSP passed through several major steps that may be summed up as follows:

- i) At the beginning of the year 2000, the government set up a Technical Cell composed of high-ranking civil servants, academics, local councilors and entrepreneurs from the private sector⁷. The Cell's task was to:
- Assist sectoral officers of ministries in the preparation of the basic working documents necessary for the groups' thematic inquiries;
 - Participate in organizing and coordinating the participatory processes;
 - Ensure the synthesis of the results of the groups' thematic inquiries and report to the Prime Minister;

⁷ Decree No. 2000-703 of September 13, 2000 of the Prime Minister, Head of the Government.

- Participate in the dynamic analysis of every aspect of poverty.

Permanent staff are in charge of the secretariat of the Technical Cell, together with the Adjustment Technical Secretariat (STA).

- ii) Six technical commissions, set up within the framework of the PRSP, worked actively with the secretariat of the Technical Cell during the finalization of the paper, with the participation of technical ministries, the representatives of the private sector, civil society and the bilateral and multilateral development partners.
- iii) After the change in administration in 2002, following the crisis which occurred in the country, the Technical Cell was linked up to the Ministry of the Economy, Finance and Budget.
- iv) The workshop on the strengthening of the participatory process for the drafting of the poverty reduction strategy was organized on September 7 and 8, 2000 in Antananarivo. The first interim draft Poverty Reduction Strategy Paper (PRSP-I) drawn up on the basis of the recommendations of the workshop and previous consultations, round tables and workshops related to sectoral strategies, was discussed during the second workshop in Antananarivo on November 10, 2000, with even greater participation than in September on the part of civil society and the provinces (more than 60 percent compared to 40 percent of the participants in September).
- v) Subsequently, thematic workshops were organized between February 2001 and August 2001 in order to analyze in depth some of the major themes in poverty reduction, and discuss the outlines of the strategy with the population, namely:
 - "Rural Development and poverty" theme held in Mahajanga;
 - "Inequality between men and women" theme held in Toamasina;
 - "Poverty and AIDS" held in Antsiranana;
 - "The Effects of bush fires and the practice of forest slash-and-burn ("tavy") on poverty" theme held in Fianarantsoa;
 - "Governance and poverty reduction" theme held in Toliary;
 - "Urban poverty" theme held in Antsirabe;
 - "Health" theme held in Antananarivo; and
 - "Education" theme held in Antananarivo.
- vi) The complete draft PRSP was then presented and discussed in regional workshops held in the six provincial capitals (with an average participation of 120 people per workshop). At this stage the object was to gather the different opinions of the Malagasy population in the provinces, mainly the points of view of the poor, either directly or through organizations capable of expressing their feelings, needs, expectations and suggestions, which were the conditions for their present and future approval of the fight against poverty, before being the subject of debates in a national workshop in Antananarivo on November 15 and 16, 2001; at that workshop, more than 500 participants examined in detail the draft document and the synthesis of the recommendations from the regional workshops.
- vii) The reinforcement of the participatory process continued with the resumption of the finalization of the document after the suspension of the process due to the events of the first half of 2002, with the organization of two other thematic workshops on environment and good governance during November 2002. The national consultation workshop took place on March 25-26, 2003.

Analysis of the representative character of the various entities that have participated in the workshops organized since the year 2001 up to the finalization of the document, revealed that the administration—councilors included—represented on average 34.8 percent of the participants, the private sector, civil society and the various organizations, 45.8 percent, international institutions 10 percent, and the other components of the population, 6.6 percent of the participants.

The complete draft PRSP, the fruit of these various consultations and the activities of the six technical commissions, was drawn up in order to be submitted to the foreign partners of Madagascar who wish to assist in the implementation of the strategy for poverty reduction.

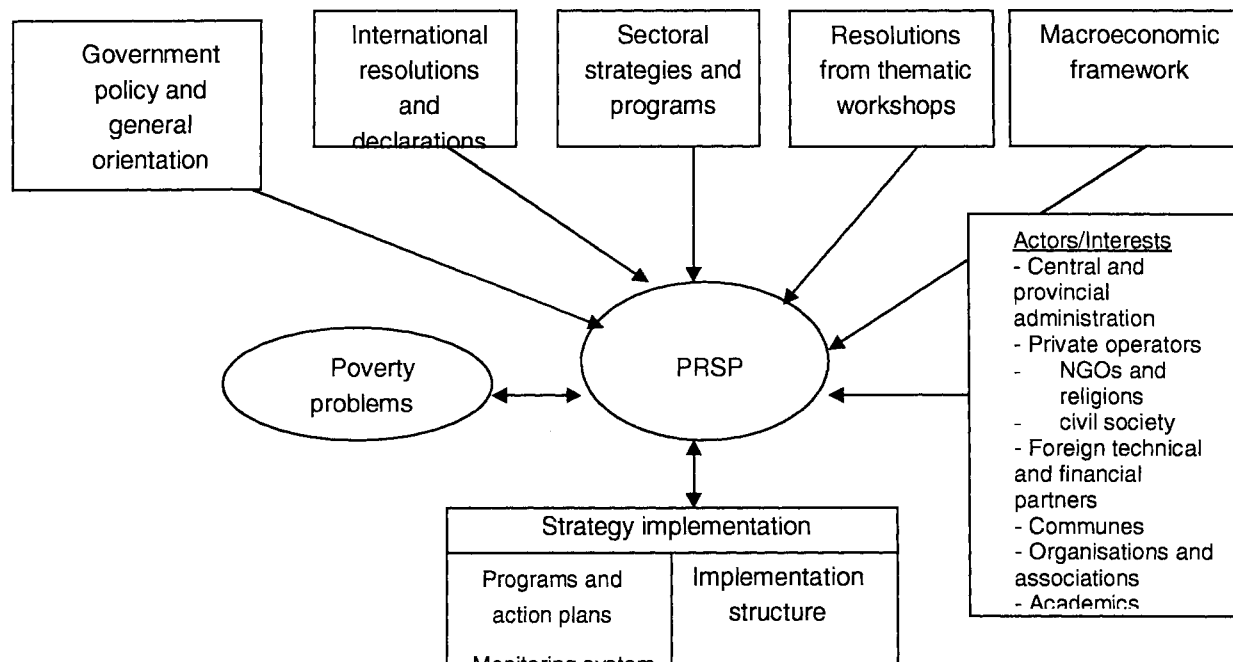
1.2.2 IN MONITORING

The same participatory approach will be used for monitoring and evaluating the implementation of the action plans within the framework of a process which will include contributions to the collection of data, as well as the analyses and inquiries within the framework of specific seminars. At the same time the population's active participation will be requested and guaranteed within the scope of studies on the sectoral strategies and programs, such as the Rural Development Action Plan (PADR), the Urban Poverty Reduction Program (PULP), the Sectoral Transportation Program (PST), the National Support Program for the Private Sector (PNSP), the National Population Policy for Economic and Social Development (PNPDES), the National Population Program (PNP), the National Policy for the Promotion of Women, the Environmental Program, the AIDS Control Program, etc.

1.2.3 FOR WIDE DISSEMINATION

For the dissemination of the Poverty Reduction Strategy Paper, a website project has been undertaken with the help of technical and financial partners. The site will enable the public and any of Madagascar's development partners to have access to the results of the workshops organized in conjunction with the reinforcement of the participatory process and the studies undertaken regarding the dynamics of poverty in Madagascar. In addition, it will include information on the donors' actions in Madagascar related to the program of poverty reduction.

1.2.4 OUTLINE OF THE DRAFTING OF THE PRSP



1.3 STRUCTURE OF THE PAPER

The PRSP is structured as follows:

- General context of the PRSP and analysis of poverty;
- Objectives and strategic lines of intervention;
- Poverty risks;
- Scope of actions and scenarios;
- Programs implementing the strategy;
- Cost and financing of the programs for implementing the strategy;
- System for the monitoring-evaluating the implementation of the strategy.

2 GENERAL CONTEXT AND SITUATION OF POVERTY

Two types of factors, one linked to the general context of the Malagasy economy, one linked to the problems as well as the actual characteristics of poverty, define the general intervention framework of the strategy for reducing poverty.

2.1 GENERAL CONTEXT

BOX No. 1. A FEW INDICATIVE DATA					
	1988-1990		1991-1996		1997-2001
Economic growth rate	3.5%		0.1%		4.6%
Per capita GDP growth rate	0.7%		-2.7%		1.8%
Population growth rate	2.8%		2.8%		2.8%
Inflation rate	16.0%		22.9%		8.3%
	1960	1980	1993	1999	2001
Incidence of poverty	43%	47%	70%	71%	69%
Difference in poverty	9%	19%	32%	33%	34%
Percentage of children who do not attend school			50%	30%	
Illiteracy			—	48%	
Of which, women			56%	50%	

2.1.1 GENERAL SITUATION OF POVERTY

Despite a very high rate of 69 percent in 2001, the poverty situation in Madagascar improved a little between 1993 and 2001. The improvement could be seen especially in urban areas. However, it was not true for each region, because in some regions it improved while in other regions it deteriorated. Moreover, rural areas continued to become increasingly poor. Consequently, it can be said that the recorded economic growth—and therefore the economic policy during the period—hardly benefited the poor in rural areas.⁶

The present state of income levels in Madagascar is the result of a long process characterized by (i) weak economic growth caused by an insufficient level of investment (less than 15 percent of GDP), and (ii) a rather high birth-death ratio (around 2.8 percent).

Such performances are caused principally by insufficiencies:

⁶ *Dynamics of poverty: 1999-2001*, Cornell University/INSTA/World Bank, October, 2002.

- In economic and social development policies: (i) the diagnosis of the country's technical and socio-cultural characteristics in all their dimensions; (ii) the definition of a coherent set of overall and sectoral objectives and the strategies for implementation; and (iii) giving concrete expression to these objectives in terms of projects/programs, appropriate measures and actions in the long run and their implementation, monitoring and evaluation. Such insufficiencies resulted in imbalances affecting resources and the use of goods and services, distributed incomes and effective expenditures, financing needs and means of financing.
- On the organizational level, intervention agencies, the decision-making process, programming and management tools, and the optimum utilization of funds;
- Support measures aimed at enlarging the productive bases for development in the rural environment: agricultural yields remain low in spite of actions undertaken in terms of supervision and extension work. To all this should be added land ownership insecurity, difficult access to the means of production and credit, problems related to physical accessibility.
- The involvement of the civil society in the decision-making process and implementation of development programs and actions; and involvement of rural people in the process of identification, decision making and implementation of the projects that might improve their means of production.

As stable elements in the process of social mobilization, traditions and cultures may facilitate organization in social life, both in productive activities and in the security field. In many instances, however, this is not true.

2.1.2 ON THE ECONOMIC LEVEL

- **Economic growth**

Prior to the 1980s, the Malagasy economy grew too modestly in relation to population growth to allow actual improvement in the living conditions of the people. The implementation of a stabilization and structural adjustment program at the beginning of the 1980s (deregulation of the exchange rate, liberalization of domestic trade, deregulation of prices, withdrawal of the state from production and trade activities, liberalization of imports, etc.) enabled positive economic growth in real terms to be achieved at the end of the decade, even though annual inflation remained at a rather high average level of 16 percent. This program was supported by the donor community.

This improving economic situation was disrupted by the events of 1991. The upheaval which ensued resulted in the suspension of international economic agreements. The average per capita growth rate fell to a negative 2.7 percent between 1991 and 1996. Per capita GDP reached its lowest level in 1996 (US\$198 in constant 1997 dollars), that is 60 percent of its level in 1971 (US\$338 in constant 1987 dollars). Inflation was more than 50 percent.

The period 1997-2001 was marked by a measure of stability and the promise of an economic recovery with minimal social impacts. The measures taken included: (i) reduction of customs barriers; (ii) elimination of tax exemptions; (iii) implementation of numerous budget restrictions and budget expenditures controls; (iv) privatization; (v) elimination of quasi-budget activities of the Central Bank, etc. These measures enabled restoration of the major economic balances in public finance, as well as in external trade and the currency, to be re-established. The inflation rate decreased from 14 percent in 1999 to 8 percent in 2001, and the interest rate from 17 percent to 12 percent; the exchange rates stabilized. Foreign direct investment rose from US\$10 million in 1996 to US\$120 million in 2001. The private investment rate reached 7 percent of GDP in 2001 compared to 4 percent in 1997. The average growth rate of the economy was 4.5 percent.

Of the 4.5 percent of economic growth in the years 1999 and 2000, about 1.5 and 0.8 points were due to “secondary activities” of exports and trade, respectively. Tourism, construction/ building and public works activities accounted for 0.6 and 0.4 points, respectively. As for the primary sector, the good performance of fishing (0.9 percent) should be noted. On the other hand, it appears paradoxical that agriculture, which provides the great majority of Malagasies with their livelihood, should pull the country’s economic growth rate down. Regarding industries (EPZs excluded), they contributed for about 0.4 point. It is the secondary activities of these sectors which will be examined successively below:

Concerning the agricultural sector, nearly 70 percent of the country’s production was dominated by rice growing. Yet rice production has increased by only 1.2 percent per year since the 1980s, and its yield has never reached the threshold of 2.1 tons per hectare. Rice growing techniques still remain to a large extent quite traditional, and the use of inputs is not very developed. The share of agriculture in GDP and the primary sector has undergone a downward trend for several decades. In real terms, the weight of agriculture in GDP was 17.5 percent (48.5 percent of the primary sector) in 1990, compared to 15.3 percent (44.5 percent of the primary sector) in 2001. This situation was due to the combination of two factors: a low growth rate for agriculture (2 percent of the average annual growth from 1997 to 2000, at constant prices), compared to much more sustained growth of the other sectors such as forestry (9.8 percent on average).

A big difference has been observed between the retail prices for rice and the producer prices. This difference can be explained by the absence of fluidity in the movement of goods (from production sites to the markets) owing to the deficiency in road infrastructures and the non-mastery by the farmers of storage resources and techniques. Such an environment tends to be profitable for downstream operators (storage and other activities), and maintains a situation marked by sporadic income and speculation in the rice growing sector. Since the beginning of the 1970s, the national rice supply (with an average yearly growth of 1.4 percent for the production of paddy) has not always been sufficient to cover the yearly consumption needs of the country, i.e. about 1,650,000 tons.

Regarding the weight of the Export Processing Zones (EPZs) in the Malagasy economy, their direct contribution to the formation of GDP is slight and hardly reaches 1 percent, whereas it is 11.2 percent for the other industries in Madagascar: 10.6 percent for trade and 9.9 percent for transportation of merchandise. The importance of the EPZs lies in their ability to generate jobs and stimulate the activities of other economic sectors in the country (transportation of merchandise, transit, telecommunications, commerce, indirect taxes), creating jobs indirectly at the same time. Therefore, they are part of the enterprises which have a high capacity for employment, since starting from less than 20,000 direct jobs created in 1994, there were 75,000 direct jobs created in 2000, and about 100,000 in 2001, to which 25,000 indirect jobs should be added. According to IMF data, nearly 80 percent of foreign investments in Madagascar go to the EPZs. Of this total, 38 percent come from France, 25 percent from Mauritius and 9 percent from other European countries.

To sum up, the period gave rise to prospects of economic recovery. Such prospects were again jeopardized by the post-election crisis of 2001. The crisis highlighted the fact that the good economic performances, against the backdrop of an apparent political stability, were in reality hiding a creeping, deep discontent and tension since they depended on the poverty of the great majority of Malagasies.

- **Situation of the debt**

Madagascar’s indebtedness problems remain entire. In 1995, debt-servicing represented nearly 152 percent of tax receipts, and 52 percent of export receipts. The absence of any rescheduling agreements between 1991 and 1996 aggravated the situation, causing a significant accumulation of outstanding external payments. The rescheduling agreements of 1997 (Paris Club

VIII), 2000 (Extension of Paris Club VIII) and March 2001 (Paris Club IX) enabled a reduction in the net updated value of the debt.

At end-2002, the nominal outstanding external debt stood at US\$4,587 million, that is 100.6 percent of GDP. In net present value, after the usual adjustments, the debt stands at US\$2,277 million, or the equivalent of 49.9 percent of GDP, 211.3 percent of exports of non factor goods and services, and 624.7 percent of tax receipts. Taking into consideration interim assistance under IPSTE, the net present value of the debt stock stands at US\$1,397, and represents 30.6 percent of GDP, 129.7 percent of receipts from non factor exports of goods and services, and 383.3 percent of tax revenues.

Table 1. Madagascar: Situation of the external debt 2000-2002 and sustainability indicators

(Unit as percentage)

	2000	2001	2002	2003	2004	2005	2006	2007	Average	
									2000 -	2010 -
									2009	2019
After traditional relief										
NPV Debt/Exports	220.4	192.7	211.3	223.3	233.3	193.8	174.2	156.7	178.2	99.1
NPV Debt/Tax receipts	470.7	476.8	624.7	443.3	395.5	365.4	337.7	312.0	382.7	182.3
NPV Debt/GDP	55.0	48.4	49.9	47.2	45.5	43.8	42.2	40.6	43.8	29.8
Debt service/Exports	12.9	10.6	11.9	11.3	12.5	9.9	9.4	8.4	9.7	4.4
Debt service/Tax receipts	27.6	26.2	35.2	23.5	21.1	18.6	18.2	16.7	20.8	8.0
After standby assistance										
NPV Debt/Exports	259.2	182.6	129.7	140.3	150.8	127.9	117.5	108.0	131.2	80.4
NPV Debt/Tax receipts	553.5	451.8	383.3	280.2	255.6	241.2	227.8	214.9	281.8	147.8
NPV Debt/GDP	64.7	45.9	30.6	29.5	29.4	28.9	28.5	27.9	32.2	24.1
Debt service/Exports	6.7	3.9	4.7	5.2	6.8	5.5	5.1	4.6	4.9	1.9
Debt service/Tax receipts	14.4	9.8	13.8	10.2	11.6	10.4	10.0	9.2	10.5	3.4

■ Source: Central Bank of Madagascar

External debt-servicing is expected to remain rather substantial, having reached US\$128 million in 2002, or 11.9 percent of receipts from exports of nonfactor goods and services, and 35.2 percent of tax receipts. Nevertheless, in the wake of interim assistance, debt-servicing fell to US\$50 million, i.e. 4.7 percent of receipts from exports of nonfactor goods and services, and 13.8 percent of tax receipts.

These indicators point to a situation in which Madagascar would be sensitive to a change in parameters such as an unfavorable external shock, which would put the country into an intolerable position by worsening its debt burden. In such circumstances Madagascar's debt burden would be unbearable, even in the presence of a stable climate, stable political situation and restructured flows. Added shocks would only increase the need for external financing.

- **Problem of accessibility**

The problems of impassable roads and physical inaccessibility remain pivotal determining factors in the progress of the Malagasy economy. Because of its rugged relief and the great size of the island, the cost of local movement of goods, production factors and competences is relatively high here compared with other similar countries. Taking account of the geographic situation of the island which leads to high costs, it is time Madagascar “moved nearer” to the rest of the world in order to ensure development. To a large extent, the policies to be carried out consist in reducing distances inside the island as well as between the island and the rest of the world. The country’s economic development depends very largely on the reduction of these costs. As a general rule, 33 percent of the communes which do not have access to a national road and 30 percent which have no access to a provincial road consider transportation as their priority of priorities⁷.

- **Factor of production**

Endowments in land and equipment are small and unequally allotted among farmers’ households and notably the poorest of them. Access to land is becoming more and more difficult in the wake of the rapid population growth of the last few years, combined with the vagueness of real property law and the inadequacy of the agencies responsible for land tenure. A tendency toward more intensive exploitation of non-irrigated plots of land such as hills and forests is growing. Therefore, questions related to pressure on plots of land, with the impact that the latter has on the ecology and poverty, become crucial in that they have strong negative effects on the productive resources of rural households.

- **Regional development**

On the regional level, despite a certain homogeneity of the Malagasy population, some discrepancies from the point of view of development exist between regions. A more balanced development of the regions therefore remains a leitmotiv of the country’s overall policy. An appropriate balance must always be maintained between regional and national interests.

- **Ecosystem and climatic changes**

Madagascar possesses an economic potential which derives from the diversity and quality of its manpower on the one hand, and its ecological and environmental heritage on the other. Such assets are being threatened, however, as the Malagasy ecosystem is undergoing a disturbing deterioration, and the prevalence of communicable or endemic diseases risks jeopardizing the health of its manpower.

The impacts of “climate changes” are particularly serious and might cause considerable damage to the ecosystems of the country’s natural environment as well as to human beings. Agricultural activities are becoming vulnerable because the increase in the sea level causes erosion of the coasts and floods, the invasion of estuaries by salt water and the deterioration of salt marshes and coral reefs as well as the lowering of the volumes of fresh water tables.

2.1.3 ON THE POLITICAL AND INSTITUTIONAL LEVEL

As a consequence of the pacifying actions which followed the political events of 2001-2002 after the presidential election, a return to political stability can be felt. The effective implementation

⁷ *The Clients’ Voice: development priorities according to a participatory approach.* Cornell University/INSTAT/FOFIFA, October 2002.

of the Parliament (Senate and National Assembly) is one sign of accomplishment. This stability will be consolidated by communal elections scheduled in the course of the year 2003.

Within the framework of streamlining the administration's actions and in order to improve its efficiency, the government clarified the missions of the various ministerial departments, 22 in number, and has divided them into three major categories of function: sovereignty, development, society.

2.1.4 THE POST-CRISIS SITUATION

The political crisis of the first six months of 2002 engendered economic and social disorganization, characterized by a decline in growth on the order of negative 12 percent, and brought about the aggravation of the vulnerability of regions, economic agents, population strata (vulnerable groups, including women, children, senior citizens, the disabled, the homeless, etc.). Besides, the effects of the various shocks have brought about the emergence of a new category of poor people in urban areas (e.g. employees in Export Processing Zones) and all sorts of deficiencies, notably in terms of food, income, employment, infrastructures, stability/serenity/security and credibility.

The secondary sector has been affected the most, with a decline of 25 percent, followed by the tertiary sector, with a negative 12.5 percent. Agricultural production recorded a negative growth rate of 1.4 percent.

To meet this situation, the government established a recovery and reconstruction plan. Through the commitment of Friends of Madagascar at the Paris conference of July 2002, an assistance package totaling US\$2,477 million is available over a period of 4 years. One part of this amount, on the order of US\$219.5 million, is principally earmarked for the priority emergency program (2002 to July 2003). The latter began to be implemented by the government and the Emergency Credit for Economic Recovery (CURE) granted by IDA (US\$50 million) towards the last quarter of 2002.

The measures taken within the framework of the priority emergency program proved to be relevant and had immediate impacts on the sectors of education, health and security, notably in the rural context. The cancellation of school fees led to an improvement in the school attendance rate (more than 11 percent in the primary schools compared with the year 2000-2001). Services in health care have become more accessible thanks to the cost recovery suppression policy. The newly adopted policy for reducing insecurity (increase in the number of interventions together with an increased number of full time field personnel) engendered a stronger feeling of security among the rural population. Consequently, security is no longer regarded as the main development priority for most of the rural communes. Nevertheless, a certain distrust vis-à-vis the legal system still exists. The measures taken also permitted the Inter-bank Currency Market (MID) to open, and the resumption of the BTA system or Treasury Bonds by Auction, which was temporarily suspended during the crisis period.

However, the negative effects of the crisis are still perceptible. The tiding-over period in the rural areas seems to be difficult compared with the previous years. The people believe that their average income has decreased by 20 percent, the poor having suffered more than the rich and the middle-income strata. The level of success in the CEPE fell substantially: 19 points for rural public primary schools, and 31 points for urban public primary schools. The increase in enrollments for schools has incidentally aggravated the problems of insufficiency and/or allotment of teachers and school rooms.

Prices reached staggering heights in the depths of the crisis, but have stabilized since, and have assumed a downward trend with the normalization of the political situation. On yearly average

the inflation rate stands at 15 percent. The MID suspension and the retaining of an official exchange rate during the 6 months of its closure enabled control of the risks of depreciation of the MGF.

During the crisis there was a foreign assets freeze from March until July 2002. The situation led to a drop in the volume of trade transactions, and the level of imports and exports diminished. As a result there was a slight deterioration in the trade balance of negative 4.5 percent in 2002 versus a negative 1.3 percent in 2001. The tax burden recorded a serious decline of about 7 percent of GDB in 2002 after the 9.6 percent in 2001.

BOX No. 2. PRINCIPAL REFORMS ADOPTED SINCE THE IMPLEMENTATION OF STRUCTURAL ADJUSTMENT PROGRAMS

Budgetary reforms:

- Application of value added taxes (VAT) (1994-2001)
- Reinforcement of fiscal and customs administrations (1997-201)
- Reforms of civil service (1998-2001)
- Strengthening of the budgetary execution follow-up (2001)

Financial and monetary sector reforms:

- Privatization of public banks (1996-1999)
- Independence of the Central Bank (1994)

Privatization of public enterprises:

- Establishment of legislative bases for privatization (1996)
- Deregulation of telecommunications: licenses for cellular phone operators (1996)
- Privatization of the oil company (2000)
- Privatization of state owned enterprises (1988-2001)

Exchange and payment policy:

- Adoption of a floating exchange rate (1994)
- Liberalization of current transactions (1996)

Commercial policy:

- Liberalization of production and marketing of coffee, cloves, vanilla and rice (1987-1997)
- Abolition of price controls (1986)
- Abolition of export taxes (1988)
- Elimination of import restrictions and licenses (1988-2001)
- Regional tariff alleviation (1987-2001)

2.1.5 THE STRUCTURAL ADJUSTMENT PROGRAM

The cumulative effect of the structural adjustment programs launched in 1985 was to create an economy that was more open and market oriented. On the whole, the execution of the reforms has been satisfactory. In certain areas, progress has been slow. Problems still exist and new difficulties have emerged. Significant results appeared starting in 1988, with growth rates greater than the birth rate, except for the period 1991-1996, during which the programs were suspended. The average annual growth rate was 3.5 percent over the period 1988-1990, and 4.3 percent for the period 1997-2000.

2.1.6 SECTOR-BASED PROGRAMS

In terms of social development and poverty reduction, the first National Program for the Improvement of Education implemented from 1989 to 1997 (PNAE I), provided the country with instruments for managing the sector. The second program, PNAE II, implemented since 1997, was aimed at consolidating the previous achievements by basing its implementation strategy on a partnership involving the participation of student parents' associations from each school and local communities, and by linking up the budget items for primary school teachers with the school level.

Regarding the health sector, fresh energy was imparted to the system based on health care districts, which enabled the provision of human resources and equipment that is indispensable for a smooth running of the services; this led to a noticeable impact on the rate of access to health care facilities, thanks to a better articulation of efforts with the other sectoral actions related to health, such as nutrition, drinking water, food security.

Specific programs were also launched to facilitate the promotion of employment and income-generating activities through food security projects, the implementation of basic infrastructures in urban and rural environment (HIL for irrigation canals, rural tracks, etc.), and the promotion of micro-enterprises. Integration of these actions into a coherent and larger whole within the framework of multi-sectoral programs oriented towards poverty reduction, will enable obtaining of significant results at the national level.

Concerning environmental protection the "Malagasy Environment Charter" (Law No. 90-033 of December 21, 1990) sets the general framework of the environmental policy in Madagascar. The National Plan for Environmental Action (PNAE) operationally reflects this policy, whose objective is to reconcile the Malagasy population with its environment with a view to sustainable human development. Several tools have been developed within the scope of the various projects, such as:

- Designing support tools for the decision and a reference system: National Forest Ecological Inventory (IEFN), forest development plans, slope management plans, land occupation maps and forest evolution maps. Protected Areas Network Management Plan, reports on the state of the environment, National and Provincial Environmental Key Indicators, Environmental Information System.
- Protection and management of the natural biodiversity heritage: national network of protected areas and ecotourism;
- Implementation of mini-projects in soil conservation, agro-forestry and other community projects; dissemination of anti-erosion techniques and agro-ecologic techniques, communal development plans;
- Community management of natural resources: GELOSE and GCF;
- Studies on environmental impacts.

2.1.7 THE PROBLEMS OF GOVERNANCE

Two modes of governance have succeeded each other in Madagascar: governance of the paternalistic type in the middle of the 1970s, and of the democratic type since the beginning of the 1990s. The first, based on the predominance of the public sector and centralized management of resources, led to the stagnation of the economy, causing a decrease in incomes and a widening of the differences between the rich and the poor. Indeed the regime came up against a dysfunction of the administration and the public enterprises owing to malfunction in the supervisory bodies and control mechanisms. The second mode is based on gradual decentralization of public affairs management, and is characterized by (i) new energy imparted to the participatory process; (ii) the deregulation of information as well as political life, in order to promote transparency and accountability; and (iii) the liberalization of markets.

The poor quality of public affairs management as well as the serious erosion of wages paralleled the deterioration of public administrations, demoralization of civil servants and the difficulties facing the services.

1. The deterioration of public administration is characterized by a dearth of resources in the Civil Service, the deterioration of the status of civil servants and the high incidence of unpunished corruption.

As for public affairs management, the main problems are the bad management of public finances concerning the implementation and control of the budget, the absence of transparency concerning the information related to public finances, and the irresponsible behavior of state representatives.

As for the judiciary system, salient features are the lack of independence of judges and the slowness of the judicial administration.

2. The slowness of the decentralization/devolution process can be seen throughout the very centralized institutional structures as reflected in the low rate of expenditure decentralization.

3. The poor organizational capacity of the civil society is clearly seen in the absence of a genuine platform of civil society.

4. The lack of incentives for the development of the private sector due to the slowness of the administrative formalities and the judiciary procedures; the lack of information about sectoral statistics.

**BOX No. 3. REPORTS ON THE REGIONAL CONSULTATION WORKSHOPS
DEVOTED TO GOOD GOVERNANCE**

Consultation workshops have revealed: an excessive use of discretionary measures resulting in a lack of uniformity in the application of the law, regulations and measures; a lack of clearly understandable intentions on the part of the administration; a lack of predictability and stability of regulations; and a legislation that is often redundant and at times contradictory. This discretionary environment is a source of uncertainty for the population and particularly in the world of business, breeding an environment favorable to corruption.

The implementation of regulations governing Export Processing Zones, for example, has reduced costs resulting from governmental bureaucracy and its ponderousness, a source of corruption which entails, along with inefficiency, serious economic costs that are borne ultimately by the poor. The workshops brought out the following essential points which hinder the rapid and sustainable development of the country :

- A not very competitive economy but with a high potential;
- A barely literate young population, whose schooling is only average, receives little health care and is at risk for diseases;
- An inability to formulate strategies and priorities for the investment program;
- Low efficiency of public services;
- Lack of coordination of governmental actions.

2.1.8 APPRAISAL OF PROGRAMS, FORMAL AND INFORMAL MECHANISMS OF SOCIAL PROTECTION

In the course of the last twenty years, documents aimed at limiting the effects of the deterioration of the economic situation and/or social security have been drafted. Examples are: the Economic and Social Development Recovery Plan (PREDES), the National Social Recovery Action Plan (PNARS), the National Poverty Reduction Program (PNLCP) preceded by the drafting of the National Poverty reduction Strategy (SNLCP). However, these documents remained as mere guideline documents and have not been followed up by actual implementations for lack of financing, as succeeding administrations were unable or unwilling to appropriate them.

Programs like the Program of Social Action and Support to Economic Management (PASAGE) continued by the Project of Institutional Support to Public Management (PAIGEP); the Support Program to District Initiatives (PAIQ); and the UNICEF Programs, were designed and implemented in order to help alleviate poverty.

The implementation of these various programs remains limited to well defined geographical zones, and their impacts are for that reason slight. In addition, the approach used within the scope of the activity program planning was not in keeping with an overall long-term vision of the problems nor with the quest for synergy with all the other interventions. Other factors included the small volume of programmed investments, the limited follow-through on the part of execution and maintenance

structures in order to ensure the functional quality of the infrastructures implemented. For this reason, they had limited stimulus effects on the economies of the zones concerned.

Although the various programs cover a great deal of the national territory, the interventions fall short of the actual needs. The gap, as evaluated from the point of view of beneficiary populations in relation to the number of people vulnerable to risks, ranges on average between 80 percent and 100 percent, except for programs related to the prevention of cyclones and natural catastrophes (gap of 38 percent) and programs related to malnutrition control in the schools, and mother and child health (gap of 46.4 percent). Programs related to economic insertion and prevention of economic risks and shocks are almost nonexistent. Safety net programs do not provide perennial solutions to the precariousness of the vulnerable populations. It seems that there is a lack of synergy between the various actions carried out in the field owing to the absence of a well defined national strategy for social protection.

Concerning the social protection system constituted by CNAPS, the National Social Welfare Funds, the civil and military pension funds, company medical services, the supply of social credit services, and the public services of social security, an ILO report analyzing the situation notes that at present only 7 percent of the working population benefits from some form of social protection.

As for the informal mechanisms of social security, they may be mechanisms prejudicial to the vulnerable sections, or positive mechanisms in reaction to shocks and risks. Informal credit systems are proliferating. In the rural environment there exist similar systems to which rural people resort in the event of difficulties (tiding-over period, happy and unhappy events).

2.2 ANALYSIS OF POVERTY

2.2.1 CHARACTERISTICS OF POVERTY

2.2.1.1 The level of poverty, measured by the poverty rate, the intensity of poverty and the human development indicator, remains high

International standards define the poor as individuals whose resources⁸ are insufficient for consuming, in addition to indispensable non-food elements⁹, a food ration of 2,133 calories per day, the minimum deemed necessary for maintaining a normal active life.

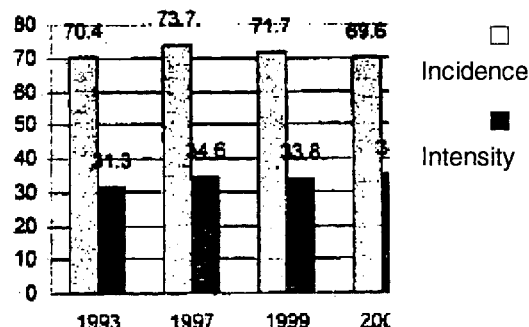
Applying the above-mentioned definition, the poverty threshold¹⁰ for individuals was estimated at MGF 998,600 per year in 2001, which served as the basis for calculating the rate of poverty (or incidence of poverty). This rate determines the percentage of people who live under the poverty line, estimated to be 69.6 percent for Madagascar (in 2001). In order to understand the fate of the poor,

⁸ Household resources may be monetary (wages or proceeds from sales), or non-monetary (auto-consumption, transfers, payments in kind). Note that the rental value of durable goods is included in the evaluation of households' consumptions.

⁹ For example clothing and other staple articles.

¹⁰ Poverty threshold: income necessary for buying in addition to indispensable non-food elements, a food ration of 2,133 calories per day. Poverty ratio: percentage of the population whose average income is below the poverty line (percentage of the poor).

the poverty rate is supplemented by the notion of poverty intensity¹¹. It measures the seriousness of the situation of the poor and determines the difference in Incidence and intensity of poverty as a percentage of the average income of the poor in relation to the poverty threshold. It was evaluated at 34.9 percent in 2001.



The decline in economic performances between 1991 and 1996 had negative repercussions on the situation of poverty, which deteriorated in 1997 compared with 1993 (73.3 percent versus 70.0 percent), and became more intense (34.6 percent versus 31.3 percent). But economic recovery such as that observed since 1997 is reflected by a gradual improvement of the situation, the poverty rate in the year 2000 being estimated at 70.2 percent, a level comparable with that of 1993. Such improvement continued until 2002, eventually becoming a downturn in the incidence of poverty of 69.6 percent; on the other hand, the intensity remained virtually unchanged.

BOX No. 4. COMMENTS ON THE METHODOLOGY OF POVERTY MEASUREMENT

The method for measuring poverty was improved in 2001. Supplementary elements were added to the evaluation of households' consumption, notably the evaluation of durable goods and payments in kind. For this reason, the results obtained between 1999 and 2001 are not perfectly comparable. Nevertheless, using the database of 1999 and 2001, it was possible to chart the progress of poverty. In order to get comparable figures and preserve the results obtained in 2001, the measures concerning the previous years comparable to those of 2001 were assessed from the changes between the various years. For example, at the national level in 1993, the incidence of poverty was 70 percent; the corresponding rate comparable with 2001 was 70.4 percent (see table).

Madagascar is still classified among the poorest countries in the world. More than two out of three persons are poor. The Indicator of Human Poverty (IHP)¹² makes it possible to situate the

¹¹ Poverty intensity represents the proportion of the poverty threshold which has to be added on average to the consumption of poor individuals so that there will not be any poor.

¹² The value of the IHP reflects deficiencies in most of basic human potential (live a long time, acquire knowledge and enjoy a decent standard of living). The value of the IHP ranges from 0 to 1 and thus allows establishment of comparisons in time and place.

progress of Madagascar's development in relation to other countries. The indicator focuses on three essential aspects taking into account human needs: longevity, education and decent living conditions.

With an IHP of 0.467 in 1999, Madagascar was among the countries whose human poverty is high. However, compared to 1997, the IHP (0.517) has fallen by 9.8 percent, reflecting an improvement in the distribution of human development within the population¹³.

2.2.1.2 Poverty profile

Poverty in Madagascar as in several African countries is a rural phenomenon and shows significant variations from one region to another as well as according to socioeconomic groups and gender.

Contribution to poverty of place of residence in 2001



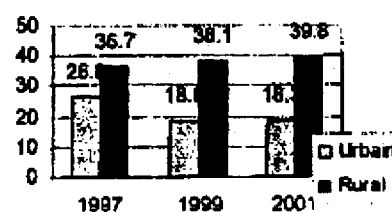
2.2.1.2.1 Poverty affects 85 percent of the rural population

More than three-fourths (85 percent) of the poor live in a rural environment. Urban households seem to have a much more decent life than rural households. This difference is reflected in per capita consumption, since in the rural environment consumption is inferior to the poverty threshold and represents 32.5 percent less per capita in comparison with consumption in the capital. The improvement of the situation in 2001 as compared with 1999 principally concerns the urban environment where the incidence rate came down by 2.1 percent, versus a slight diminution (1.8 percent) in the rural environment. As for poverty intensity (graph), it was more salient in 2001 (39.8 percent versus 18.3 percent) and reveals a deterioration of the situation of the poor in the rural environment during the period 1997-2001.

2.2.1.2.2 The spatial distribution of poverty is unequal

The poverty phenomenon undergoes significant variations from one region to another. These variations are evidenced in the following table. In terms of income, poverty is localized in Fianarantsoa and Toamasina with a poverty rate bordering on 80 percent in 2001. The rate is lower in the province of Antananarivo in comparison with the other regions. It is 10 percent more likely that a person living in Fianarantsoa will be poor than when living in Antananarivo. In Toamasina this rate is 13 percent¹⁴.

Trend in poverty intensity according to environment (in percent)



¹³ *National report on human development, Madagascar* (UNDP 2000).

¹⁴ Analysis using multivariable regression carried out by INSTAT and Cornell University in October 2001.

Table 2. Madagascar: Poverty profile by province

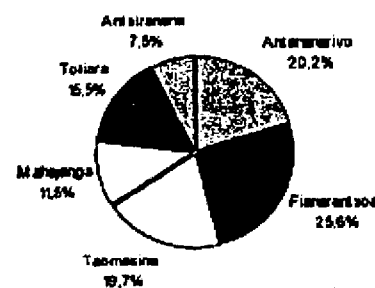
	Incidence							
	1993		1997		1999		2001	
	Rate	Rank		Rank	Rate	Rank	Rate	Rank
Antananarivo	63.4	5	61.8	6	57.1	6	48.3	
Fianarantsoa	76.7	3	77.6	3	83.6	1	83.2	
Toamasina	81.0	2	82.9	2	74.4	4	82.3	2
Mahajanga	47.9	6	68.5	5	70.7	5	72.4	
Toliara	86.6	1	87.5	1	77.1	3	76.1	
Antsiranana	69.0	4	71.1	4	81.4	2	69.2	

Source: INSTAT/DSM

The incidence of poverty has not developed in the same way across the six provinces. The province of Antananarivo saw its poverty diminish gradually, with a rate dropping from 63.4 percent in 1993 to 48.3 percent in 2001. The province of Toliara followed the national trend with some deterioration in 1997 and a recovery in 1999, and with continuous improvement until 2001. The province of Toamasina followed the same trend except in 2001, when poverty worsened and returned to its level of 1997. In the other three provinces (Antsiranana, Fianarantsoa and Mahajanga), persistent poverty in the rural environment led to a deterioration of the overall situation up to 1999. Such aggravation of the situation went on until 2001 in Mahajanga, whereas it stopped in Fianarantsoa. Antsiranana experienced a noticeable improvement between 1999 and 2001.

It is important to distinguish the rate of poverty from the contribution to poverty, which is the proportion of the total number of the poor living in the regions. It is worth noticing that the province of Antsiranana, which has a rather high poverty rate (69 percent), has only a small proportion of poor people (7.5 percent). In fact, it is the least populated of the 6 provinces (7.6 percent of the total population live in the region versus 30 percent in Antananarivo).

Contribution to total poverty



2.2.1.2.3 The poor are essentially farmers

In general, the socioeconomic class of the head of the household determines the household's level of expenditures, and consequently its situation vis-à-vis monetary poverty. The table below confirms that households whose head is engaged in farming or cattle raising as his principal activity are, in the majority of cases, the poorest in the country, in particular small farmers. The highest poverty intensity is also found in this class. Shopkeepers and entrepreneurs as well as managerial personnel, on the other hand, are less affected by poverty.

Table 3. Madagascar: Distribution of annual per capita expenditures according to the socio-economic group of the head of family in 1999.

Socio-economic group	Incidence of poverty (as a %)	Per capita consumption (thousands of francs)
Owner of a large farm	90.8	628
Average farmer	86.6	691
Small farmer	85.9	598
Stock breeder, fisherman	79.5	805
Farmer	47.4	1,239
Shopkeeper, service entrepreneur	32.6	1,851
Salaried manager	16.7	2,687
Employees and skilled workers	40.2	1,497
Laborer	64.1	915
Other	48.0	1,572
Total	69.6	981

Source: INSTAT/EPM 2001

In the agricultural sector, farmers are the most vulnerable group. Over the period 1993-1999, the percentage of poor people as well as the intensity of poverty in this socio-economic category, which were already high, increased in a significant way.

2.2.1.2.4 impact of gender: female heads of household manage to face up to the situation as men do

About 19 percent of households are headed by women. While in 1993, households headed by women were poorer than those headed by men, in 1999 the situation became almost equal in both cases. The situation leveled out between 1997 and 2001.

Households headed by divorced women or widows are poorer than families headed by married or single women. But single women have more difficulties than married women who are heads of households.

Table 4. Madagascar: Situation of poverty according to gender and the marital status of the head of the household.

	Incidence of poverty				Intensity			
	1993	1997	1999	2001	1993	1997	1999	2001
Gender of the head of the household								
Male	69.7	73.4	71.6	69.7	31.9	35.3	34.7	34.7
Female	73.9	74.6	71.5	69.2	34.0	37.5	35.5	35.5
Marital status of the head of the household								
Married	64.0	76.5	58.1		38.7	39.6	27.8	
Divorced or widow	74.5	74.3	72.6		32.8	36.1	34.8	
Single	54.2	67.7	60.6		22.4	32.9	31.0	

Source: INSTAT, EPM 1993, 1997, 1999 and 2001

2.2.1.2.5 There is a gap in development to the detriment of women

The gender-specific indicator of human development (ISDH) shown in the table indicates that there is a development gap to the detriment of women. The difference between the IDH and the ISDH measures the size of the disparity between men and women.

Table 5. Madagascar: Indicators of human development in 1999.

Indicators	National	Antananarivo	Fianarantsoa	Toamasina	Mahajanga	Toliara	Antsiranana
IDH	0.481	0.515	0.356	0.427	0.383	0.382	0.444
ISDH	0.460	0.493	0.333	0.405	0.362	0.360	0.424
Difference as a percent	-4.6	-4.3	-6.5	-5.4	-5.5	-5.8	-4.5

Source : RNDH 2000

In rural environments, this gap is striking, with a low level of the ISDH (0.354) compared to urban environments, where it is 0.596. At the regional level, the sociological disparity between men and women respecting human development can be observed in all the autonomous provinces, with a more marked disparity for the provinces of Fianarantsoa (ISDH of 0.333), Toliara (0.360) and Mahajanga (0.362).

In education, illiteracy is higher among women (50.6 percent). The female school attendance rate is 70.2 percent versus 73.8 percent for men. The girls' graduation rate (from primary to secondary school) is often inferior to that of the boys.

Women have more difficulties obtaining loans and financial services because of the lack or insufficiency of collateral related to their slim financial base and low level of education.

There are inequalities in employment: there is a high proportion of women in the informal sector and in the low-rank socio-professional categories and in less qualified jobs.

The structure of women's income is very fragile, with 12 percent of it from non-stable resources (transfers).

Concerning family planning, there is a related gender problem in that women do not have sufficient freedom in the choice of the methods used for birth control.

2.2.2 DETERMINING FACTORS OF POVERTY

Poverty is characterized by an unacceptable deprivation (psychological, social, physical, etc.) of social well-being. It can be defined as a non-appropriation or a non-mastering of living means (lack of assets) as well as a non-enjoyment of the fruits of growth in order to acquire the basic essential goods (inequality).

2.2.2.1 The main assets

The assets at the disposal of households are deemed to have an influence on their well-being. They act as insurance guaranteeing their survival. The study of the determining factors of poverty¹⁵ shows that **land** contributes most directly to the satisfaction of family needs, especially in rural areas. **Manpower** is also a powerful generator of consumer power, both in rural and urban areas.

2.2.2.1.1 Access to land in rural area

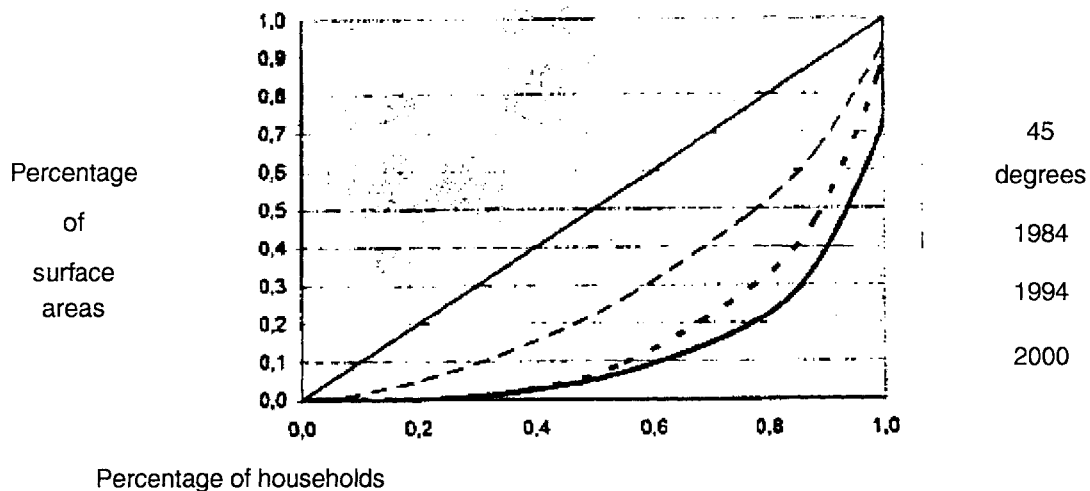
The distribution of land is unequal.

Land plays a primordial role in agricultural activities because 73.2 percent of Malagasy households are farmers.

In rural areas, the richest families own plots of land three times larger (0.57 ha) than the poorest families (0.19 ha). The phenomenon is more salient for agricultural rural families, with a ratio of 1 to 3.7. The graph below gives an illustration of this unequal distribution of cultivated land. The evolution of the curves shows a deterioration in the distribution of land which became more and more unequal between 1984 and 2001.

¹⁵ INSTAT and Cornell University in 1998.

Distribution of total cultivated lands in rural areas, 1984, 1994 and 2001



Source: Recensement National Agricole (RNA 1984) and EPM 1994 and 2001.

2.2.2.1.2 Access to land is difficult

From 1993 to 1999, the average per capita land area diminished slightly at the national level and especially in agricultural rural areas. This downward trend can be seen in all categories of households. The contrast between small parcels of farmland and large surface areas of uncultivated land shows that there are obstacles to access to land.

These obstacles are due to the **lack of precision of land law** and the **structure of land administration**. They take many forms: (i) on the social level, land occupation is governed by complex customary regulations; (ii) on the administrative level, the legal acquisition of land is subject to a long and expensive administrative process; and (iii) on the cultural level, Malagasy people have a deep-seated attachment to land, which is reflected in a tenacious retention of land.

The less land households have, the more acute their poverty is. In 1999, more than 85 percent of families who had less than 0.2 ha per head were poor, with a high poverty intensity. Poverty is more serious for agricultural rural families, affecting more than 91 percent of the individuals with an even higher intensity (51 percent).

**Table 6. Madagascar: Situation of poverty according to the average
land surface owned**

(Average per capita surface area in hectares of the parcels owned)

	Poverty rate		Intensity of poverty	
	1993	1999	1993	1999
Surface area owned (ha/per capita)				
Rural households				
Less than 0.001ha	58.0	68.9	24.7	31.0
0.001 to 0.09 ha	84.2	86.2	40.6	49.2
0.10 to 0.19 ha	82.4	87.9	38.3	46.3
0.20 to 0.39 ha	79.5	84.1	33.2	38.8
0.40 to 0.79	64.7	62.6	25.9	24.6
0.80 ha and above	50.7	46.4	21.7	15.5
Agricultural rural households				
Less than 0.001ha	61.1	69.8	30.1	35.6
0.001 to 0.09 ha	86.3	91.7	43.1	54.1
0.10 to 0.19 ha	82.9	91.1	38.2	48.6
0.20 to 0.39 ha	80.1	85.0	33.7	39.8
0.40 to 0.79	65.3	63.9	26.1	25.3
0.80 ha and above	53.9	47.5	23.2	15.8

Source: INSTAT, EPM 1993 and 1999

2.2.2.1.3 Manpower

Employment and poverty are closely linked as it is by his work that a man ensures his existence and that of his family. He therefore receives the bulk of his resources from his work.

2.2.2.1.4 The employment rate is relatively high but inadequate skills and underemployment are evident

The employment rate is 65.5 percent in Madagascar: 56 percent in urban environments and 70 percent in rural environments. Men work more than women (the insertion of women into the labor market is 62 percent versus 68 percent for men), but active women are relatively older than men (31 years versus 32.2 years). According to the Permanent Household Survey of 2001, unemployment is fairly low; it affects only 3.6 percent of the active population. It rather concerns urban environments, in which the estimated unemployment rate is over 12 percent. Madagascar does not lack plentiful manpower: problems arise in terms of lack of skills and underemployment related to limited working hours, which stands at 22 percent.

2.2.2.1.5 The poor work in agriculture

About 90 percent of the poor work in agriculture. Better off individuals work in trade, administration or transportation. It has been demonstrated that to be employed in the agricultural sector in comparison with being a manufacturer substantially increases the probability of being poor

(15 percent). This result is verified irrespective of the fact that the household is in a rural or an urban environment¹⁶.

2.2.2.1.6 The rate of child employment in poor families is high

Children's work is most frequent among the poor. More than 11 percent of the active population are under 15, and this proportion diminishes as living standards increase. Among the richer families it is estimated at 3 percent. The phenomenon is more marked in the provinces of Mahajanga (17 percent) and Toliara (21 percent).

2.2.2.1.7 Income is relatively low

A salaried employee earns MGF 294,000 per month¹⁷ on average. This amount is lower in rural areas. Rural employees earn half of what those in the capital earn. A large disparity exists therefore between employees differently situated.

Manpower costs are relatively low in Madagascar. Converted into dollars, the average yearly personnel expenses per employed person are about five times lower than in Cameroon and eight to nine times lower than in Ivory Coast¹⁸. The average monthly wage in the garment industry is about US\$60, versus US\$70 in India and US\$225 in South Africa.

¹⁶ Source: INSTAT/DSM 2001

¹⁷ Survey EPM 2001

¹⁸ *Dynamique du Secteur Privé à Madagascar*. AFD February 2000.

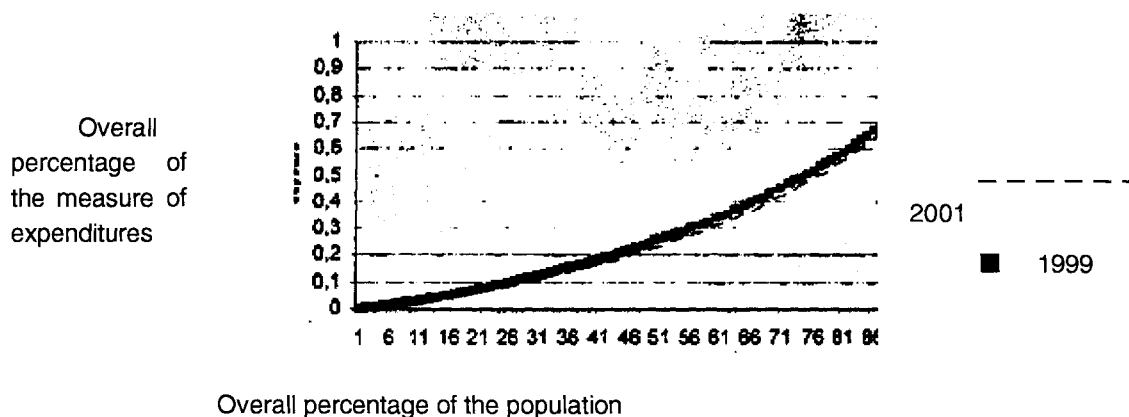
Moreover, the income of the majority of Malagasies hardly covers their essential expenses. Consumption expenses are dominated by food (70 percent), which leaves little possibility for meeting the other needs thought to be indispensable (health, education, housing, etc.).

2.2.2.1.8 Income is unequally distributed

Poverty and inequality are two different notions but they are closely linked. Inequality gives an idea of how incomes are distributed and serves as basic information to account for poverty.

The Lorentz curve (see graph below) shows a slight increase in inequality in 2001. More than half of the population mobilized only a quarter of income in 1999 and only 22.5 percent in 2001. The increase in inequalities confirms the fact that growth between 1999 and 2001 was beneficial mainly to better off people (individuals above the poverty threshold).

Graph: Curve of concentration of per capita expenditures for the years 1999 and 2001



Source: INSTAT/DSM/EPM 2001

2.2.2.2 Factors impeding an increase in productivity

These are factors that thwart the growth of the productivity of assets (land, manpower). However, properly employed, these factors may foster the betterment of the living standards of households.

A study conducted by INSTAT and Cornell University in the communes enables us to classify the priorities of the population. Each focus group was given the choice of classifying by order of importance the government's interventions, namely health, education, security, transportation, agriculture, environment, and water. The results are presented in the form of averages by commune.

First of all, agriculture, transportation and security come in first place, with 27 percent, 26 percent and 15 percent, respectively, of the respondents. Then come the social sectors with 14 percent, 10 percent and 6 percent respectively for health, education and water.

Table 7. Madagascar: Priorities for development according to commune focus groups (September-November 2001)

Priorities of government interventions	Percentage of communes
1.Agriculture	27
2.Transportation	26
3.Security	15
4.Health	14
5.Education	10
6.Water	6
7.Environment	2
Total	100

Source: Census of communes, Cornell University, 2001

2.2.2.2.1 Lack of dynamism in agriculture due to agricultural policy and institutional constraints

A large part of Madagascar's agricultural potential has remained unexploited until now. This is due to the agricultural policy and institutional constraints.

Agricultural policy

Since the mid-1970s, the policies undertaken in the agricultural sector have not produced satisfactory results. They led to systematic nationalization, high duties, a chronic overvaluation of the exchange rate, generalized price and marketing circuit controls—especially regarding export crops. The latter kept real producer prices down to the point of discouraging production. The growth rate of agricultural production did not exceed 1 percent between 1985 and 1999.

Since the 1990s and in particular since 1994, reform programs have been undertaken. A certain liberalization of exchange and agricultural prices was then observed. Nearly all the export duties were eliminated and partly passed on to the farmers in the form of higher producer prices.

The sector suffered from the preference given to cities by a system of budget policies which discouraged farmers' participation.

The response from the various subsectors was extremely varied. For instance, rice production was unable to follow the pace of population growth, and as a result the country still imports rice despite the existence of a vast irrigation network.

The reforms managed to improve price incentives but they had less effect on other structural and institutional constraints. Indeed the government did not play its role of facilitator and regulator actively enough.

Institutional obstacles:

The land system and propriety rights are uncertain, which checks investments and the improvement of agricultural productivity. Not holding title to land is a barrier to credit access in that real estate constitutes the main collateral required by banks. Therefore the poor have great difficulty in obtaining bank loans.

As the poor basically grow rice, owning irrigated plots of land is an essential factor in improving their situation. Moreover, increases in taxes have not been compensated for by substantial investments in rural areas. Public investments in rural areas are neither sufficient nor truly effective.

Huge investments are needed for developing the agricultural sector. It is necessary to expand poor peoples' access to assets, notably to land and credit.

Lack of service roads¹⁹: distance from various services and markets reduces production yield.

A study²⁰ on the importance of transportation in rural development revealed that 33 percent of communes have no access to a national road and 30 percent have no access to a provincial road. Although one might think that transportation by bush taxi is possible in several communes at national level, people spend a lot of time (an average of 10 hours) in order to arrive at a bush taxi stop or a railway station. This average refers to the provinces of Fianarantsoa, Toamasina and Toliara. The length of time required may be as much as 20 hours in the province of Mahajanga.

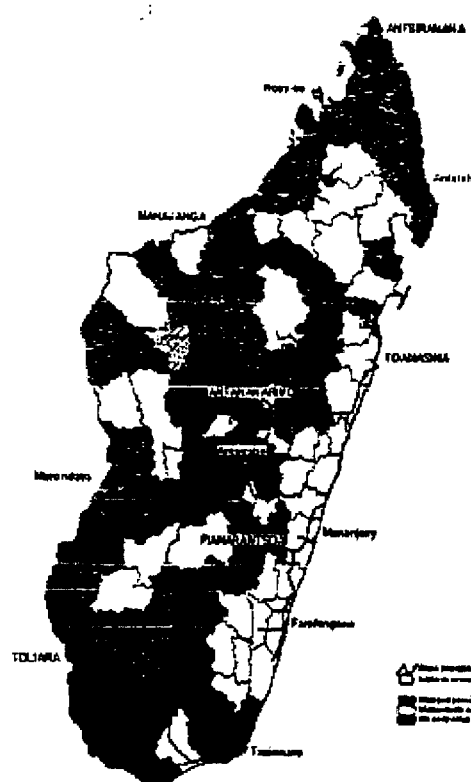
The map below reveals that it is principally in the eastern part of the country that transportation development appears in the foreground of priorities. Serious transportation problems are concentrated in the region that connects Tolagnaro to Toamasina, except for the Manakara-Vangaindrano stretch. That is also the case for the major part of the northeastern region.

¹⁹ The indicator of lack of access to roads is defined by the quintile of distances from; (a) a road; (b) a bus or bush taxi stop; (c) access to agricultural infrastructures and modern fertilizers; and (d) distance to cover in order to reach the nearest basic infrastructures (school or health center).

The first quintile of the index (the most remote) corresponds to 20 percent of individuals in rural areas who have the least access to services (this includes the great distances to cover to get health care or to go to school). At the other extreme is the fifth quintile (the least distant), composed of individuals having the easiest access to the services.

²⁰ *The Clients' Voice*. Cornell University-INSTAT-FOFIFA. October 2002.

(ACCORDING TO THE TYPE OF TRANSPORTATION GENERALLY USED)



Source: Commune census 2001, ILO Program, Cornell University with the cooperation of INSTAT and FOIFA.

The same problem arises the case of access to daily market and extension services.

**Table 8. Madagascar: Access time to various services and markets
using all means of transportation**
(In hours)

Services and markets	Country	Antananarivo	Fianarantsoa	Toamasina	Mahajanga	Toliara	Antsiranana
Bush taxi station	10	3	9	9	20	10	8
Daily market	8	4	5	8	19	8	9
Agricultural extension service	12	3	9	9	23	15	9

Source: EPM 2001 INSTAT

The absence of access roads greatly increases poverty in terms of rate as well as intensity. The more deprived of service roads the areas are, the higher the rate of poverty is.

The following table indicates direct relationships between the problems due to the absence of roads and other sectors of the economy such as agriculture. In fact, the least distant regions have rice yields twice the size of those of the most remote regions.

Table 9. Madagascar: Situation of poverty according to remoteness

Quintile distance rating	Poverty rate		Intensity of poverty	
	1997	1999	1997	1999
The most distant	78.0	82.8	34.8	42.4
2 nd quintile	78.2	78.9	38.1	35.6
3 rd quintile	74.5	78.9	32.7	37.7
4 th quintile	77.0	77.7	36.6	36.5
The least distant	72.6	65.9	31.6	29.0

Source: INSTAT, EPM 1997 and 1999.

The availability of a road in rural environments contributes to increased productivity, and therefore the living standard of rural families who can use it.

Table 10. Madagascar: Impact of transportation costs

Distance quintile	Percentage of poor	Rice yield kg/ha
Nearest	52.1	3,500
2 nd	79.1	2,500
3 rd	88.2	1,950
4 th	89.5	1,670
Most remote	91.4	1,670

Source: EPM 2001, INSTAT

Insecurity in rural areas

On the whole, security in rural areas is somewhat improved, except in the region of Antsiranana. Although the provinces of Mahajanga and Toliara considered insecurity as the most important problem to be solved in 2001, this was no longer the case in 2002. The improvement of security in these provinces is quite noticeable. The situation has also improved greatly in the province of Fianarantsoa.

**Table 11. Madagascar: Percentage of communes where security conditions
are bad or very bad
(Perception of focus groups in percent)**

	July-December 2001	January-June 2002	July-December 2002
Madagascar	39	38	16
Antananarivo	4	13	8
Fianarantsoa	38	38	8
Toamasina	14	25	0
Mahajanga	63	38	25
Toliara	63	54	4
Antsiranana	54	63	54

Source: Post-crisis survey 2002. Program ILO/INSTAT FOFIFA.

The success of the various interventions by the new government (increase in the number of personnel and security-maintenance interventions) expresses its willingness to reduce insecurity which prevailed all over the island prior to and during the crisis.

2.2.2.2.2 Health²¹

The state of health of the population is an essential element of well-being and a factor which contributes to an increase in workers' productivity in the short term. If medical services are well directed towards women and children, the care will have long term impacts on their life expectancy and children's mental and physical development.

Malagasy pupils are thought to have lost 3.5 million school days each year owing to diseases related to the environment²². It is therefore imperative to give health and environment high priority so as to reduce poverty and implement sustainable development.

Much stills remains to be done in order to improve the state of health of the Malagasy population

Health indicators enable us to assess the socioeconomic development level of a country. The infant mortality rate, for instance, reflects parents' income, food security, access to drinking water, etc.

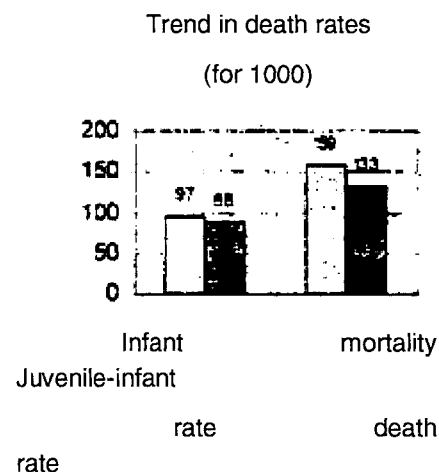
²¹ Source: EDS 1997 and MICS 2000.

²² On the whole, security in rural areas has improved somewhat, except in the region of Antsiranana. Although the provinces of Mahajanga and Toliara considered insecurity as the most important problem to be solved in 2001, it was no longer the case in 2002. The improvement of security in these provinces is quite noticeable. The situation has also improved greatly in the province of Fianarantsoa.

If one confines oneself to indicators contained in national inquiries (EDS, EPM, MICS), one sees that much remains to be done to improve the state of health of the population and in particular that of women and children.

For example, the Demographic and Health Enquiry (DHE) of 1997 indicates that although **life expectancy** at birth is 54 years (estimated at 57.5 years in 1999), it is only 40 years for 32 percent of the population.

The various **mortality indicators** (infant, juvenile and infant mortalities), show a decline on the whole, despite their rates, which are still relatively high, (97 and 159 respectively per 1,000 live births in 1997 versus 88 and 138 for 1,000 live births in 2000).



As for the childbirth mortality rate, the DHE estimated it at 488 deaths per 100,000 live births over the period 1990-1997 using the direct method of estimation. This means that Malagasy women still run rather serious death risks during their child bearing years.

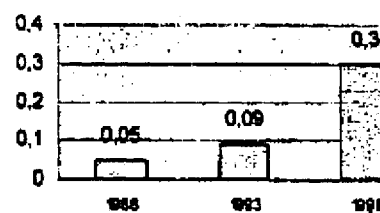
Concerning the **vaccination coverage rate**, it remains at a rather low level despite improvement in the situation from 1997 to 2000. In fact, less than half the children aged 12 to 23 months received all the vaccines recommended by the PEV (36 percent in 1997 versus 44 percent in 2000). The same holds as far as the protection rate against neonatal tetanus goes; the proportion of newborn babies immunized against neonatal tetanus was 35 percent in 1997 versus 48 percent in 2000. All these factors largely contribute to infant mortality. The administration of vaccines and the observance of the vaccination schedule combined with other factors of prevention (for instance, the quality of nutrition) make it possible to control, if not diminish, the impact of infectious diseases.

In spite of its small improvement (49.3 percent in 1997 versus 48.6 percent in 1999), the indicator of **nutritional state (height for age index)** gives information about the extent of malnutrition among children under 5.

Infectious diseases affect Malagasy children: AIDS essentially strikes the working population

The diseases which most affect the population, notably children, are **acute respiratory infections**, including **influenza** (21.6 percent), **malaria** (19.4 percent) and **diarrheal diseases** (8.4 percent). People of working age (25 to 59) and children under 5 are the most vulnerable to these diseases. In addition, diarrheal diseases constitute a huge public health problem affecting 50.9 percent of children under 5.

Evolution of HIV positivity rate
(in percent)



Communicable diseases like plague, bilharziosis, cysticercosis, leprosy and malaria constitute genuine curses to the population and worsen the poverty situation as a result of the insufficient number of weapons against them.

The first two cases of **HIV infection** were detected in Madagascar in 1987. The monitoring system applied from 1987 to December 2001 made it possible to spot 271 HIV-positive cases out of 217,890 people tested, including 45 cases of AIDS.

The virus essentially strikes members of the working population. The average age of HIV-positive people is 27.5 for women and 34.4 for men. In addition, 10.3 percent of HIV-positives are

farmers. This means that HIV/AIDS risks aggravating poverty in Madagascar through a fall in production at the national level if effective measures are not taken quickly. The virus continues to multiply (see graph) although short- and medium-term plans for control were implemented in these periods. Its presence doubled during those first five years and trebled during the following five years.

Concerning non-communicable diseases which cause discomfort and handicap individuals and families (blinding cataracts, cancers, diabetes, mental and psycho-motor troubles, cardiovascular diseases), a rising incidence is observed. Placed within the poverty circle, these diseases are beginning to represent a burden for the society.

Hospitals and basic health centers are the most visited by poor families

Over the entire territory, **public sector health services**²³ hold a preponderant place. They are the most used (59 percent of patients), particularly by poor families (78 percent of the poorest households). In rural environments these facilities are the most visited (61 percent). **Private sector service providers** include NGOs, church-run centers, and private physicians. They are used by 26.2 percent of the patients and visited rather by the rich (36 percent of the most well off). In urban environments, these private services are the most visited (38 percent of the consultations in the big agglomerations and 53 percent in the capital).

After the implementation of the UFP or Users Financial Participation, the quality of the services improved; on the other hand, there has been less access to medicines, especially for the needy. Besides, pending the implementation of the more acceptable system for all, the government temporarily suspended the UFP from mid-2002. This decision has entailed an increase in the visitation rate of health centers, which might give rise to a risk of inventory shortage in essential medicines in the public health clinics.

The income level constitutes one of the factors influencing the use of health services

The very low income level of the populations constitutes one of the main causes of their infrequent recourse to health services. Constrained by high food expenses (70.2 percent of total expenses), households earmark only 2.4 percent of their expenses for health. In addition, owing to the relative high cost of office calls, less than half the patients (45.9 percent) go to doctors' offices. The cost of a single consultation (service fee, medicines, transportation and meals, etc.) represents 5 percent of the yearly average income of the poorest households, compared to 2 percent for the richest households²⁴.

To these factors are added **distance to or even absence of health centers and the shortage of medical personnel in some localities, and the non availability of medicines**. About 60 percent of the population live within a radius of three miles or about one hour's walk from a public health office. In rural environments, 37.2 percent of the consultation places are situated more than six miles away from the village people's place of residence. One also sees an imbalance in the distribution of medical personnel: 21 percent of the population (mainly living in urban areas) are served by 41 percent of healthcare providers. On average, a physician takes care of about 10,000 inhabitants²⁵ and

²³ The public sector health offices include hospital centers and basic health centers.

²⁴ According to the EPM-1999, physician's office calls cost MGF 10,880 for the poorer households whose yearly average per capita income is MGF 229,649. As for the richer households, with a yearly average per capita income of MGF 1.5 million, office calls cost MGF 36,930.

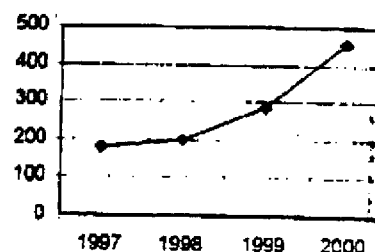
²⁵ Second national report on human development, Madagascar (INSTAT, 1999).

most of the health personnel are located in urban areas. Incidentally, the proportion of female health personnel is lower in rural and no-access zones.

Public health expenditures on basic health services are very low

The health master plan 1998-2000 focused on implementing various sectoral reforms (reproductive health, integrated coverage of childhood diseases, vaccination and nutrition, health information systems, etc.), by increasing public expenditures allotted to this sector. Between 1995 and 2001, the share of the expenditures increased in relation to total public expenditures, from **3.4 percent to 6.7 percent**; the percentage in relation to GDP rose from **0.6 percent to 1.5 percent**. Still, the expenditures allocated to basic health services frequented by the poor represented only 4 percent of the expenditures, which is equivalent to a per capita annual amount of MGF 10,010 in 2000—a long way from the MGF 220,000 (US\$34) recommended by the WHO to cover the costs of basic health services.²⁶

Trend in public expenditures allocated to health in MGF billions



Source: Ministry of the Economy, Finance, and Budget

2.2.2.2.3 Education

Education represents a long-term investment in the individual's productivity. Thus, finishing primary school reduces the risk of being poor by 5 percent; finishing secondary and university education reduces the risk by 17 percent²⁷.

Education indicators reveal an alarming situation in education

In 2001, nearly half of the population were illiterate (48 percent), including 61 percent from rural areas (versus one-third for urban areas) and 50.6 percent of women. These percentages remained stable in comparison with the results for 1999.

Although these figures represent an improvement in comparison with 1997, all children of school age do not go to school, as evidenced by the **net rate of school attendance in primary education**, which was only **72 percent** for the whole country²⁸, 54.2 percent for the poorest quintile and 88.1 percent for the richest quintile. **The rate of grades repeated** is sizeable, affecting **30 percent** of all the various different levels. Those who do not go to school or who abandon school early come in a large part from the poorest sections of the population, and this phenomenon is more marked in rural environments.

Concerning **school achievement**, we note that in primary education, only 33 percent of the pupils who enter the first year reach the end of the primary cycle and 18 percent of the pupils leave school before the end of the basic education curriculum without obtaining the necessary level of knowledge; we can also note the inadequacy of school and vocational guidance.

The differences between rural and urban areas are important, with 60 percent of the children in urban environments completing school versus only 12 percent for those living in rural environments.

²⁶ Recent economic development doc No. 4 UNDP May 2002.

²⁷ Source: INSTAT/DSM 2001.

²⁸ (1998-1999 source: RNDH 2000).

The level of education varies according to area and gender

In the whole country, only 11.6 percent of the population complete secondary education or a higher level. The situation is even more worrisome in rural environments, where the percentage of those who have no education rises to 53.4 percent.

The table shows a disparity in educational level between urban areas and rural areas. For instance, in urban environments the percentage of individuals who have completed higher education reaches 5.2 percent, whereas only 0.8 percent of the rural population have attained this level.

Although the difference according to gender does not seem to be too striking, it appears that the females are nevertheless underprivileged. In fact, about half of the women (49.7 percent) have no education compared to 46.2 percent for men. Access to civic literacy must be promoted for girls in poor areas.

Table 12. Madagascar: Distribution of the population according to levels of education, by place of residence and by gender

Level of education	Environment		Sex		Country
	Urban	Rural	Male	Female	
No formal schooling	30.2	53.4	46.2	49.7	48
Primary	47.4	40.3	42.4	41.5	41.9
Secondary	17.3	5.5	9.2	7.4	8.3
University	5.2	0.8	2.2	1.4	1.8
Total	100.0	100.0	100.0	100.0	100.0

Source: INSTAT EPM 2001

There is an obvious correlation between the educational level of individuals and the size and precariousness of their incomes, as shown in table 13.

Table 13. Madagascar: Distribution of the population according to the level of education of the head of the household and the quintile of per capita consumption

Level of education of the HH	No formal schooling	Primary	Secondary	University	Total
Quintile					
Poorest	32.4	16.7	3.0	0.0	20.0
Quintile_2	24.2	21.3	8.8	0.0	20.0

Quintile_3	20.0	22.9	14.0	2.2	20.0
Quintile_4	16.3	21.9	24.5	13.0	20.0
Richest	7.2	17.2	49.8	84.8	20.0
Total	100.0	100.0	100.0	100.0	100.0

The table shows that the less educated one is, the poorer one is likely to be. Acquiring even a minimum of education (primary) improves the chances of getting out of poverty.

Poverty implies that the population cannot meet school expenses

Inadequate schooling is due to several factors. Poverty implies that the population often cannot meet schooling costs (school equipment, insurance costs, contributions to student parents' association, school fees if any, maintenance of school buildings, etc.).

Parents have **less confidence in the effectiveness of the educational system** because of various problems related to it such as: inadequate education of the parents and school and vocational guidance, irrelevant curricula, shortage of teachers and pedagogical equipment, dilapidated school rooms, unmotivated teachers who moonlight, insecurity, etc. That is why they find it more advantageous to put their children to work to meet the family's expenses rather than send them to school. The fact that the media are not accessible to all the population fosters a lack of interest among parents to send their children to school.

Moreover, there is as yet **no clear educational policy** concerning early childhood. The pre-school rate is only 8 percent (source: Ministry of Education), is of questionable quality and is concentrated in urban environments, as well as isolated sectoral interventions; this leaves a major part of the target population untouched by full, integrated programs.

Also, **distance** in relation to school establishments and the **deterioration of roads and rural tracks**, notably during the rainy season, deter teachers as well as students and parents.

Informal education seems an alternative to the basic educational needs of the population

The de-schooling and school defection phenomenon constitutes one of the major causes of illiteracy. That is the reason why reinforcement of informal education appears as a credible and viable alternative to meet the basic educational needs of the population.

In Madagascar, poverty is multidimensional and manifests itself, among many other things, in the educational deficit of the population. One of its manifestations is illiteracy.

It has been noticed for a number of years that there is a multiplicity of NGOs and associations intervening in the social educational field, but their actions are dispersed and not well organized.

Technical and vocational training is not adequate

Problems regarding technical and vocational training are still topical. The existing action programs do not succeed in meeting the needs. Recourse to vocational training is still relatively low, which accounts for the low level of skills of the workforce.

It is clear that, despite the actions carried out by the PREFTEC to convince economic operators of the importance of vocational training, their capacities are limited and restrain the emergence of training needs. Moreover, qualifying vocational training offerings from the LTP and CFP are insufficient and not adapted to the real needs of the job market.

The need for a more realistic and pragmatic policy for enhancing human resources and the recuperation of deflated assets by implementing reforms in both rural and urban settings has not been felt as a necessity.

In higher education training is fragmented

Young people, who account for 40 percent of Malagasies aged from 13 to 35, are culturally disoriented and are largely marginalized on the socioeconomic level. Indeed, the government granted priority to the generalization of basic education and seeks to reposition higher education as the driving force of economic and social recovery and development.

The problems of higher education are: fragmented training, prohibitive unit costs, costly open professional sections and low proportion of teachers of professional rank.

The Universities do not possess instruments which might enable them to identify accurately the requirements of the job market.

Moreover, the system of resource management is inefficient and access to higher education remains the privilege of a very select minority.

Systematic evaluation is still alien to educators

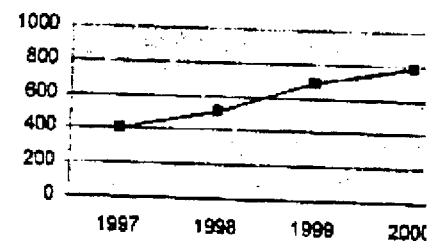
Systematic evaluation is still alien to educators. It has been observed in visits to the field, through class observation and discussions with educators, that evaluation techniques are not mastered by educators in general and teachers in particular; the latter do evaluation in a routine manner and the practice of evaluation is not systematic for educators when carrying out their work.

Public expenditures for education are still small

The small size of total public expenditures in the sector no doubt constitutes a major cause of the problems observed in the education field. The credits earmarked for the education sector are small and those allocated to the informal sector and vocational training are insignificant. The credits earmarked for the sector²⁹ represent **less than 20 percent** of total expenditures and involve around **2 percent of GDP**.

However a new trend was begun in the course of the last few years by a policy of resource allocation which better reflects the priority assigned to education. For instance, between 1995 and 2000, allocations to education increased from **8.7 percent to 16 percent**, that is from **1.5 percent to 3.1 of GDP**. This increase made it possible, inter alia, to recruit new teachers for rural schools, reconstruct and rehabilitate some school facilities, pay teachers' salaries promptly, and distribute didactic material and school supplies. As regards expenses for basic education, they progressed from 4.5 percent of the state's total expenditures in 1997 to 7.7 percent in 2000³⁰.

Trend in public expenditures allotted to education in MGF billions



2.2.2.2.4 Access to drinking water and sanitation

In 2000, access to drinking water, an essential element of health, was a concern at the national level for 24.4 percent of households or 23.8 percent of the population (59 percent in urban areas and

²⁹ Higher education not included.

³⁰ Recent economic development doc. No. 4 UNDP May 2002.

9.85 percent in rural areas). Among the poorest households, only 7 percent had access to drinking water compared to 43 percent of the richest (figures: EPM 99).

At household level, the province of Antananarivo is the best served (43.1 percent) owing to the fact that 92 percent of the households in the capital have access to potable water. It is followed by the province of Toliara (24.9 percent) which benefits from the contribution from various water projects (AES, impluvium, etc.).

Looked at **in terms of population**, the rates become 32.08 percent for Toliara versus 32.53 percent in Antananarivo. It is in the provinces of Toamasina and Fianarantsoa that one sees the lowest access rate (14.1 percent and 9.8 percent respectively of households, or 12.44 percent and 15.21 percent of the population) where the population gets its supplies principally from rivers, springs and lakes, numerous in these provinces.

Concerning sanitation, several aspects of services have to be taken into account. But in the fight against poverty, the essential basic service to be considered is the access to infrastructures for evacuating excreta.

For 2000, household access rates in percentage were 87.3 percent in urban areas, 52.2 percent in rural areas (MICS results for 2000). For all of Madagascar, irrespective of location, the percentage was 58 percent (only one household in two has a way of disposing of excreta) with pronounced differences between the provinces, the best equipped being the province of Antananarivo (84 percent), and the lowest rate observed in Toliary (13.5 percent). This situation was attributable to customs in certain regions.

2.2.2.2.5 Environment

Cause of Deforestation. Deforestation, one of the main environmental problems, constitutes a serious threat to biodiversity in Madagascar. The problems are the result of rapid population growth, generalized pauperization of the population, the need for land, the necessity of increasing food resources, and the increase in the need for firewood, lumber and wood for construction. It is estimated that the forest cover will disappear in 25 years if the present tendencies continue.

The acceleration of forest cover reduction can be said to be due above all to the practice of itinerant slash-and-burn farming ("tavy") to meet the food needs of a sizeable section of the rural population, and to wood felling activities to satisfy energy needs.

Relations between poverty and environment. Poor populations are highly dependent on the environmental context and suffer significantly when environmental conditions worsen. Material destitution and the necessity to satisfy vital needs (food, energy, etc.) generate in the population behaviors jeopardizing the sustainable management of natural resources. The continuous deterioration of this natural capital actually mortgages the socioeconomic opportunity for environmental preservation and worsens the poverty situation. This accounts for **the vicious circle: deteriorated environment–poorer population– more rapid deterioration of the environment.**

In rural environments, the population is highly dependant on agriculture to ensure their survival. The impact of soil deterioration combined with the effects of price fluctuations brings about a decrease in agricultural productivity entailing a constant slide in incomes, deepening even more the pauperization of the agricultural population. This state of poverty fosters the clearing of new forest zones leading to a destruction of natural resources. Such situations make the rural economy vulnerable to the slowdowns of the global economy.

In urban environments, the most underprivileged populations are the most exposed to diseases related to pollution of the air and water, such as respiratory and intestinal diseases, malaria, etc. This

entails a worsening of human health as well as a fall in productivity, which therefore limits economic growth.

The deterioration of water resources, the diminution of the fishery stock, intensive poaching, the illicit trade in native species and the irrational exploitation of the forest constitute so many problems affecting the most underprivileged populations both in rural areas and in urban areas. These latter populations become even more vulnerable vis-à-vis natural disasters (cyclones, floods, drought, etc.).

2.3 POVERTY EXPERIENCES

Poverty fosters the adoption of personal strategies which privilege the search for “miraculous” solutions in contempt of law, the integrity of the human person and environmental preservation.

Alienation: Poverty creates feelings of lack of interest in public affairs and the impossibility of taking part in social activities. It therefore appears logical that the Malagasy people composed of 70 percent of poor individuals, which corresponds in figures to about 10 million people, abstains more and more from expressing its choices. A survey carried out by the UNDP³¹ revealed that, at the various elections, the participation rate was 50 percent in the communal elections of November 14, 1999 and only 45 percent in the provincial elections of December 3, 2000, although the latter were meant to lead to the designation of the governors and senators.

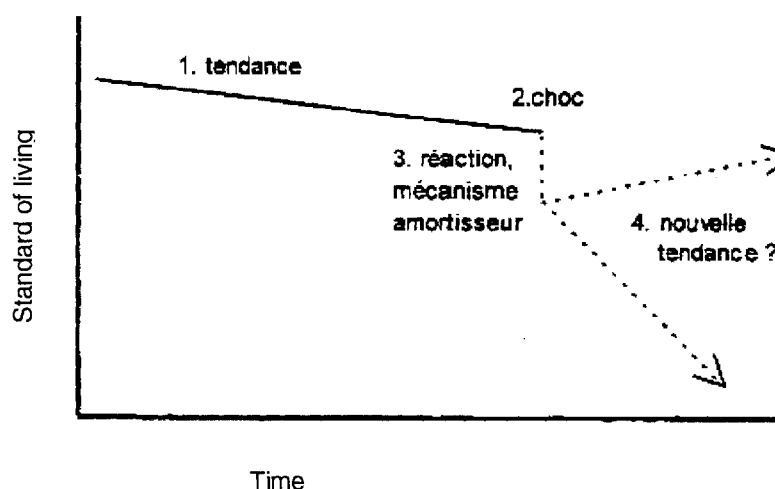
Unrest/Instability: A certain distance has widened between ordinary citizens and the authorities; in this respect, the majority of the population does not believe in the will and ability of politicians. Such a situation weakens and increases the instability of the country's political system. The level of poverty and the feeling of exclusion generates behaviors of revolt. This explains the events which struck the country in 1972, 1991 and 2002.

Deviance: The situation of the poor and the non poor who feel that they risk falling into poverty accounts for a craze for gambling, the decision to migrate or to emigrate towards more prosperous zones or countries, the recourse to delinquency, prostitution, the development of corruption, the overexploitation of non-renewable natural resources, the sale of assets, the rooting of a dual attitude of passivity/aggressivity vis-à-vis the authorities and foreigners, who are considered both as the potential source of and solution to the state of poverty.

Poor households react in several different ways according to economic shocks. A series of recent studies was aimed at understanding these reactions and under what circumstances the reactions make it possible to reverse the fall; also, under what circumstances the fate of the vulnerable populations worsens.

³¹ UNDP: *Recent economic developments and consequences of the present political crisis on the economy and the living conditions of Malagasy*. Doc. No. 4 May 2002.

Chart: Impact of shocks on vulnerable households



Source: Cornell et al. (1999).

The chart shows the possibility of resorting to buffer mechanisms to avoid falling into regressive individual strategies—such as the selling of land, withdrawing children from school—which risk jeopardizing the future in order to preserve the present. Those who can do so have recourse to external support mechanisms to which they have access. A family may adopt both types of strategy simultaneously—first individual reactions, then recourse to institutional supports, since they are complementary.

Table 15 shows that the heads of vulnerable families resort in varying degrees to three categories of external support in case of emergency: **mutual aid, gifts/donations and credit**. Mutual aid operates within lineages and communities. It takes concrete form in reciprocal exchanges of manpower or material assets, which occur at the time of farming activities, funeral ceremonies, in case of accidents or misfortune incurred by a family (theft, fire, diseases).

Donations—from the family, the church or NGOs—are also available in certain cases. In the event of divorce, separation, or death of the husband, women who find themselves suddenly at the head of a household often resort to land loans within the family. As for migrating workers, they send back money to the other members of the family (Dorosh et al. 1998; MaDIO, 1997). The attempts at quantification suggest that the transfers are larger (in absolute and relative terms) in urban areas than in rural areas. In rural environments, the biggest beneficiaries of net transfers are the poorest rural households. But in urban environment, the results are contradictory. Some suggest that they favor the richest; according to others, both the poorest and the richest benefit from them (MaDIO, 1997).

Loans are also available—from family, religious associations, shopkeepers and neighbors. The terms vary enormously according to the sources. (COMODE, 1999; Lupo and Raveloarimanana, 1999; Zeller, 1997).

These institutions, which have been operating for centuries, are at present undergoing major changes. Increasing pressure on lands, migration to towns and successive droughts lead to a strong call on traditional mechanisms, provoke failures and stimulate adaptations. In rural environments, community mutual aid mechanisms are losing strength and evolving towards other forms, especially as regards credit. In urban environments, we witness the breaking up of families under the effects of

these pressures; but at the same time one witnesses the birth of neighborhood solidarity associations. (COMODE, 1999; Lupo and Raveloarimanana).

Table 14. Madagascar: Buffer institutions available to vulnerable households

Buffer institutions	Vulnerable groups						
	G1 Small farmers	G2 Landless	G3 Unskilled workers	G4 Single parents	G5 Underprivileged casts	G6 Homeless people	G7 Handicapped aged
<i>Adaptive mechanisms</i>							
1 Mutual aid	C*	C*	C*	C*	C*	—	C*
a- Family	C*	—	C*	C*	—	—	C*
b- Community							
2 Donations							
a- Family	C*	C*	C*	C*	C*	—	C*
b- Associations, NGOs	—	C*	C*	C*	C*	C*	C*
c- Churches	—	C*	C*	C*	C*	C*	C*
3 Credit							
a- Family	C*	C*	C*	C*	C*	—	C*
b- Shopkeepers	C*	C1	C*	C*	C*	—	—
<i>Regressive mechanism</i>							
c- Usury	C*	C*	C*	C*	C*	C*	C*
4 Decapitalization	C*	C*	C*	C*	C*	—	C*

* All shocks

C1 = Periodical and regular (tiding over period)

C2 = Natural, unpredictable (drought, cyclones, locusts)

C3 = Macroeconomic (price increases, unemployment)

C4 = Biographical (diseases, accidents, deaths, separation, divorce)

— = none

Source: Cornell et al. (1999).

Deficiencies

The mechanisms available to a given household often depend on the extent of the shock undergone. When a household undergoes a shock of some sort (death, illness, theft), it fosters resort to other households (gifts, loans, mutual aid) who are not affected by the event. Therefore, in the face of biographical shocks (C4) private safety nets function with relative efficiency. On the other hand, shocks which strike a group of households at the same time—like natural disasters (C2) and a macroeconomic slump (C3)—foster an external intervention, since they throw all the households into difficulties simultaneously. It is in these situations in particular that the buffer mechanisms risk breaking down completely.

Some vulnerable groups—notably the 4-MIs³² and the underprivileged casts—do not have access to the whole range of support. Private transfers are principally favorable to the rich town dwellers. The informal credit market also favors the better-off. The poorest, who present the greatest risks for lenders, find credit only at high interest rates.

In fact, there exists a positive correlation between economic and social capital. Households who possess enough resources can contribute to mutual aid ceremonies. A contribution in time of availability of resources functions as an informal insurance, putting the household in a position of creditor, entitled to appeal in turn for assistance in the future, when the need arises. The neediest—the 4MIs, the landless and the underprivileged casts—who are mainly debtors, are the least well served by these solidarity networks. Such networks play an important role with households that are average or poor, but fail to a great extent when faced with the requirements of the extremely poor.

2.4 POVERTY RISKS (VULNERABILITY)

Vulnerability can be defined as the probability of suffering the consequences of unpredictable events, or sensitivity to external shocks.

2.4.1 THE TYPES OF RISKS

In fact, households face different sorts of risks in their lives: economic, social, environmental and natural. If these risks actually become shocks, they engender consequences and threaten the well-being of families, which can fall under the poverty line or push those who are already poor into dire poverty. This situation can make households vulnerable and can reduce their means for managing future risks.

Risks	Types of risks	Vulnerable groups
Economic	- Insufficiency of income in urban or rural environment	Farmers: cash crops Small farmers (<0.34ha/per capita) Farmers victims of natural disasters Employed laborers Low-rank civil servants (urban)
	- Underemployment or loss of employment	EPZ employees Workers without formal contract Discouraged workers Unskilled labor force (rural)
Social	- Non-respect for law	
	- Malnutrition	Children from 0 to 5 years old Pregnant and nursing women
	- No schooling and school defection	Children who can be sent to school aged 6 to 15
	- Illiteracy	Population in rural environments and women

³² I.e. homeless people.

Risks	Types of risks	Vulnerable groups
	- Illness: * Malaria * Acute shortness of breath * Diarrhea	Mahajanga, Toliara, Toamasina, Fianarantsoa, Antananarivo, Toliara Children aged 0 to 3
	- Marginalization	Old people Handicapped people Street families Women (rural and heads of family)
Environmental and natural disasters	- Drought and famine - Cyclones and floods - Environmental deterioration	Southern farmers Small farmers: East, South-East, South-West Small farmers: Highlands, South-West, West

2.4.2 GENERAL PROFILE OF VULNERABILITY

Faced with the situation of vulnerability, the ability to respond of the state as well as private and international bodies is still very limited. In fact, some weakness can still be seen in targeting vulnerable groups, lack of coordination and synergy of actions undertaken, insufficiency of indicators that might enable identification of the impacts of the various actions, and problems related to continuation of assistance after the donors' withdrawal.

At the present time, the percentage of the population that benefit from social protection mechanisms is estimated at only 5 percent to 7 percent. Current interventions are only palliatives and not preventive measures, and do not provide durable solutions to the precarious situation of the vulnerable population categories.

Table 15. Madagascar: General profile of vulnerability by Fivondronana

General profile of vulnerability by Fivondronana based on the poverty map³³

Regions	Degree of vulnerability	Number of Fivondronana	Causes of vulnerability
Antananarivo	>80%	11	- Deficient consumption needs - High proportion of active population
Fianarantsoa	>80%	Majority	- Small farmers - Unskilled workers
Toamasina	>80%	13	- High rate of malnutrition (50.3 %) - Deficit of food production - Drop in income - Unavailability of roads

³³ Drafted by the World Bank, 2002.

Toliara	>80%	Majority	- Those who are the most exposed to high risk of insecurity - Food shortage (due to drought and locust plagues)
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2.5 COMPARISON OF THE MILLENNIUM SUMMIT OBJECTIVES WITH THE SITUATION OF POVERTY AND STRATEGIC FOCUSES OF THE PRSP

Development objective of the millennium	Situation – Causes	Strategic Focuses
Fight against poverty and famine	Access to land is difficult Lack of skills and underemployment Total number of population concentrated in agriculture Relatively low income	Incite and promote human and material security systems and expanded social protection
Provide education for all	Work activity rate of grown children Lack of skills and underemployment	
Promote equality in terms of gender and number	Women are able to confront the situation Development to the detriment of women	
Reduce the percentage of people without access to drinking water	Low access rate Disparity between urban and rural areas	
Reduce infant mortality	High mortality rate Low income Non-existence of health center Distant centers	
Improve maternal health	Shortage of doctors Non-availability of medicines	
Fight against malaria, AIDS and other diseases	Public expenditures are low	Restore the rule of law and a well governed society
Ensure a sustainable environment	Rapid population growth Pauperization of the poor	
Expand development partnerships	Bad coordination of assistance	

2.6 SCOPE OF ACTION

The government must provide itself with the means for carrying out its policy. On this point, it seems timely to present the elements and factors likely to limit and restrict its scope of action and those likely to enlarge it, with a view to understanding better the programs and actions to be implemented.

2.6.1 FACTORS THAT LIMIT AND RESTRICT THE SCOPE OF ACTION

The main lessons relating to weaknesses, threats, adverse tendencies as well as uncertainties, enable us to highlight the following aspects:

- **Insufficient economic growth**, in the past characterized by, inter alia, (i) weak economic growth which resulted from an insufficient level of investment (less than 15 percent of GDP) and (ii) a rather high demographic rate (about 2.8 percent).
- **Constraining burden of indebtedness** despite successive debt-rescheduling agreements and/or debt cancellation with the Paris Club concluded since 1981. The rescheduling agreements from 1997 to March 2001 (Paris Club IX) did not reduce the net present value of the debt in a substantial way, as by the end of the year 2000, the nominal outstanding external debt still stood at about SDR 3 billion.
- **National industries and duty-free zones still fragile and weakened by the post-presidential election crisis**: the prospects of growth drafted by the Association of Duty-free Zones and Partners (GEFP) in the course of the second half of 2001³⁴ included an estimated MGF 280 billion in investment for the period 2002-2004, which could bring about a boost in exports of 75 percent to 100 percent and create direct jobs numbering up to 110,000 to 130,000 by 2005; these forecasts now seem questionable and subject to downward revision.
- **Strong sectors hardly mobilized** for the time being, and still under the shock of the post-presidential election crisis.
- **Accelerated population growth by comparison with the past**: current rate of 2.8 percent, compared to 2.7 percent in 1975, 2.2 percent in 1966 and 1 percent up to 1950.
- **Sluggish recovery from the crisis**, with impacts in human and financial terms on public finance, in particular on the Public Investment Program.
- **Uncertain energy supply** with the prospect of war in Iraq impacting the price of oil.
- Limited capacity for investment by the state and the private sector irrespective of the source.
- **Insufficient coordination among the players** leading to a lack of synergy between actions in the field coupled with a multitude of approaches (case of the PCDs).
- Relatively high geographical concentration of certain actions and development instruments (PSDR, microfinancing, FER, PCD, AGERAS, GELOSE, priority action zones, etc.)
- Lack of synergy among actions undertaken; inadequate absorption capacity of financing; few incentives in the legal and regulatory framework (legal, financial, tax system); absence of a results-oriented and evaluative culture at the administration level; high degree of corruption.
- Strong tendency towards environmental deterioration (about 100,000 ha of forests continue to disappear every year) in spite of great efforts deployed to better preserve their integrity.

³⁴ These estimates have been revised downwards slightly following the attacks of September 11, 2001 and the global economic recession recorded during that period.

2.6.2 FACTORS CONDUCTIVE TO EXPANDED SCOPE OF ACTION

The strong factors, forces and opportunities that might enlarge freedom of action incorporate:

- Political will on the part of the government; requiring the players to contribute within a partnership framework (public/private partnership); and a participatory process;
- Participation of religious organizations and civil society in the implementation of development actions;
- Priority given to the facilitation and intensification of communication in physical, economic, social and cultural terms.
- Progressive tendency to decentralize development actions and instruments (RDSP, micro financing, FMF, CDP, AGERAS, GELOSE, priority action zones, etc.).
- Multiplication of supervisory agencies and intermediary agencies (NGO, consultants, etc.)
- **Conspicuous willingness of international support bodies** to really support Madagascar through the commitment to fund approximately US\$2.477 billion at the Madagascar Friends Conference held in Paris.
- Attainment of a point of no return concerning privatization.
- Willingness to be actively inserted into the system of regional and international cooperation (COMESA, IOC, SADEC, NEPAD, French-speaking countries, African Union, etc.).
- **Existence of opportunities and possibilities** offered by the presence of numerous bi- and multi-lateral programs.
- **The recovery of confidence by the great majority of Malagasies** supported by the prospect of political stability after the results of the legislative elections.
- Development of TICs and enthusiasm for them on the part of youth.

In spite of the restrictive factors mentioned above, the promotion of rapid and sustainable growth does not lack major assets, which lie in the willingness of the state to constitute and implement the material and psycho-sociological objectives which will enable the start-up of the country's development with more serenity. For this reason, the government's freedom of action appears fairly large and calls for the setting of ambitious objectives to be reached through programs which, while ambitious, are realistic and remain within the nation's reach.

• Conclusion

In Madagascar, poverty has created the conditions for its geographic expansion and transmission between generations. Low incomes and the large portion of income allocated to food expenses in the poor families' budget limit their access to basic health services, increase the drop-out rate, and the rate of abandonment of studies. The high rate of illiteracy shows not only the relative character of the success of recovery programs undertaken, but qualifies the effectiveness of future actions. Madagascar's future adults are running the nearly certain risk of joining the already large group of uneducated heads of household, who are unlikely to seize the opportunities offered to improve their situation and that of their progeny: agricultural techniques, birth control, children's education etc. The deterioration of the environment as well as the insufficiency and poor condition of infrastructures aggravate the poverty of the population.

Such situations must be avoided. The strategies adopted must be ambitious but at the same time realistic and feasible, so as to enable the poor to get out of poverty and the non-poor to avoid falling into it, all the while preserving the environment.

The government has at its disposal a range of intervention tools with which it can intervene on behalf of the poor in the short, medium and long terms.

Interventions liable to play an important role are ones that have an impact on the assets of the poor (land and manpower).

As a prerequisite, trust in governing officials, civil society and the private sector, on the part of the population and in particular the poor, must be revived. Therefore the institution of good governance is also essential.

In the short term, the key instruments are economic and financial strategies targeted towards restoring macroeconomic stability. In fact, mastery of inflation and a good fiscal strategy will directly influence product prices and consequently the level of household consumption.

In the medium and long terms, the most important instruments are public investment and current expenditure on infrastructures and the social sectors.

3 DEVELOPMENT OBJECTIVE, STRATEGIC FOCUSES AND GENERAL OBJECTIVES IN THE MEDIUM TERM

Acting as a reference framework for all the policies and actions regarding reduction in poverty, the PRSP has a place in a long-term perspective. To this end, the document proposes an operational approach made concrete by:

1. Establishment of a medium-term development objective with targeted results;
2. Implementation of strategic focuses of intervention which will enable players to identify the priorities and to draft various action programs (macroeconomic, sectoral, specific) as well as to facilitate the actions;
3. Basic principles to be followed in the approach to executing the programs;
4. An implementation schedule identifying landmarks spread out over time.

The basis for the strategy consists in fact in ensuring that all the operational actions undertaken through the various programs will be directed towards development of the economic, social, cultural, political, environmental, personal resources of the poor.

3.1 DEVELOPMENT OBJECTIVE

The development objective for Madagascar is promotion of a rapid and sustainable development in order to reduce the poverty rate by half in 10 years.

The fact of putting the concept of sustainable means of existence at the center of the basic concern of the strategy for reducing poverty corresponds quite accurately to the challenge of rapidity and sustainability which commands and should command the government's principles and actions.

The implementation in the immediate future of innovative approaches as well as the search for positive impacts of the development for the benefit of the great majority of the population, viz. the poor in this case, means that at the present moment development with a double component consisting in the possession of and/or control over means of production and effectiveness of the enjoyment of the fruit of the growth, is and must be devised and carried out for and with the poor. It is in this sense that development is rapid.

The concern about basing development on a secure foundation by establishing, for the benefit of the great majority of the population, material conditions and psycho-sociological and legal frameworks (revival of identity values, effectiveness of the rule of law and good governance), means enlargement; consolidation and perpetuation of the development basis. It is in this way that development is sustainable.

By taking account of everything mentioned above, Madagascar proceeded to devise and implement a strategy that intends to be operational and effective, and capable of reducing poverty. Its objective consists in reducing the present poverty rate by half by 2013.

3.2 THE STRATEGIC FOCUSES

The diagnosis and analysis of the characteristics of poverty, the requirements and imperatives of a rapid and sustainable development in order to reduce the rate of poverty by half in ten years, the lessons drawn from the implementation of previous programs, as well as the recommendations from the various international and/or regional summits in which Madagascar has participated, enable us to circumscribe the three major strategic focuses around which actions to be taken in the course of the next three years (2003-2006) will be articulated.

3.2.1 STRATEGIC INTERVENTION FOCUS NO. 1: RESTORING THE RULE OF LAW AND A WELL GOVERNED SOCIETY

This focus, whose objective is to ensure an environment favorable to rapid and sustainable development, groups together actions related to the renewal, improvement, modernization, reinforcement and development of an institutional framework of good governance. This focus will allow the state to assume effectively and with transparency its role of facilitator and driving force of the economy, and it will also allow the private sector to create wealth and jobs; as for civil society, it will serve as the intermediary between the people and the state, explaining, and making the population aware of its rights and responsibilities.

In order to institute the rule of law and ensure a well-governed society, the government has defined 4 overall objectives:

3.2.1.1 Overall objective No. 1: Ensure good governance and carry through the fight against corruption

The attainment of this objective requires the fulfillment of intermediary objectives, namely:

- Establish a reliable information system necessary for knowing the country's economic and financial situation.
- Implement a budget policy.
- Fight against corruption, ensure transparency and improve the quality of services rendered at ministry level.
- Put in place a transparent and effective civil service at the service of the citizens.

3.2.1.2 Overall objective No. 2: Respecting democracy

Democracy: free elections, status of the opposition, respect for human rights; freedom of speech of the media will be respected with transparency and respect for the people's choices.

3.2.1.3 Overall objective No. 3: Instituting the rule of law

In order to restore the rule of law, the intermediary objectives to be reached are:

- Ensuring an equitable, healthy system of justice respectful of human rights and instilling a feeling of security as regards investments.
- Ensuring the protection of persons, their assets and their productive activities.

3.2.1.4 Overall objective No. 4: Bringing the government closer to the citizens through decentralization and devolution

Devolution and decentralization of services ensure high-quality, accessible services. The following intermediary objectives are linked to decentralization and devolution:

- Creation of a context favorable to economic and social development of the communes, the improvement of their financial autonomy and awareness of their responsibility;
- Strengthening the institutional capacities of the communes.

3.2.2 STRATEGIC INTERVENTION FOCUS NO. 2: FOSTER AND PROMOTE ECONOMIC GROWTH ON A MUCH ENLARGED BASIS

Strategic focus No. 2 requires the attainment of the overall objectives, namely: (i) reaching an economic growth rate of 8 percent to 10 percent; (ii) improving the investment rate so as to reach 20 percent; (iii) stimulating the dynamism of the private sector so that it takes part in investment to the tune of 12 percent to 14 percent; (iv) opening up the Malagasy economy to greater competition with a view to reducing costs and improving quality; (v) fostering the population's will to participate.

3.2.2.1 Global objective No. 1: Reach an economic growth rate of 8 to 10 percent

In order to reach a high annual rate of growth on the order of 8 percent to 10 percent, the government will increase its efforts to extend the investment field by implementing and reinforcing macroeconomic stability and a wider opening up and diversification of the economy.

The following intermediary objectives will be pursued:

- Ensure macroeconomic stability.
- Exploit the economic potential of the country through:
 - i) Promotion of tourist and eco-tourist development which preserves the natural environment and socio-cultural identity.
 - ii) Increasing the contribution of the mining sector to Madagascar's development.
 - iii) Ensuring food security and optimize the use of fishery resources .
 - iv) Preservation of the unique environment and biodiversity of Madagascar.
 - v) Building and maintaining roads, developing urban centers, improving the productivity and efficiency of the transport system.
 - vi) Doubling household access to electricity.

3.2.2.2 Global objective No. 2: Improve the investment rate so as to reach 20 percent

The ambitious objectives in economic growth require a high level of investment.

The following objectives are targeted:

- Pursue and strengthen the improvement of macroeconomic management;
- Increase national savings;
- Mobilize international savings, especially through direct foreign investment.

3.2.2.3 Global Objective No. 3: Foster the dynamism of the private sector so that it participates in the investment rate to the tune of 12 percent to 14 percent

The economy is sustained by activities directed towards exports, in particular duty-free zones, tourism and mining.

To this end, the following intermediary operational objectives will be taken into consideration.

- Promoting private, national and foreign investments;
- Promoting partnerships between the state and the private sector;
- Reinforcing national competitiveness;
- Fostering greater dynamism among Export Processing Zones.

3.2.2.4 Global objective No. 4: Open up Madagascar's economy to greater competition with a view to reducing costs and improving quality.

Recapturing regional and/or international markets necessitates not only the promotion of Malagasy products but also the continuation and improvement of competitiveness.

The intermediary objectives consist in:

- Ensuring the integration of Madagascar into SADEC;
- Strengthening partnership with the various international and regional organizations, to which Madagascar belongs;
- Multiplying diplomatic and commercial relations with African countries.
- Promoting the development of economic and commercial functions of Madagascar's embassies.

3.2.2.5 Global objective No. 5: Foster the willingness of the population to participate

To be effective and durable, the implementation of the poverty reduction strategy requires the total support and mobilization of the population, especially the poor, in the various activities. Awareness and consultation actions will be necessary to convince them to get involved deeply in the procedures and to appropriate the fruits of the efforts. The following objectives are targeted:

- Ensure intensive citizen education;
- Induce women and marginal groups to participate actively;
- Consult the regions, entrepreneurs and end-users when deciding on the drafting of various programs.

3.2.3 STRATEGIC INTERVENTION FOCUS NO. 3: FOSTER AND PROMOTE SYSTEMS FOR ENSURING HUMAN AND MATERIAL SECURITY AND ENLARGED SOCIAL PROTECTION

The objective of this focus is to ensure that every Malagasy can benefit from the fruits of growth. The constitutive elements of this focus deal with the definition and implementation of systems of management that are geographically spread out and supportive; programs of food security, health, education, housing, the environment, etc. The commune, as the main local service provider, will serve as the anchoring point for all actions undertaken within its competence.

In fact, in addition to widening the base of development by strengthening every individual's assets, this focus aims at enhancing human capacities through education, and improvement of health

and nutrition, because an increase in human potentialities and a sustainable economic growth can reinforce each other mutually.

Other objectives include:

- Ensuring employment to all individuals of working age, by promoting job placement activities, creating productive jobs, ensuring relevance of professional training to the needs of the labor market, and improving the IT systems involved in employment.
- Improving workers' condition by honoring Madagascar's obligations towards the International Labor Organization, by implementing programs aimed at promoting the fundamental rights of workers on the job, by updating and disseminating labor legislation and making sure it is applied;
- Defending the social rights of workers by improving the current system of social protection, extending the system of social protection, and drawing up a plan for strengthening the prevention of workplace hazards.

The global objectives listed below are meant to be relevant in view of the dimensions of poverty in this area. They are:

3.2.3.1 Global objective No. 1: Ensure basic education for all Malagasies—"Education for all"; train and enhance the value of the country's human resources

The government will pursue this objective by:

- Gradually instituting a nine-year quality basic education system;
- Reducing the repeated grade rate in the first cycle of basic education (primary) and striving to enable all Malagasies to complete the cycle;
- Ensuring equality of access to education;
- Training and teaching young people according to their socioeconomic needs at both the national and the regional level;
- Developing the production and working capacity of assets in the basic, traditional, non-industrial sectors of production.

3.2.3.2 Global objective No. 2: Ensure the quality of education at all levels

The quality of education will be ensured by :

- Providing young Malagasy people with knowledge and human capital;
- Improving the quality of the school syllabus in secondary education, vocational training, and professional and higher education.

3.2.3.3 Global objective No. 3: Promote the health of mother and child

The objectives aimed at are the following:

- Attainment of a vaccination coverage rate of at least 80 percent for all the PEV antigens among children aged 0 to 1 year, and 80 percent for anti-tetanus vaccine (VAT 2) for pregnant mothers;
- Reduction of maternal mortality from 488 to 285 per 100,000 live births;
- Reduction of the infant mortality rate from 96 to 72 per 1,000 live births and infant-to-juvenile mortality from 156 to 111 per 1,000 live births.
- Transformation of 100 percent of the schools into "Health Schools".

3.2.3.4 Global objective No. 4: Intensifying malnutrition control

The objectives aimed are as follows:

- Reduce hospital mortality caused by severe malnutrition among children under five from 26 percent in 2002 to 15 percent in 2005;
- Reduce the percentage of children with hemeralopia from 1.9 percent in 2001 to less than 1 percent in 2005;
- Reduce the prevalence of malnutrition in children under five from 48.6 percent in 2000 (EPM) to 36 percent in 2005;
- Improve coordination of interventions and resources.
- Ensure monitoring and evaluation of activities related to the nutritional situation.

3.2.3.5 Global objective No. 5: Strengthen communicable disease control

By 2005 the intermediary objective is to reduce by 50 percent the socioeconomic burden of the main communicable diseases.

3.2.3.6 Global objective No. 6: Reinforce non-communicable disease control

The strategy consists in :

- Drafting a National Program to Fight Against Cardiovascular Diseases (MCV and diabetes);
- Establishing diagnostic and care facilities;
- Setting up a referral system and promoting social mobilization;
- Integrating prevention activities into health training;
- Standardizing referral centers;
- Setting up specialized services;
- Developing operational research on non-communicable diseases.

3.2.3.7 Global objective No. 7: Reduce social exclusion in the rapid and sustainable development process

The intermediary objectives for reducing social exclusion consist in:

- Developing extension work on family planning;
- Intensifying the fight against illiteracy;
- Implementing a social security system for vulnerable and marginalized groups;
- Promoting the inclusion of the population dimension by gender in the development programs;
- Encouraging participation by civil society in the social projects.

3.2.3.8 Global objective No. 8: Promote cultural diversity

The intermediary objectives are:

- Developing socio-cultural activities for the young;
- Promoting the development of individual and team sports;
- Ensuring the development of activities for prevention of social scourges.

Concerning **culture**, the objective consists in making of culture a driving force for development.

- Promoting culture domestically as well as abroad;
- Promoting cultural diversity;
- Encouraging the development of arts and letters.

4 POVERTY REDUCTION AND ECONOMIC GROWTH

Based on a household survey undertaken by INSTAT in 2001, the rate of poverty is estimated at 69.6 percent. The Millennium Development Goal (MDG) is to reduce poverty by half between 1990 and 2015. In 1990 no information about poverty was available, but by using the 2001 data as a basis, the objective in 2015 would then be to reduce the rate of poverty to 34.2 percent.

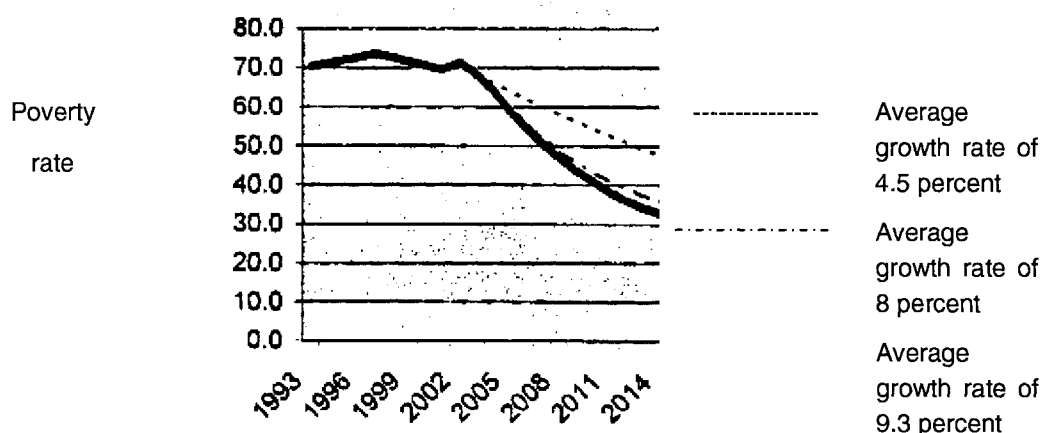
Having opted for rapid and sustainable development, Madagascar envisages going beyond the Millennium objective and reducing the rate of poverty by half in 10 years, that is by 2013.

Economic growth is a sine qua non condition for creating wealth and development. However, a significant reduction in poverty rate is not possible without strong, better distributed growth.

The graph below gives simulations of growth rates necessary for reaching three poverty reduction scenarios:

- Scenario (1): Reduce the level of poverty rate by half in 10 years;
- Scenario (2): Reduce the level of poverty rate by half by 2015 (Millennium objective);
- Scenario (3): The average annual growth rate of the Malagasy economy reaches only 4.5 percent, the average for the period 1997-2001.

Graph: Reduction of poverty and economic growth



In order to reduce poverty by half within 10 years, an average rate of economic growth of 8 percent per year is a prerequisite. Macroeconomic projections geared to the strategy of poverty reduction calls for a rise in annual per capita GDP of 5.2 percent. Such projections are based on maximum assumptions of public and private investment driven by a substantial increase in public investment and foreign direct investment flows: the required average investment rate is 21 percent of GDP.

Public investments must be well conceived and well targeted, and be responsive to the expectations of the Malagasy population and private investors. To that effect a sizeable portion of these investments will be earmarked for government priorities (governance, rural development, infrastructures and the social sectors) with a view to the improvement of the well-being of the Malagasy population.

Private sector investments are expected in the major strong growth sectors: rural development, fishing, mining, manufacturing industries (especially those directed towards exportation), public works and tourism.

The medium-term macroeconomic accounts for 2004-2006 corresponding to this scenario are detailed in the Annex.

With an average annual economic growth rate of 4.5 percent (Scenario 3), about half (49.2 percent) of the population will still be poor in 2013. The average investment rate is 12 percent of GDP.

Table 16. Madagascar: Reduction of poverty and economic growth

	Scenario (1)		Scenario (2)		Scenario (3)	
	Reducing the poverty rate by half in 10 years (2013)		Reducing the poverty rate by half in 2015		Average annual economic growth trend of 4.5 percent	
	2013	2015	2013	2015	2013	2015
Poverty rate (basis in 2002 = 71.6%)	34.2%	29.8%	38.4%	34.2%	49.3%	46.1%
Average change in poverty rate (average change in percent per year)	-6.7%		-5.6%		-3.2%	
Average economic growth (annual change in percent per year)	9.3%		8%		4.5%	
Investment rate (As percent of GDP per year)	24.8%		21.0%		12.0%	

Source: DGE/MEFB

5 IMPLEMENTATION OF THE STRATEGY

The actions in the poverty reduction strategy paper must be implemented from a regional development perspective. Therefore, the following guiding principles must be considered:

To give a priority to regional and local integration: it is necessary to reinforce the development of local and regional economies as well as inter-regional economic relations. This will call for the preparation of a series of spatial and conceptual reference schemes and a number of spatial investment strategies such as urban investment strategy, rural development strategy, industrial localization strategy...

To enable activities in leading growth areas (buoyant and/or export sectors) to function with maximum efficiency with a view to making re-distribution towards other regions possible: instead of dissipating efforts, existing resources should be employed and maximized. Any policy to disperse efforts would be extremely costly, as everything would need to be done in several places at once.

To give special importance to the human and economic environment of projects more than to their purely technical aspects: each investment must be afforded the opportunity to function normally, its effects must be as far-reaching as possible, and the population must take ownership of it.

To take account of regional criteria when defining sectoral or economic actions: the success of the strategy will depend much more on the coordination over time and in space of multiple sectoral actions as well as the coordination in space of numerous legal and regulatory measures (tariffs, tax system, credit...) decreed by the public authorities. This involves defining a public investment strategy to make the actions carried out by several different ministries—even several different departments of the same ministry—coherent.

To stop the process of natural resource depletion: in order to stop the deterioration of the environment, all major projects should be subject to impact studies during the design phase and appropriate measures should be taken during their implementation.

To develop the technical capacity of the communes with a view to enabling them to participate in their development: given the present lack of capacity of the communes as far as development management is concerned, they need to be trained, coached, supplied with institutional and technical tools so that they can really take charge of their development.

To implement mechanisms to enable the populations concerned to really participate in the choice of investments choices to be made in their areas and to give them a sense of responsibility for the implementation, maintenance, and functioning of these projects: the participation of the beneficiaries is essential at all stages of the projects (identification, formulation, financing, setting-up, functioning...). Mechanisms for participation adapted to the real capacity of the beneficiaries must be therefore instituted.

To encourage and guide private investor interest toward a regional approach: such action implies that the regions need to create the conditions for attracting and developing the private sector.

To bring to fruition the public-private partnership: it will be necessary to set up specific mechanisms to coordinate government actions and those of the regions as well as those of the private sector. In the short term, the use of existing credit lines in the Public Investment Program is possible. In the long term, in addition to setting up loan and subsidy structures, it must be ascertained how a genuine contractual relationship could be developed between the Government and the regions, the Government and the private sector, the regions and the private sector.

The PRSP has retained **fifteen (15) operational programs for implementing the strategy**. Such programs were derived from ongoing actions being taken (ongoing programs and projects). They also take into consideration at the same time the new governmental trends, the recommendations resulting from the project portfolio reviews (World Bank, UNDP, France-Madagascar Cooperation...) with a view to restructuring/refocusing them, the approach as well as the objectives in the strategy framework. In addition, the activities thought to be priorities not covered by the ongoing programs require the adoption of new operational programs.

It should be recalled that strategic intervention hinges on areas through which actions and operational programs can have a decisive impact on the principal dimensions of poverty. In order to move from vision and strategic focus to real actions, the Government adopted an approach including (i) the formulation of various business plans and action plans with operational programs and (ii) the establishment of the monitoring modalities and criteria in implementing the strategy. The object of the approach is to ensure that the activities proposed by each of the focuses will be included in a program of real actions.

The table below summarizes the programs.

Table 17. Madagascar – Poverty Reduction Programs

STRATEGIC FOCUS	PROGRAM	SUB-PROGRAMS
Restore the rule of law and a well-governed society	1.1 Governance and fight against corruption	1.1.1 Civil Service Reform 1.1.2 Administrative Reform 1.1.3 Public Finance
	1.2 Governance and respect for democracy	1.2.1 Transparency and respect for the people's choice
	1.3 Governance and Rule of Law	1.3.1 Justice 1.3.2 Security 1.3.3 Civil protection
	1.4 Local governance	1.4.1 Decentralization and strengthening the commune 1.4.2 Actual deconcentration of government
Stimulate and promote economic growth with a much broader social base	2.1 Macroeconomic stability and growth	2.1.1 Development strategy 2.1.2 Public investment policy 2.1.3 Privatization program
	2.2 Development of growth sectors	2.2.1 Tourism 2.2.2 Mining 2.2.3 Fishing and fish farming 2.2.4 Manufacturing industries 2.2.5 Other manufacturing industries, small and micro-enterprises
	2.3 Rural development	2.3.1 Agriculture 2.3.2 Environment
	2.4 Development and increased density of structuring infrastructures	2.4.1 Roads, Transport, Land development 2.4.2 Energy 2.4.3 Postal services, telecommunications, communications

	2.5 Development and revitalization of the private sector	2.5.1 Promotion of private and foreign investment 2.5.2 Enhanced competitiveness 2.5.3 Revitalization of free zones
	2.6 Opening up to global competition	2.6.1 Regional integration 2.6.2 International markets
Foster and promote systems for ensuring human and material security and social welfare	3.1 Education	3.1.1 Basic education 3.1.2 Quality education at all levels
	3.2 Health	3.2.1 Mother and the child health 3.2.2 Malnutrition 3.2.3 Transmissible diseases 3.2.4 Nontransmissible diseases 3.2.5 HIV/AIDS
	3.3 Water and sanitation	3.3.1 Water 3.3.2 Sanitation
	3.4 Reduction of social exclusion and social welfare	3.4.1 Safety nets and social welfare 3.4.2 Literacy 3.4.3 Family planning 3.4.4 Population gender
	3.5 Cultural diversity	3.5.1 Youth and sports 3.5.2 Culture

The operational programs comprise **three broad categories**, namely:

- vii) Sectoral programs such as rural development, education, health, drinking water....
- viii) Thematic programs (governance and corruption control, governance and human rights, local governance), and
- ix) Multisectoral, specific or cross-sectional programs

5.1 PROGRAMS FOR ACHIEVING THE OBJECTIVES OF STRATEGIC FOCUS NO. 1

5.1.1 GOVERNANCE AND THE FIGHT AGAINST CORRUPTION

Fighting against corruption is a determining factor in the practice of good governance. The government has shown a commitment to fight against it, to be successful in its policy of fast and sustainable development and particularly within the framework of implementing measures to improve public affairs management.

The objectives to ensure good governance and to succeed in the fight against poverty require that everyone adhere to the principle of public-private partnership (PPP) and the development of a spirit of citizenship.

5.1.1.1 Fight against corruption

In the framework of its commitment to fight against corruption, the Government has set up the High Council against Corruption under the authority of the President of the Republic by Decree 2002-1128 of September 30, 2002.

The responsibilities of this Council are: (i) to develop national strategy to fight against corruption, (ii) to participate in the preparation of appropriate laws, (iii) to draft texts relating to the creation of an anti-corruption agency, (iv) to monitor the impact and results of the anti-corruption program.

This Council comprises seven members and has a permanent secretariat headed by an executive secretary appointed by decree of the President of the Republic. For its functional needs, the Council receives funds from a special government budget appropriation.

Besides, for the main purpose of promoting transparency in the exercise of public functions, Decree 2002-1127 of September 30, 2002 instituted the obligation for ministers, civil servants holding posts of high responsibility at levels equal or superior to that of ministry director, and magistrates **to make a periodical declaration of assets**. An agency in charge of receiving and assessing the above-mentioned civil servants' declarations will be established.

In addition, to intensify the fight against corruption, the programs of the Government are:

- strengthening the anti-corruption plan to contain or to prevent corruption while repressing all proven instances of corruption;
- implementing a range of actions aimed at reorganizing public services, building capacity among staff, rapidly processing documents;
- setting up 'one-stop shops' throughout the country and opening lists of complaints;
- setting up an anti-corruption agency in every ministry;
- intensifying Information-Education-Communication actions, namely civic education in schools and at all levels ;
- reducing corrupt practices and favoritism in the civil service, disseminating texts on conduct and ethics ;
- setting up institutional plans to make the High Council against Corruption operational.

5.1.1.2 Civil Service Reform

The Government is planning to set up a transparent and effective civil service to serve citizens within a framework of good governance.

To fight against corruption and favoritism (priority actions), the following actions will be started:

- depoliticization of the administration and appointments based on competence and merit;
- updating and disseminating legal and regulatory texts as well as changing mentalities;
- requirement that senior civil servants declare their assets periodically;
- developing a favorable working environment (environmental incentive);
- instituting performance-based compensation (salary incentive).

In order to prepare and carry out a program of civil service reform:

- Modernize the management of civil servants by setting up a single data file by:
- developing human resource networks between the different Ministry departments ;
- setting up an internet network.

- x) Ensure the quality of the professional training of civil servants by:
 - ensuring that 100 percent of graduates from training schools are prepared to serve the administration;
 - developing appropriate training in every department.
- xi) Inform civil servants and users periodically of civil service activities by:
 - using the appropriate means for ensuring transparent and permanent information for users (negotiate agreements with the mass media and design periodical news broadcast programs);
 - reinforcing the communications system at all levels (central, provincial, sub-prefecture).
- xii) Get monthly reliable monitoring and evaluation data for decision-making regarding the management of human resources through:
 - establishment of monitoring and evaluation structures in all central and provincial directorates;
 - development of a program of human resource training in monitoring and evaluation;
 - monthly consolidation of data on human resource management reform.
 -

For 2003, the expected outcomes of civil service reform are:

- a 25-percent reduction in the number of civil servants brought before the Disciplinary Committee (CODIS) for corruption;
- 40 percent of the reports on the management of the civil servants reaching the Civil Service Ministry processed and regularized;
- 10 percent of the training needs of each ministry satisfied;
- plans to establish ENAM (National Malagasy Administration School) implemented;
- general statutes for civil servants validated and adopted.

5.1.1.3 Public affairs management

Accountability, rigor, streamlined and transparent procedures and results, and effectiveness are essential to good economic governance with internal controls throughout the administrative expenditure chain and the creation of the “one-stop-shop” system wherever possible.

The efforts made in this area will be continued on and increased. There will be continued strengthening of institutional capacity in the budget management process, the customs and fiscal services, the justice system, the General State Inspectorate (IGE), the Directorate General of Committed Expenditure Control (CDE), the Central Procurement Commission (CCM), and the Audit Office.

Implementing a reliable system of information necessary to know the financial situation of the country in order to make specific contributions to the development of the financial system, consists of the following actions:

- i) Produce, use, coordinate, and disseminate statistical and economic information, namely:
 - having exhaustive, reliable, information in real time to help make decisions regarding economic and development policy;
 - setting up a system of regional information;
 - ensuring that foreign trade statistics are reliable;
 - accelerating the processing of operations and the production of accounting data.
- ii) Contribute to the development of the financial system:

- take action to mobilize savings;
- facilitate corporate access to bank financing;
- contribute to the establishment of the modern financial market;
- gradually liberalize and stabilize the insurance sector;
- improve the legal framework for foreign exchange;
- acquire better information on the private sector by setting up a central balance sheet unit;
- gradually integrate the informal sector by establishing approved management centers after rewriting the General Chart of Accounts (PCG) to current international standards.

With a view to implementing an effective budget policy (relevance and impact of resource allocation for poverty reduction), the following actions will be taken:

- reform public finance:
 - *strengthen budget control,*
 - *achieve more speedy, economical and transparent program management in reaching objectives,,*
 - *strengthen monitoring agencies and institutions (General State Inspectorate, Committed Expenditure Control, Central Procurement Commission, Audit Office) (see Box 5 below);*
- implement a budget policy as an economic steering and promotion instrument:
 - *control the planning, execution and monitoring of the budget through reinforced multiyear budget planning and monitoring frameworks and rational budgetary choices,*
 - *use the taxation system as a tool of development,*
 - *manage public debt proactively by defining policy,*
 - *modernize customs by developing a partnership with a supervision company stressing control of the value and transfer of know-how,*
 - *give priority to the participative approach by consulting with partners for a better understanding of actions by the public authorities;*
- increase revenue to reach international standards for the tax ratio.
- **Tax revenue:**
 - continue actions to collect and track arrears,
 - make the structures are secure by building the capacity of tax offices,
 - make tax revenue secure by computerizing tax offices,
 - expand the tax base by including high-yield activities in forward planning, implementing a circuit of crosschecks with public expenditures and imports, as well as through on-site checks with delocalized services,
 - harmonize the calculation of market value (taxes) by establishing a single methodology in all the offices,
 - foster the integration of the informal sector by continuing actions to raise tax awareness in the informal sector.
- **Customs revenue:**
 - make customs receipts secure through the computerization of all areas of customs.
- **Nontax revenue:**
 - improve the collection of nontax revenue by increasing the rate of collection of dividends and revenue from the counterpart value funds (FCV), control and monitoring of debtor companies,

- control over public expenditure and distribution in accordance with overall sectoral objectives.

Actions to be taken are:

- *reinforce the budget planning and monitoring frameworks to implement the monitoring and assessment system,*
 - *control the planning, execution and the monitoring of the budget,*
 - *better adjust public expenditure planning to objectives with a view to setting up a national budget execution framework that is coherent, transparent and manageable by all those involved and by private individuals,*
 - *set up a computerized integrated management system and draft the related procedure manuals,*
 - *clean up the civil service database,*
 - *improve working conditions and build capacity,*
 - *institute new decentralization and project management procedures, in agreement with international donors, with a view to transferring know-how and decentralizing large projects.*
- Coordination of external assistance by the following actions:
 - *reduce the debt burden to a sustainable level by continuing negotiations on debt restructuring,*
 - *reduce the outstanding external debt making service payments when due, monitoring programs under the HIPC Initiative, and implementing commitments before reaching HIPC completion point,*
 - *raise external financing to meet development objectives and government economic policy by negotiating new external financing and disbursing signed grants and loans,*
 - *train personnel,*
 - *update data.*

With a view to eradicating corruption, tailoring the public expenditure program to its objectives, ensuring transparency and improving the quality of the services provided by the ministries, the following actions are to be taken:

iii) Fight against corruption

- make public users and ministry staff accountable by simplifying and publishing procedure manuals, informing users of such procedures, making payment modalities transparent and improving the staff compensation system,
- adopt a program to fight against corruption by creating an anti-corruption central office responsible for receiving complaints and reports,
- combat fraud by reinforcing controls and by bringing the administration closer to users.

iv) Transparency of procedures and accounts

- ensure that procedures are transparent by simplifying and communicating customs clearance procedures,
- improve the legal apparatus by drawing up and disseminating the implementing interpretive texts of the General Tax Code,
- draw up the Government's final accounts in order to improve financial governance,

- implement a national budget execution framework that is coherent, transparent and mastered by all those involved in the budget and by private partners. This implies, updating regulatory texts relating to budget execution, monitoring government assets and procurement contracts,
 - standardize accounting methods by continuing to rework the general chart of accounts.
- v) Improvement of the quality of services provided by the ministry
- reinforce human resources,
 - strengthen the staffs' capacity for enhanced skills in the execution of their work through the implementation of the training programs in Customs and in the Treasury,
 - renovate and maintain the Treasury buildings and furnish them,
 - enhance the reliability and rapidity of processing by setting up an internal communications network, strengthening the computerized management and processing of payroll and pensions, as well as by speeding up payments to government creditors,
 - reorganize payment facilities,
 - improve working conditions,
 - improve supplies to the main revenue collection offices,
 - speed up customs clearance by limiting inspections at the customs border and limiting *ex post* control in companies.
- vi) Implementation of a system of internal control
- make audit and inspections systematic,
 - audit needs and capabilities in order to build the capacity government staff,
 - implement a complete program of institutional strengthening by modernizing services, giving staff more responsibility and instituting performance indicators as well as continuous training and professional development,
 - give agents incentives for a better efficiency in their work (career management).

Within the scope *of reforms*:

The Government has made the decision to sign a contract with the Société Générale de Services (SGS). The program is not confined to pre-shipment inspection but also contains a program which provides places great importance on modernization of the Customs system in Madagascar together with technology transfer. The program with the SGS will begin on April 1, 2003.

The Ministry of the Economy, Finance and Budget has just set up a Directorate General of Internal Audit (DGAI), placed directly under the responsibility of the Minister of this department and whose main mission will be to control on a day-to-day basis the smooth running of all the ministry's activities. The DGAI will work with the police. The same structure should be set up in the other ministries. A special directorate for financial delinquency has been created.

Main outcomes expected in public affairs management

Implementation of a reliable information system:

- website taking account of the users' needs, available
- system of regional information, operational

Contribution to the development of the financial system:

- guarantees and loans, granted
- flight of premiums abroad, limited
- law and licensing of institutions, enacted
- central balance sheets unit, operational

Public finance reform:

- legislative and regulatory texts have been ranked, enhanced quality-wise, modernized, adapted and supplemented by operating and procedure manuals, daily activity management tools (internal and external management)

Increased revenue:

- tax ratio, acceptable (12 percent in 2006)
- tax revenue collection rate, increased
- FCV collection rate, up 3 percent per year
- 30 tax offices set up or rehabilitated for the second half of 2003
- 30 tax offices computerized for the second half of 2003
- crosschecks with expenditures and imports, performed for the second half of 2003
- ASYCUDA ++, functional in 2003

Public expenditure control:

- budget Law presented in Public Expenditure Program (2004-2005)
- database file on Government personnel, updated (2003-2005)

Coordination of aid:

- restructuring agreements with the Paris Club and other creditors, finalized
- printouts and schedules of tasks in projects, completed:
 - 2003: FMG 930 billion
 - 2004: FMG 1550 billion
 - 2005: FMG 1850 billion

Fight against corruption

- anti-corruption office, publicly announced in 2003
- procedure manuals and guides, simplified
- level of purchasing power, improved

Transparency in procedures and accounts

- customs clearance time, reduced
- new single customs declaration form (DDU), applied
- Treasury balances and settlement laws, produced

BOX 5. STRENGTHENING BUDGET CONTROL

In April 2001, the Government completed a study on strengthening budget control, consisting of a program of measures which envisages the redrafting of legislative and regulatory texts and the organic restructuring of control units. The program also plans to draft procedure and operating manuals, install information systems and performance measurement, prepare training programs, and include in the budget the following control units and institutions:

- The General State Inspectorate (IGE) will be permanently assigned the task of internal auditing and performing *ad hoc* operating audits as part of its mission or as a means of self-supervision [*auto saisine*]. The General State Inspectorate will have universal functions covering all public entities (central government, the autonomous provinces and their decentralized local government, national statutory authorities – EPN – provincial or local) and all entities benefiting from public financing in Madagascar or abroad.
- Committed Expenditure Control (CDE) will take back its traditional name Financial Control, and will be part of the payment authorization process for expenditures by central government or the main governorships within the framework of the control system envisaged in the national law. This will ensure that the entities submitting applications for prior approval have complied with the internal control regulations, which will be progressively established in those entities.
- The current Central Procurement Commission (CCM) which will be set up as an autonomous administrative control structure, and the specialized and provincial procurement commissions will not only verify compliance with government contracting procedures, but will play an identical role, in contracts presented to them for their approval prior to the endorsement by Financial Control, certifying that the services were provided. The new structure will receive the contracts financed with the provincial budgets for the purpose of setting up a database.
- The Audit Office reviews the accounts of public accountants, controls the execution of the budget laws, and assists the Government and members of parliament in monitoring implementation of the budget laws. It rules on appeal on decisions made by financial tribunals on the management of decentralized local governments in the autonomous provinces. It will also strengthen its management audits of public enterprises and all establishments receiving financial help from the Government.
- Administrative Tribunals and Financial Tribunals installed in the capitals of each province will play the same role at the level of the autonomous provinces and decentralized local governments as the Council of State and the Audit Office plays at the level of central government, with the exception of appeals.
- The rules of internal control, internal audit, external audit or operating audits will be patterned on standards generally accepted internationally. Human resources will be strengthened, motivated and subject to strict rules of ethics and professional conduct. The four inspection or control units and institution will have appropriate working tools (operating and procedure manuals, information systems, and performance measurements). They will be provided with a specific budget for missions and mandates, regarding the objectives set in their annual work plan, including expected outcomes and performance. The ordinary operating and investment budgets will include Information-Education-Communication actions and training activities.

Specifically, capacity building measures and actions for the four inspection and control units and institution, which must be carried out over three years (2001-2003), will include:

- review of texts on improving the operation of the four control or inspection units and institution (joint arrangements and individual arrangements for each unit or institution);
- drafting of quality, ranked legislative and regulatory texts including the design of a simplified durable and stable legal framework for budget execution;
- legislative and regulatory texts dealing with deconcentration-decentralization;

5.1.2 GOVERNANCE AND RESPECT FOR DEMOCRACY

Democracy requires the active participation of the people in public affairs by freely electing the government. It means ensuring that free elections function smoothly, are fair, transparent, ensuring the participation of the people in a framework of dialogue, and encouraging plurality of information.

The tasks consist mainly in the drafting of organic laws and regulatory texts dealing with:

- public freedoms namely of opinion, expression and assembly
- Funding of political parties and election campaigns
- having an opposition
- revision of the election code in collaboration with the national elections committee (CNE), observers' associations and NGOs
- charter of civic education. The national elections committee (CNE) will play the major role in voter education as moral guarantor of the authenticity and accuracy of the vote count
- building the capacity of CNE
- support and the reinforcement of the capacity of civil society by providing it with adequate resources

The structures to be set up are:

- A national observatory of democracy
- A platform for dialogue and expression

Outcomes expected regarding respect for democracy

- Citizens informed of their rights and duties
- Reliable electoral rolls
- Candidates treated in an egalitarian manner

5.1.3 GOVERNANCE AND RULE OF LAW

Regarding restoration of the rule of law, the Government is committed to instituting sound impartial justice that respects human rights and provides security for investments. Therefore those in power, like all citizens, are treated equally under the law, and any kind of impunity at any level is eliminated. It is also committed to: (i) protecting the independence of the judiciary, (ii) guaranteeing attorneys freedom of action, (iii) depoliticizing the civil service, (iv) increasing the scope of the judiciary's power and extending it to all through impartial and independent authorities, (v) enforcing and ensuring compliance with the existing laws and regulations. The government sees systematic penalties for acts of corruption as one of the measures for returning morality to public life.

Increasing the number and effective use of spaces designed for economic and social dialogue, and bringing the courts closer to the people they serve are integral parts of its effort to establish good governance.

In addition, the Government will take some measures to establish an environment where the security of the people, of their property, and their production activities in the country will be ensured, a climate favorable to the promotion of fast and sustainable economic, social, political, and cultural development

5.1.3.1 The justice system

In the justice system, a series of measures will be implemented to strengthen the system and improve the functioning of these services, based on the following five points:

- Rehabilitating the functions and infrastructure of the judiciary and penitentiaries throughout the country
- strengthening the anti-corruption system
- accelerating the processing of cases
- improving the legal environment, especially for the economy
- humanizing incarceration

5.1.3.1.1 Rehabilitate the judicial system infrastructures throughout the country

Actions will be related to:

- setting up the structures provided for in the Constitution, i.e. the Supreme Court with the Supreme Court of Appeal [*Cour de Cassation*], the Council of State, and the Audit Office, the National Council of Justice and the High Court of Justice. This will be effective by the end of 2005;
- construction of new buildings: a new building for the Ministry of Justice and a complex for the Supreme Court, the Audit Office, the Council of State and the High Court of Justice;
- continuation of deconcentration of the courts by the construction of courts of appeal;
- creation of two or three courts of first instance per year and the activation of administrative and financial tribunals;
- modernization of the working tools of the central authorities of the Ministry of Justice by providing the means for rapid communication with all the jurisdictions;
- development of human resources by improving the quality of the initial training and of the professional development of staff and magistrates.

5.1.3.1.2 Strengthen the anti-corruption system

Actions to be taken are: (i) to focus efforts mainly on containing or deterring corruption in the justice system, while severely repressing proven cases of as corruption, (ii) to educate the population in order to sensitize it to participate in this important effort which requires its involvement

- **Prevention**

- carry out a survey on the usefulness of instituting a corruption observatory. This observatory would be responsible for: (i) reviewing each stage of the process to determine which are the most at risk, (ii) analyzing the causes and effects of corruption, (iii) proposing reforms aimed at eradicating corruption in the sector. International technical assistance may be envisaged to this end;
- ensure transparency of judicial decisions and unification of jurisprudence by publishing all the decisions handed down by the Supreme Court and the courts of appeal, the comments made by jurists and academics. The media will contribute to improving such transparency and to the coherence of case law;
- improve the working conditions with motivated personnel, appropriate and sufficient resources, well-established standards of work in the organization of a jurisdiction and in the time needed for processing cases;

- plan regular inspections in the jurisdictions, conducted by various bodies, notably the Directorate of the Supervision of the functioning of the jurisdictions and penitentiaries, the General Inspectorate of Justice, the supervisory section of the Supreme Court, monitoring heads of courts and jurisdictions. This year, the Directorate supervising the functioning of the jurisdictions envisages going on inspection tours to the 24 jurisdictions;
 - encourage the reporting of acts of corruption. The complaints book opened in the jurisdictions and in the prisons will be maintained and used. Ordinary citizens' complaints will be checked and investigated. Inquiries into complaints are coupled, as far as possible, with the inspections of the jurisdictions;
 - ensure respect for the ethical and professional rules governing the magistrates by designing a genuine code of ethics and professional conduct, which includes sanctions.
- **Repression**
 - adopt an anti-corruption law;
 - prosecute before the disciplinary council of authors of corrupt practices;
 - sue perpetrators of corruption without discrimination and in openly.
- **Education of population:**
 - draft all verdicts and judgments in Malagasy by 2006;
 - educate and inform the population about justice: hold public information sessions, which might be general or targeted;
 - create support for information and dissemination of the rights and duties of the citizen;
 - train facilitators, trainers, and coaches on the ground;
 - facilitate access to courts and offices by putting up signs in offices, a map of the court at the entrance, indicating the names of units on the doors, and posting of official rates in clerks' offices, in bailiffs' offices and in notaries' offices;
 - develop an anti-corruption culture by raising public awareness of the damage due to corruption especially in the justice system. The anti-corruption campaign cannot be successful without the support of the public;
 - make the administrative and financial jurisdictions operational: the establishment of administrative and financial tribunals in every provincial capital and an Audit Office in the national capital will enable these controls on action to be effective and the budget for local government authorities to be decentralized;
 - inform all persons subject to trial of alternative dispute settlement options, such as institutional or civil mediation;
 - facilitate the provision of legal assistance.

5.1.3.1.3 Expedite the processing of cases:

Action to be taken in this area:

- develop the monitoring and control of the activities of the jurisdictions by examining documents periodically prepared by the jurisdictions;
- increase the number of hearings by organizing several ordinary criminal court sessions as well as sessions of special criminal court and circuit court hearings;
- improve working relations and methods between the various persons involved in an action, namely the systematic communication of the decisions to the police or the *Gendarmerie*;

- make legislative reforms in order to shorten the duration of detention pending trial and speed up civil trials;
- computerize departments in the jurisdictions.

5.1.3.1.4 Improve the legal environment for business and social (labor) rights:

Actions to be taken are:

- continue the installation of Trade and Company Registers (RCS), notably in high-activity regions;
- set up the RCS coordination committee;
- adopt the draft Business Law as it pertains to commercial companies, the collective procedures for checking liabilities, goodwill, guarantees;
- reactivate the business law reform commission.

5.1.3.1.5 Humanize incarceration

Actions to be taken are:

- Increase penitentiary administration staff: (publication of statutory instruments of Law No 95-010 of July 15, 1995 on the status of the personnel)
- improve the infrastructures detention facilities by transferring the Antanimora central prison to Anjanamasina, separate those in preventive detention from convicts, adults from minors; rehabilitate the Anjanamasina Re-education Center. Register the plots of land allocated to DAPES;
- implement an action plan to combat malnutrition by increasing food rations, sanitation facilities in the prisons to meet hygiene standards, installing infirmaries in all prisons, systematic doctors' visits and medical care, care for the young children of prisoners, and specific actions for fighting against STDs and AIDS;
- modernize penitentiary services through a computerized management of the locations where prisoners are held;
- reinforce the security of detention centers by the acquisition of new equipment for armament and ammunition, as well as by the acquisition of communication systems, and by the construction of enclosing walls for the penitentiaries, and stronger measures for dangerous prisoners (Tsiafahy);
- strengthen control over penitentiaries: program of tours and oversight controls of prison establishments with regard to, *inter alia*, arbitrary detention, hospitalization of prisoners, etc.;
- facilitate social reinsertion by increasing the number of occupational training workshops, literacy and primary education, as well as farming or fishing in the coastal regions, creation of penitentiary villages, raising public awareness;
- reactivate parole.

5.1.3.2 Security

To ensure the security of individuals, their property and production activities in rural as well as urban areas, the Government has entrusted the introduction and implementation of this ongoing policy of combating insecurity in all its forms to two ministerial departments, Public Security and National Defense. The Ministry of the Interior is the main agency responsible for civil protection.

The main actions concerning civil security and protection consist in:

Reinforcing **security** in urban areas by:

- strengthening security by the “local and surveillance police” system, adapted to the local communities, in 60 major towns in Madagascar;
- reinforcing the operating capacity of the units in charge of the Criminal Investigation Department throughout the country, to handle the maintenance of law and order, regulation of urban traffic, violence, drugs, HIV/AIDS, natural disasters (cyclones, floods, fires);
- building the operational capacity of the units in charge of judicial police to deal with organized crime, terrorism and kidnappings;
- building the operational capacity of the units responsible for prevention in the fight against corruption and financial and economic delinquency throughout the country;
- reinforcing the airport and port safety and marine and coastal surveillance (PNSA-PSMC). Program carried out by the national police jointly with the national *Gendarmerie*, civil security, and other entities involved in prevention, regular measures emergency measures in the event of a crisis (natural disasters, hostage taking, bomb scares, plain crashes and hijackings, epidemics, fires, and marine pollution, etc);
- reinforcing the capacity to steer, coordinate, monitor/evaluate, and regulate the DNSP to institute law and order, ensure good governance, and guarantee the security of the population's productive and economic activities with a view to fast and sustainable development.

Reinforce the national police corps providing appropriate training by:

- improving the system of initial and further training of the National Police corps, aiming at balancing employment-recruitment-training;
- equipping the schools with appropriate educational supplies.

Provide the national police with modern infrastructure and equipment by:

- building the operating capacity of the units in charge of transmission and processing of data on professional activities;
- providing new modern equipment for maintaining order and apparel (appropriate uniforms);
- reinforcing the infrastructure for the strategic steering, coordination, monitoring/evaluation and regulatory units of the DNSP and for the tactical and operational units.

Civil protection by:

- setting up a national civil protection system;
- rationalizing disaster risk management (cyclones, floods...) by implementing and activating the disaster relief organization ORSEC, in conjunction with interventions by all the entities involved;
- strengthening civil security (monitoring the movement of persons,);
- setting up a department in charge of training and education;
- setting up all the civil protection units in 2004.

Ensuring rural security by:

- extending security-keeping intervention to other cases of theft (except zebus): theft of crops, particularly vanilla, theft of mining and fishing resources;

- standardizing the traditional safeguard system (“dina”), for which participative workshops were organized in the six provinces, followed by a consolidation workshop;
- establishing local security, by maintaining an almost permanent presence in the population to prevent rather than repress crime, and the Local Security Plan (PLS), which represents all the actions to be conducted or carried out to meet the needs expressed by the population;
- awareness and accountability of the *fokonolona* by reinforcing the operational capacity of the units in charge of the judicial police and rural security;
- carrying out frequent security operations.

The following stations will therefore be instituted:

- advanced, brigade-like stations in the communes;
- fixed stations, for surveillance missions at a given observation point (e.g. on “kizo” duty during a lunar cycle)
- shifting stations, for very specific missions, limited in space and time (e.g. surveillance of major roadways).

In areas reputed to be insecure, “Autonomous Security Detachments” (DAS) are set up to complement the *Gendarmerie*’s actions in preventing crime and reducing the length of time needed to contain the problem.

Surveillance of the coastline and border control will be ensured by:

- creating sea and air patrols
- placing canine brigades at international airports.

Expected outcomes in terms of security:

- criminality rate, reduced
- places, maximum security
- actions, rapid and efficient

5.1.4 LOCAL GOVERNANCE

The Government believes that the goals of fast and sustainable social, political, and economic development can be easily attained if the population becomes more accountable and the best local government management practices are used. Therefore the implementation of genuine decentralization provides an anchor and sense of ownership of development for the grassroots population. It will be accompanied by suitable deconcentration, respectful of the values of traditional “fokonolona” society.

Within this context, the Government has initiated the deconcentration/decentralization of decision-making and management powers, which will make the actors of development more responsible and enable policies to be made at the population base.

The deconcentration/decentralization of the services makes it possible to develop quality local services. Budget management will be rationalized in order to ensure better resource allocation between operating and personnel costs and the actual allotments to deconcentrated services as operational structures.

The new units of the autonomous provinces will be fully responsible for local actions, which are in great demand for the poor. These agencies will be in a position to collaborate with public- or nonpublic-sector executing agencies to prevent useless administrative duplications. They should receive the necessary support to correctly respond to the demands of the poor, which will help establish the credibility of these new local political institutions.

The resulting transfers of know-how will be particularly important in the fields of education, health, rural development and infrastructures, and will consolidate and institutionalize the systems that are already in place.

Thus, the main objective being **'to bring the Government closer to the people through decentralization and deconcentration'**, five key actions will contribute to its implementation, namely:

- creating a favorable context for the economic and social development of the communes,
- building the institutional capacity of the communities,
- enhancing the financial autonomy of the communes,
- making the Communes more responsible for the management of health and education services,
- reinforcing the intervention capacity (support and control) at the central level.

5.1.4.1 Create an environment conducive to the economic and social development of the communes

This entails developing an institutional, socioeconomic and organizational framework allowing the communes, as basic community units in the autonomous provinces, to fully assume their role as agents of development, serving their population by supplying satisfactory goods and services locally. It is also a question of preventing efforts from being dissipated and coordinating their actions in the field.

Activities to be carried out consist of:

- making existing texts coherent;
- promoting satisfactory local services: drinking water, electricity, rural roads, vital statistics, sanitation, public markets, and libraries;
- harmonizing intervention by the support agencies: ANAE, FID, PSDR, PAICAL, PAGU, etc.;
- developing inter-communal cooperation: management of inter-communal infrastructures;
- developing decentralized cooperation: partnership for development;
- implementing incentives to attract private investors and support local initiatives (through decentralized cooperation): land use planning subsidy for the poorer communes and regions;
- making ministerial departments aware of the need to create local public utilities (deconcentration);
- fostering incentives to attract private investors and support local initiatives.

5.1.4.2 Build institutional capacity at the community level:

Measures involve continued implementation of the different structures in the autonomous provinces, such as the special solidarity funds, the economic and social council, etc., ensuring that they are operational, and supporting them in preparing the tools for their development (provincial and regional development scheme) and for monitoring and supervision.

Actions to be taken are:

- continuing to set up structures create structures in the autonomous provinces: special solidarity funds, economic and social council, inter-provincial conference, regions, etc.;
- supporting the drafting, implementation and monitoring/evaluation of the regional and local development schemes;
- supporting the autonomous provinces in the identification of regional poles of development;
- implementing a dissemination system.

5.1.4.3 Improve the financial autonomy of the communes

Financial autonomy is a decisive factor in decentralization allowing the communes adequate financial resources to develop quality public services. Therefore, training the communal authorities and improving of the tax system (drawing up tax rolls, collection, and monitoring) will be done with the help of the tax administration to ensure that the Government's fiscal efforts are oriented towards investment.

Measures to be taken are:

- harmonizing and rationalizing the Government's fiscal efforts and the financial interventions of development partner agencies;
- improving the fiscal/quasi-fiscal resources of the communes;
- ensuring widespread application of the system of autonomous collection of tax and other resources by the communes;
- encouraging communities (national and/or international) to share their experiences;
- defining programs and promoting training for commune officials;
- improving the system of monitoring the communes and ensuring its effectiveness.

5.1.4.4 Make the communes more responsible for the management of health and education services

Support specific to health and education will be developed, in order to give the communes more responsibility for the management and functioning of the health and education systems.

In addition, it means clarifying the responsibilities and roles of the various actors, promoting quality services and developing monitoring tools (files, reports, annual performance reports).

Actions to be taken are:

- promoting satisfactory local health and education services;
- revising the organizational chart of communal services (see decentralization pilot projects);
- inventorying the number and location of Basic Health facilities and Public Primary Schools (CSB/EPP);
- requiring the communes to produce periodical reports on the enrollment of children under 14 and the health status of the population;
- clarifying the roles and functions of the communes regarding health and education;
- monitoring and supervising the management of allocated resources;
- producing newsletters (Mayor's letter).

5.1.4.5 Build intervention capacity (support and supervision) at the central level

Several actions are planned, including:

- strengthening and redeploying personnel and resources at the central and regional levels;
- organizing training and study tours to countries with great experience in decentralization;
- creating a documentation center and a website;
- reducing the incidence of under-administration by strengthening the capacity of heads of administrative and territorial divisions;
- modernizing government.

Main outcomes expected

- 60 communes will have a minimum level of operational services in 2003, 120 percent in 2004 and 140 percent in 2005;
- increased number of communes managing health and education: 60 in 2003, 120 in 2004 and 300 in 2005;
- 10 communes will have adequate resources in 2003, 20 in 2004 and 50 in 2005;
- effective government presence throughout the national territory.

5.2 PROGRAMS DESIGNED TO ATTAIN THE OBJECTIVES OF STRATEGIC FOCUS NO. 2

To improve the performance of the economy, Madagascar must use the appropriate instruments to implement measures conducive to the realization of the objectives of sustainable growth and maintaining key balances.

5.2.1 MACROECONOMIC STABILITY AND GROWTH

The economic and financial policy of Madagascar is designed to preserve macroeconomic stability. Internal equilibrium would be restored by reducing the public deficit, which would affect domestic demand by keeping its growth within limits compatible with inflation reduction objectives. The resulting gain in competitiveness doubled by the effect of promoting dynamic sectors would contribute to the reduction of external deficit, the maintenance of a viable balance of payments and the improvement of the overall situation of external payments.

5.2.1.1 Macroeconomic policy

5.2.1.1.1 Effective tax and fiscal policies

Great efforts will be made to reach public deficit objectives; (i) improvement of tax collection to raise the tax ratio to international standards, (ii) optimum expenditure control and programming, in conformity with global and sectoral objectives.

The Government will continue with the actions it has initiated for improving tax revenue, etc., deconcentration and computerization of tax offices, and awarding of government contracts, securitization of customs revenue by developing local customs offices, effective action by the company in charge of declared customs value and computerization of units using ASYCUDA++ software.

The joint arrangements governing regional cooperation are causing capital losses in external receipts. In addition, the policy of opening up requires an increasingly less functional tax system. The Government therefore must rely on the domestic tax system by extending the system of composite taxes to all activities not subject to corporate income tax and by intensifying the collection on nontax claims (counter value funds, subsidies, dividends, cash advances).

Improvements in governance through the anti-corruption system and the reform of the supervisory agencies should help bolster the quality and effectiveness of public expenditure. According to government guidelines, the latter will be allocated largely to infrastructure, social spending, and security. The budget as well as related instructions to appropriation managers will be established in time. The Government will implement the regulatory arrangements arising from the redrafted texts governing the supervisory agencies, particularly as regards government procurement contracts, supervision and monitoring of the implementation of each stage of the budget chain (commitment, verification, payment authorization, payment). It will oversee the establishment of an updated database for managing civil servants and will ensure that adequate counterpart funds are available to effectively benefit from international project financing.

5.2.1.1.2 Prudent monetary and financial policy

Monetary policy aims to control inflation while ensuring that there is adequate financing for economic activities. The rates policy will be continued to supply the banks with central bank money. The training mechanism will take into account anticipated and observed inflation. The monetary authorities will change the required reserve ratios as the economic and financial situation changes and will intervene on market terms in auctions to mop up or inject liquidity. The penalty system will be maintained for noncompliance with reserve requirements.

The floating exchange regime will be maintained to enable the economy to become internationally competitive thereby ensuring the viability of the balance of payments. The central bank will intervene in the interbank foreign exchange market only to achieve foreign reserve objectives and prevent major fluctuations in the Malagasy franc. There are also plans to set up an ongoing exchange market. Incentives are being offered to increase the number of exchange bureaus to ensure full competition.

Concerning the external debt, Madagascar will strengthen its partnership with the donors and will honor its international commitments in order to benefit external debt relief, which will allow the release of additional resources to finance development programs. Only concessional borrowing will be undertaken. Negotiations to restructure and cancel external debt will be pursued. Important efforts will be made to mobilize external funds in accordance with the Government's development objectives and economic policy. Regarding external debt management, the DMFAS system will become operational.

5.2.1.2 Drafting a long-term development strategy and medium-term macroeconomic frameworks and estimates

For the period 2003 to 2006, the Government will focus its efforts on the following actions: (i) preparing long-term development guidelines; (ii) taking inventory and plotting a map showing the spatial/sectoral distribution of projects and resources; (iii) defining and coordinating sectoral policies; (iv) defining a public investment policy consistent with the strategy for alleviating poverty; (v) building the institutional capacity of the institutions responsible for economic management by establishing the Center for Research, Surveys and Support to Economic Analysis in Madagascar (CREAM); (vi) drafting of the National Monitoring-Evaluation Policy (PNSE); (vii) monitoring and coordinating the implementation of programs of cooperation and integration in the world economy, placing special emphasis on regional integration; (viii) drafting and monitoring implementation of the action plans set out in the PRSP; (ix) coordinating and providing technical support for designing regional as well as local plans; (x) developing a database on Official Development Assistance and private funding; (xi) short-term economic forecasting; (xii) developing and fine-tuning macroeconomic and sectoral models; (xiii) updating data on macroeconomic performance; (xiv) carrying out and monitoring commitments made at the Friends of Madagascar Conference; and (xv) implementing the safety net program provided for in the Emergency Economic Recovery Credit (CURE).

These actions will make an economic growth rate of 8 to 10 percent on average and an investment rate of 20 percent possible by 2006

5.2.1.3 Updating and implementation of the privatization program

The privatization program has reached a point of no turning back. The measures envisaged will be continued but with the introduction of a few adjustments to the present social context, so that the measures taken might contribute more effectively to attaining the objectives.

The actions consist in: (i) inventorying and updating the assessment of enterprises earmarked for state divestiture and preparing an implementation schedule; (ii) completing the process for the enterprises being privatized; (iii) applying accompanying measures by standardizing social plans; (iv) using piggy-back financing to create a stock exchange and develop domestic shareholders; (v) monitoring the companies in which the Government has interests; (vi) updating implementation of the privatization program, ensuring better good management of change and of the impact of privatization.

5.2.2 EMERGENCE AND REVITALIZATION OF REGIONAL DEVELOPMENT POLES

Economic recovery will be faster by drawing mostly on the regions with strong growth potential, through revitalization of the private sector and development of the leading sectors.

A strategy for emergence and revitalization of development poles will be implemented to materialize and bring together all development policies and programs.

The following objectives can then be achieved:

- from an economic point of view: regional integration through intensification of local economic and social exchanges between towns and the countryside, and through the spread of economic development brought about by the extension of the exchange zones to the neighboring territories, which will be gradually revitalized through the initial strengthening of the main leading poles;
- from the population and urbanization point of view: increased geographic mobility of people, who are expected to establish more concentrated human settlements;
- in terms of effective public and private investments: optimal their social and economic yield, which is largely linked to the concentration of human settlements;
- from the point of view of national unity: stronger economic, social and cultural exchanges between the regions that support national economic integration, and population mixing.

To achieve this, the following will be developed:

- a policy to support the private sector, particularly to encourage it to invest in the regional development poles;
- a policy to promote and support the leading growth sectors and regional and intersectoral integration;
- a policy on the regional level to harness the growth effects of international trade through dynamic and voluntary integration into the world economy;
- a policy of integrated rural development;
- an increase in structuring infrastructure organized around a policy that is adapted to land development.

5.2.3 DEVELOPMENT AND REVITALIZATION OF THE PRIVATE SECTOR

Madagascar has a frame of reference for developing and revitalizing through the National Private Sector Support Program (PNASP). The program's growth objectives will be reflected in major investment efforts not only in terms of volume but also in terms of productivity. As the private sector is the engine of economic growth, two key factors influence its investment, namely a framework that provides greater incentives and security and adequate infrastructure. The private sector will be developed within the framework of good public/private partnership (PPP) synergy and the establishment of economic development poles.

The actions of the Government will therefore seek effective public investment and incentives to foreign and national private investment. The need to integrate trade policy in all development policies has been stressed with regard to various initiatives, including the Integrated Framework set up by the Ministers of Trade of the World Trade Organization (WTO) for the benefit of the least developed countries (LLDCs) and approved at the conference of ministers in Doha in November 2001. Madagascar was the subject of a pilot study in the context of a program aimed mainly at integration in the world market as a poverty reduction strategy.

Apart from establishing a sound macroeconomic framework, the following measures will have to be implemented:

- improvement of the business environment and institutional framework;
- restructuring and capacity building;
- setting up an appropriate technology and information system;
- promotion of direct, foreign and/or national investments;
- export promotion;
- definition of a clear land tenure policy.

5.2.3.1 Improvement of the business environment and institutional framework

The main objective is the development of the private sector. To achieve this, the legal, statutory and judicial support system must be strengthened in order to create a safe and attractive environment

Actions to be taken include: (i) identification, consistency and dissemination of the regulatory and legal provisions on business law (tax system, immigration, exports, land tenure...) in accordance with the regional or international agreements to which Madagascar is a signatory; (ii) reinforcement of bilateral agreements for the protection and promotion of investments; (iii) restructuring and reactivation of the Chamber of Commerce, Industry and Agriculture (CCIA) and the Trade Council; (iv) setup of the One Stop Shop for Investment, and Enterprise Development (GUIDE) aimed at facilitating and alleviating the formal administrative procedures for establishing, investing in, and operating a investment (bureaucratic red tape, tax system, licensing; etc.); (v) establishment of strategic oversight with a view to improving the main domestic production costs; (vi) drafting and adoption of regulatory instruments governing savings and loan cooperatives; (vii) facilitation of access to land ownership; (viii) setup of new financial instruments for households and enterprises; (ix) overhaul of the free zone regime, emphasizing the reduction of red tape; (x) drafting of an Investment Charter including promotion of partnerships, incentive measures, social planning, and minimal contributions of capital; (xi) improved texts on intellectual property and (xii) creation of a Small and Micro-Enterprise Office (OMPE); (xiii) increase in the number of cottage industry zones; and (xiv) revival of the cooperative movement.

The implementation of these measures will build confidence among economic operators and will develop business relations conducive to national as well as foreign investment.

5.2.3.2 Structuring and capacity building

Capacity building is very important and thus it is essential to devote substantial effort and resources to it if tangible results are to be obtained for economic operators under a medium- and long-term program.

The actions and measures to be taken are as follows: (i) implement an operating structure, decentralize and strengthen the Enterprise Steering Support Committee (CAPE), which is the key platform for action and dialogue between the Government and the private sector; (ii) implement a program to upgrade enterprises and continue the activities of the CNFTP; (iii) promote economic interest groups; (iv) enhance the quality and the intake capacity of occupational training centers and set up local training centers; (v) implement identification and inventory proceedings (for example communes with the potential to exploit opportunities, sectoral specialization); (vi) implement support and assistance for projects to create and/or develop export-oriented units and to organize and structure branches of industry; (vii) build the capacity of government operators with a view to effective participation in the activities and work of multilateral and regional organizations (COMESA, ACP/UE, OMC).

All these measures will improve the managerial capacities of operators and match training to jobs.

5.2.3.3 Implementation of a technology and information system

Information allows the evaluation of the functioning and the development of the economic environment. The main objective is to improve the collection, the analysis and the spreading of the information so that public and private sector companies are fully conscious and informed of commerce and investment opportunities.

To reach these objectives, actions to be taken are: (i) reinforcement and decentralization of the BIPE in order to build confidence between the private sector and the government for the sake of transparency and to improve accounting information and better orient government economic policy as an information base for identifying economic opportunities and investment niches to be given priority; (ii) improved communications and strengthening of the information system that serves foreign trade; (iii) rehabilitation of the WTO Reference Center; (iv) grouping in a single center systems for job training and corporate information and technology; (v) monitoring of information on world productivity standards; (vi) strengthening of the quality approach (Madagascar label, traceability, etc.), establishment and strengthening of the national standards bureau, as well as adoption of national standards for all products; (vii) setup of a facilitation framework for transfers of techniques and know how; (viii) enforcement of the regulatory instruments of the law on the management and control of industrial pollution; (ix) drafting of the ICT national policy and legislative framework.

Implementation of all these measures will lead to a flexible, progressive, viable and reliable information system.

5.2.3.4 National and/or foreign direct investment promotion

To attract foreign investment and to encourage domestic investment, Madagascar has set up a number of programs whose main objectives are to enhance country's image and simplify procedures.

To attain these objectives, the main actions will be to: (i) create a free trade zone corridor; (ii) draft an investment promotion strategy; (iii) develop dedicated industrial zones; (iv) support the creation of a platform for exchanges among foreign and national operators; (v) renegotiate the use of the guarantee fund to better respond to the needs of enterprises; (vi) effectively implement the piggy-back funds system; (vii) set up a system for financing MSMEs and incentives for formalizing the

informal sector; (viii) implement measures that provide incentives for and attract subcontracting and partnerships; (ix) define and implement the development of a strategy for local production of inputs; (xii) promote decentralized cooperation....

The main impacts of these measures will be a reduction in the processing time for cases and promoting partnerships.

5.2.3.5 Export Promotion

In this area, the general policy is to develop economic and commercial relations within the framework of globalization.

In this case, the actions to be taken are: (i) setup of permanent showcases of exportable products establishments like the *Maisons de Madagascar* and the Chambers of Commerce, Industry and Agriculture (CCIA); (ii) integration of E-trade and websites in the BIPE and support for the organization of and participation in international economic events; (iii) the strengthening and revitalization of the roles of trade attachés and advisors, with the appropriate profiles, with a view to setting up economic growth offices; (iv) organization of the awareness and outreach campaign for the African Trade Insurance Agency (ATI/ACA) agreement.

The main performance indicator in this area is the increase in volume and value of exports.

5.2.3.6 Secure land ownership

Actions will cover: (i) definition of a clear transparent land policy by implementing a national program to establish land rights and determine ownership (ODOC, collective registration), including the modernization of land conservation of land conservation, (ii) definition of the practical procedures for domestic management of private domain by local communities, and the effectiveness of granting long leases, (iii) building the capacity of land tenure circuit courts.

As the land tenure problem is a sensitive issue for the population, decision-making in this area might require the organization of a national conference, especially as regards access to land ownership for nationals and foreigners.

5.2.4 DEVELOPMENT OF GROWTH SECTORS

There are five growth sectors: tourism, mining, fisheries and aquaculture, export-oriented manufacturing industries and other manufacturing industries, small and micro enterprises.

5.2.4.1 Tourism

The tourism potential of the Island remains quite largely under-exploited. The wealth of the Malagasy fauna and flora, the biological diversity characterized by the thousands of endemic species make of Madagascar an attractive destination for tourists. Despite the country's enormous tourism potential, flows of arriving tourists changed only by about 10 percent per year in the last decade. Furthermore, the crisis has affected the tourism sector to a large extent and tour operators find themselves at present in a critical situation. The decline in activity in the sector was estimated at 80 percent and the impact was reflected, *inter alia*, in the closure of agencies, mass cancellations of bookings, layoffs, non-payment of tourism taxes, and in the destination not being recommended by foreign operators.

In other words, the country needs appropriate measures and a number of specific actions involving the Government, private tour operators and bi- and multilateral partners for the immediate recovery of tourism activities.

Using that approach, the objectives will be:

- to promote tourism and ecotourism development, which protects and preserves the natural environment and the sociocultural identity of Malagasies,
- to make tourism an instrument of sustainable development that directly benefits village communities,
- to improve and increase tourism revenue for all sector operators.

Possible new guidelines include:

- Revival of tourism activities through basic facilitation: removal of the visa requirement for some countries, to enable public as well as private agents to resume all the country's tourism activities as rapidly as possible.
- Opening up the air space in terms of competitive rates based on transparent regulations is also necessary.
- Promotion of Madagascar as a destination for the private sector by setting up a permanent and sustainable plan which will act as an interface between the Ministry of Tourism and operators.
- Enhancement and support for the development of infrastructure and the creation of incentives to investors in the sector: creation of Tourism Land Reserves (RFT) through an appropriate distribution of the sites, creation of the National Office in charge of managing the RFTs, alleviation of existing procedures to facilitate investment, and redrafting of the Tourism Code.
- Rehabilitation of tourism tax sticker by amending laws governing this quasi-fiscal tax both as regards the collection procedures and the use of receipts.
- Availability of mechanisms relating to the specific financing of the tourism sector to facilitate access to credit especially for small and medium-sized investors.
- Modernization and development of permanent structures for hotel and tourism capacity building: training in tourism-related occupations.
- Combating sex tourism and drug trafficking in the main tourist areas in collaboration with the other ministerial departments concerned.

The impact and results below are expected within the period 2003-2006:

- creation of 900 to 1,500 additional rooms;
- demarcation of tourism zones and constitution of tourism land reserves;
- increased tourist arrivals after the revival of the sector;
- setting up of Tourism Offices.

5.2.4.2 Mining

Given its geological makeup, Madagascar has significant mining potential, which is not well known and scarcely exploited. The contribution of the sector to the country's economic and social development remains minimal. The recent discoveries of precious stone deposits and the systematic rush it caused requires a specific strategy and a strict integrated management of those non renewable resources at the mining and processing levels, to maximize their value-added.

The Government has started to standardize small mining ventures in recent years by designing an integrated management plan for non-industrial small mines. In addition, a number of didactic instruction manuals for small holders, as well as an information and environmental management system have been designed. The legal framework has also been set up by drafting legal and

regulatory texts (mining policy, mining code, law on large mining investments, statutes and organization of the National Mining Council ...).

The objective is to increase the contribution of the mining sector to the national economy. The mining of titanium sands and of nickel and cobalt might in time, multiply the contribution of the mining sector tenfold.

The Government's strategic actions, to better develop potential, will consist in (i) setting up a transparent mining system, (ii) promoting large mining investments and decentralized management of mining resources, and (iii) eradicating fraud in the mining sector.

In order to attain these objectives, the program of action will focus on:

- consolidation and reinforcement of the central mining administration;
- control of production and the operation of a system for collecting data on usable resources, economic deposits in mines, mapping of mining development sites;
- extension of the system for monitoring and control of mining activity;
- incentives to private operators to invest in the mining industry;
- control of the legal, judicial and financial framework for related fields and mining affairs, and relating to the sub-soil;
- strict application of environmental resource replenishment and conservation;
- increase in the capacity for controlling and monitoring mining activities;
- security for investors;
- promotion of and support to the private sector;
- enhancement of the value of Malagasy products;
- stabilization of informal sector traffic in minerals;
- creation of research and development structures;
- differentiation between regulations governing raw mines and worked mines.

The main impact and outcomes expected from the mining sector in the period 2003-2006 are the following:

- increase in reported production of precious stones by legally established non-industrial miners from USD 20 million in 2002 to USD 33 million in 2006;
- increase in the per capita income of the populations in the non-industrial mining districts from a base index of 100 in 2002 to 120 in 2006;
- increase in the collection of mining royalties, using collection mechanisms, from 10 percent in 2002 to 56 percent in 2006;
- increase in the value of yearly exports of gold and precious stones from USD 21 million in 2002 to USD 40 million in 2006;
- increase in the yearly value of investments in the mining sector from USD 10 million in 2002 to USD 60 million in 2006.

5.2.4.3 Fishing and fish farming

Implemented since 2000, the new system of non-discretionary, competitive, transparent management of shrimp farming licenses has helped to improve the performance of this subsector and enhance the economic gains for the country, including higher tax and nontax revenue for the Government. Between 1999 and 2000, export revenue increased by 19.3 percent³⁵ and government revenue from fisheries by 29.5 percent. The recently implemented tools to assist in decision-making,

³⁵ Source: Ministry of Fisheries and Fisheries Resources, Activity Report May 2000-May 2001

namely the economic observatory and the bio-economic simulation model for fisheries, will be fully exploited.

The Government will propose zones conducive to shrimp farming to investors, while ensuring strict environmental and health (epidemic supervision) monitoring at the same time. Within this framework, in conjunction with professionals, it will amend (law on aquaculture) or will publish (in the area of health) the necessary regulatory texts. The possibility of developing controlled artisanal fish farming will be explored.

The perspectives of developing maritime fisheries will be explored using a program for assessing fisheries resources in Madagascar, with a view to introducing sustainable, responsible and transparent management of each resource. In this context, a special effort will be made to bring about the appropriate and sustainable solutions to traditional fisheries and to coastal communities that depend on the use of marine resources.

At the same time, the promotion of inland fishing will bring extra sources of incomes to the population through capacity building actions.

To promote fish farming, farmers will be targeted for sensitization in collaboration with NGOs and projects; species suitable for farming will be diversified and the production capacity of operators strengthened.

Where possible, in order to implement the principles of transparency, partnership with private sector, and accountability, joint management arrangements will be sought, which incorporate all the partners involved in exploiting the resource.

With a view to preserving market access and providing the health guarantees necessary to protect consumers and to meet the demands of importing countries (EU), the government will provide the necessary facilities for the financial autonomy and independence of the competent health authority, the Directorate of Veterinary Services (DSV)

The expected main impact and results for the fishing and fish farming sector are the following:

- increase of the products for export (shrimps, crabs, lobsters ...) from 28,872 metric tons in 2000 to 36,700 metric tons in 2005, valued at FMG 850.163 billion in 2000 and FMG 1,310.153 billion in 2005;
- total production in fishing and fish farming for local consumption of 120,000 metric tons in 2005;
- increase of local fish consumption to 8 kg per capita per year in 2005;
- increase in job creation from 47,600 in 2000 to 70,500 in 2005 (formal and informal sectors).

5.2.4.4 Export-oriented manufacturing industry

During the last ten years, Malagasy exports have more than doubled in value. This performance can be explained by the appearance new types of goods, coming essentially from the free zones, to the detriment of traditional products such as vanilla, coffee and cloves.

Created in 1989, the free zone had nearly 162 enterprises in operation by the end of 2001, employing over 72,000 people and covering several areas of activity from garment making to information processing. In the current FMG, its contribution to GDP was about 2.9 percent in 2000 and clothing items alone accounted for a little less than 40 percent of all Malagasy exports. Almost 80 percent of foreign investments are attracted to this sector due to Madagascar eligibility for the Africa Growth and Opportunity Act (AGOA).

Its prospects for rapid growth and expansion in light of the country's assets made and make the free zone an important growth pole. It will also have a spin-off effect on the development of other manufacturing industries.

Although the sector felt the full impact of the crisis during the first six months of 2002 the objective is to attract more foreign direct investments, increase the number of direct jobs, expand exports and encourage integration of the productive system.

To that end, the action plan will be geared towards:

- the establishment of an administrative coordination bureau for the activities of the free zones,
- vertical integration and anchoring of the textile sector by the improvement of cotton growing and setting up spinning and weaving plants,
- intensified diversification of the activities of export enterprises in general and free-zone enterprises in particular serving other sectors (jewellery, NICT, assembly, ...),
- strengthening sub-contracting by taking legal measures,
- continued tax incentives.

The main outcomes expected in this sector are an increase of goods flows, increased job creation, and enhanced competitiveness of Malagasy companies.

5.2.4.5 Other manufacturing industries, small and micro enterprises

Madagascar's industrial apparatus (free-zone enterprises excluded) has a dual problem. First it uses mostly obsolete technology and faces fierce competition from imported products. Second, it lags behind in terms of competitiveness because competitiveness no longer relies only on production technique but also on marketing technique, which largely required information and communication technologies.

In order to revitalize the industrial apparatus, several actions will be carried out:

- upgrading and restructuring enterprises by improving their productivity, notably in the target sectors of activity considered priority, such as agroindustry and construction materials;
- investment and technology promotion;
- improvement of standards and quality to make the products competitive; and
- implementation of a policy for integrating the rural economy in the industrial economy and establishment of agroindustrial development poles.

The development of small and micro enterprises in general and cottage industry in particular helps thicken the economic fabric, increase jobs opportunities, and improve incomes. To promote this sector, credit institutions must be set up, in collaboration with the private sector, which would deal first and foremost with enterprises, small ones in particular that currently find it difficult to obtain loans from commercial banks and financial institutions.

The programs to be implemented will consist in:

- supporting the revival of the cooperative movement through the emergence, consolidation and self-sufficiency of grassroots organizations,
- promoting cooperatives of micro enterprises and cottage industry by organizing the sector to create synergies,
- improving the performance of micro and small enterprises by strengthening their capacity, particularly through technical and managerial training and coaching,
- providing institutional support for the promotion and development of micro and small enterprises with a track record,

- developing suitable financing systems for enhancing the competitiveness of small and micro enterprises and for assisting in the development of microcredit systems with a view to their financial autonomy.

As a result, the sector is expected to be revitalized and productivity improved.

5.2.5 OPENING UP TO WORLD COMPETITION

Opening up to world competition calls for relevant actions to ensure the competitiveness and performance of Malagasy products. Beside AGOA, which will come to an end in 2004, the United States of America is at present developing the Millennium Challenge Fund, which amounts to USD 5 billion and is intended for emerging market economy countries. The eligibility criteria are linked to good governance, transparency, the rule of law, and other conditionalities. This is a new opportunity for which Madagascar must be prepared.

From this viewpoint, actions to take should focus on intervention in the following areas:

- to ensure that trade can be an engine of growth and development, trade policy must fit into an overall development framework. More specifically, this process of integration calls for priority actions accompanied by an action plan that envisages consistent and concerted technical assistance and capacity building related to trade;
- to be effective, integration also requires a major program that expends “beyond borders” given that the actions of the public authorities in this area will probably enhance the role that trade may play poverty reduction.

It is also necessary for the development policy to be consistent with regional integration. Thus, integration efforts must be enhanced by improved market access.

5.2.5.1 International, regional and national economic integration

The objective is to contribute to the establishment, advancement, and materialization of a subregional and regional economic community and integration into the world economy.

Actions to be carried out will be as follows:

- to intensify awareness and dissemination campaigns on the agreements and conventions that Madagascar has signed: organization of information and training actions for operators and the Administration on the implications of regional integration (Indian Ocean Commission—IOC, Common Market for Eastern and Southern Africa—COMESA, South African Development Community—SADC, Ocean Rim Association for Regional Cooperation—IOR, Regional Integration Facilitation Forum—RIFF...), multilateral and bilateral agreements (AGOA, Cotonou Partnership Agreement...) and of WTO rules to better use the advantages and opportunities derived therefrom and detect compliance or noncompliance with commitments;
- prepare and distribute commercial information bulletins, a guide for exporters, and a collection of texts relating to trade and regional integration translated into several languages (Malagasy, French, English);
- rationalize and harmonize relations with international nongovernmental organizations that are operating in various areas with a view to developing inter-regional and inter-provincial exchanges. Promotion of new forms of cooperation emphasizing preference to direct contacts between entities of the same size and of the same social object.
- to coordinate and activate the whole program of government and non-government actions

- to take advantage of the regional integration to develop partnership and town twinning

The expected result is the increase in value and in volume of the exports by expanding and diversifying the market.

5.2.5.2 Development of the industrial manufacturing sector

The objectives are to increase the availability of goods and services and to promote exchanges and to draft a strategy to improve competitiveness in the industrial sector, all with a view to developing trade.

The actions to be taken are:

- define an industrialization policy in collaboration with the private sector, particularly the representative group, aimed at the promoting links through specialization, paying special attention to comparative advantage;
- re-examine the system of import control by: (i) combining verification and information systems, (ii) effectively computerizing the customs service, (iii) implementing a customs security procedure, (iv) re-examining the tariff policy by differentiating the rates on inputs from those on products imported finished.

The expected result will be to create more national value-added.

5.2.5.3 Investment promotion

This concerns the adoption of macroeconomic measures that will attract private investments.

The actions to be taken are:

- mobilization of international and national flows of funds by fostering the development of joint-ventures and partnership, either in the form of foreign direct investment (IDE) and/or stock market funds, either by acquiring equity participations or any form of capitalization through incentive measures within the framework of a simplified legal and regulatory system;
- emergence of "national capitalism" by the facilitating secure technology transfer and technical support agreements, creating piggy-back funds and participations, implementing mechanisms for accessing and evaluating property contributions;
- promotion of corporate governance with respect for shareholders, taking into account the measures taken by the Business Law Reform Commission (CRDA) on minority rights.

The expected outcome is an increase in the volume of investments.

5.2.5.4 Investment security in the context of creating a favorable investment climate

The government will take measures to protect and guarantee investments. The actions consist in:

- prioritization and acceleration of business law and regulatory reform (creation, promotion and development of enterprises, long lease and insurance);
- setting up an investment security system pursuant to international agreements and regulated by a simplified and clear Investment Charter, listing the various advantages, possibilities of insurance, reinsurance or of international counter-guarantees, and encouraging recourse to arbitration through the Madagascar Arbitration and Mediation Chamber; and consolidating their application before the courts;
- development of bilateral agreements on investment protection;
- observance of intellectual property rights in the promotion, transfer and dissemination of technology.

As mentioned earlier, the expected outcome is an increase in the volume of investments.

5.2.6 RURAL DEVELOPMENT

Its intensity and its incidence indicate that poverty is a much greater concern in the rural areas than in the urban areas. The goals of economic growth and poverty reduction are, however, dependent upon the performance of the rural development sector. Accordingly, the latter is expected to play a prominent role in poverty reduction strategy, a role that will result in an annual growth rate of at least 4 percent over the period 2003 – 2005.

For this purpose, the program drawn up under the PRSP will have a number of components which will rest on rural development policy and sectoral strategies, particularly the five guidelines³⁶ of the Rural Development Action Plan (PADR), which constitutes the implementation framework for the various actions. Thanks to the participative and bottom-up approach initiated under the PADR, it will be possible to decompartmentalize the subsectors of rural development, to involve all involved in rural development, and to take into account the needs expressed by the regions and subregions. The process will also add an element of coherence to the interventions.

5.2.6.1 Governance and improvement of the institutional framework.

The PADR is subject to an improvement of its institutional framework and of the access structures regarding to the need to clarify the roles and responsibilities of rural development agents. The government will continue the institutional reforms now underway at the local, regional and national levels. They should be favorable to economic development, in harmony with respect for the environment and for the most underprivileged segments of the society.

The measures taken will eventually result in the division of roles, namely those conferred on groups of rural development agents. The principles of divestment and refocusing of the role of Government on its essential missions have been established. From now on, the Government will assume the functions of support for production, steering sectors (defining policy, setting and controlling standards of quality of agricultural products, etc.) and the management of public sector financial and human resources. Production and marketing activities have been definitively handed over to the private sector including farmers' associations.

This institutional reform is based on deconcentration and decentralization of services with a view to developing quality local services. To attain the objectives, development programs on a regional basis will have to be designed, monitored and implemented. In this connection, the government has initiated the deconcentration/decentralization of decision-making and management authority, which will give more responsibilities to development agents and enable policies to be formulated in the field.

³⁶ The five strategic guidelines of the PADR are:

- * To ensure good management of the rural areas by defining and implementing institutional reforms and a regulatory framework
- * To foster the emergence of economic agents and partners of rural development
- * To increase and promote agricultural production with optimum use and sustainable management of resources, infrastructure and agricultural materials
- * To ensure that sufficient food is available in all regions
- * To develop social infrastructure in order to improve access to social services

In view of the large number of economic operators and the decentralization process, it is essential to have a strong national capacity for consensus building and coordination to fully decompartmentalize rural development subsectors and ministerial departments.

In the context of good governance in the sector, a number of measures aimed at improving transparency will be taken and red tape will be eliminated. Moreover, the administration's capacity for control and research strengthened and services will be reorganized in order to improve the administration's performance.

A legal and regulatory environment favorable to the different rural development sectors will be established (compliance with rules and procedures, ensuring the safety of ticket-giving officers). It consists in reviewing and/or amending, updating the regulatory texts, statutes (Water Utility Users' Association—AUE, Vaomieran'ny Ala, non-mutual institutions), rules (marketing, exportation), animal health police, tax system, land laws, etc., as incentives for investment in rural development.

Thus, taxation on agricultural products, inputs and farm materials, the transportation system, etc. will be adapted to maintain strong incentives for sector growth. The first measures taken in 2000 made it possible to eliminate the bulk of the negative effects that had put pressure on the sector, causing economic distortions in the cost of inputs and excessive competition with such local products as rice. This refers to the 35-percent tax on imported rice (15-percent import tax + 20-percent VAT) and the exemption of inputs and strictly agricultural equipment from import tax and VAT. The means of perpetuating such measures will be examined in order to provide security for developing marketing and distribution.

The Government will continue to liberalize trade and investment, in particular within the framework of regional initiatives to which Madagascar is a party. The bidding procedure is now commonly used to ensure transparent management of grants (food and agricultural products, inputs, agricultural materials), which makes markets more fluid. Import management will reflect transparency (import volumes, custom duties actually applied). In order to improve exports, export quality standards will be brought in line with international requirements.

The development of a system of information and the promotion of information networks is important in the farming and livestock sector, to make available to agricultural development agents the necessary economic, technical and statistical information. In the forestry sector, this system will allow for better management of forestry resources. In the field of research, it will make it possible to develop the content of agricultural information island-wide.

Development agents, namely the private sector and the farmers' associations (OP), need regular information about price changes, available supply, international market conditions, or the list of export opportunities, etc. The Market Information System (SIM) has been instituted to provide a survey and regular dissemination of information on the prices of agricultural products. In addition, the rural observatory network (ROR) has been used to evaluate the impact of a number of economic measures on rural households.

To win the support and participation of rural communities, information for the general public on rural development will be reinforced through the media and the Documentation and Training centers on the New Information and Communications Technologies (NCIT), which began to be opened in all the *fivondronana* in 2001.

5.2.6.2 Development of agricultural production

The increase in production and therefore the diversification and increase in sources of income for producers and of exporters will come about through the development, intensification and diversification of production in the growth sectors (livestock, forestry, fisheries, fruits and vegetables,

etc.) by taking advantage of the comparative advantages of each region. To this end, dynamic poles of growth will be developed with the support of the operators who provide backing [*opérateurs aval*]. The point is to encourage the development of income-generating secondary activities (cottage industry, non-wood forestry products, tourism, fisheries, and others) in support of poor populations.

In order to succeed in efficiently developing the sector, support for the organization and professional development of producers is important, by encouraging them to form associations to make them partners in the rural development process. The creation of the Chambers of Agriculture or *Tranon'ny Tantsaha* at all levels (national, regional, departmental and communal) is an essential element for making the structures permanent.

Furthermore, the system of agricultural education and training will be restructured by introducing synergies between research/production/training, promoting agricultural training to improve the sector's performance and competence. Strengthening and revitalization of technical and occupational training will be implemented to cover the sectors needs in human resources and technical expertise (need for technicians at different levels).

Put on hold since the last decade, the resumption of agricultural mechanization is absolutely key to the drafting of strategies for combating poverty. An important measure that the Government has taken is to remove taxes on agricultural materials. Moreover, to enhance the special efforts in this area, rural development projects will be oriented towards incorporating mechanization.

A setting favorable to the emergence of organizations of producers and farmers will be created to promote a "pro-environment" label. In view of the growth of financial flows mobilized at the decentralized level, the capacity for financial control will be reinforced.

5.2.6.3 Financing for the rural world

For a number of years, rural areas have begun to be financed through micro finance institutions, both mutuals, operating under Law 96-030, and non-mutuals, whose regulatory framework should come out shortly. The results are modest at present but the outlook is very promising. Practically all the autonomous provinces have at least one chain, which in the coming years will significantly increase its rate of penetration into the province as a result of:

- greater participation by rural producers in providing rural financing and better risk sharing with financial agencies having an acceptable institutional capacity;
- introduction of an "education credit" approach into areas not served by the financial agencies;
- promotion of farmers' investment funding in areas with a Joint Guarantee Fund and a Farmers' Operating Structure, having the necessary supervisory and monitoring systems;
- intervention in zones with high potential.

The Government will also have to work out the means of setting up financing systems that are adapted and accessible to the poor for income-generating activities that are environmentally friendly (cottage industry, crop credit, social infrastructure, small farming implements).

5.2.6.4 Research

A research program responding to the technical problems of development in the regions and/or the development of production chains will be implemented. In addition the results of the research will be acknowledged, used, and disseminated in partnership with private and international institutions.

As far as livestock farming is concerned, development and dissemination of animal immunization will be achieved by modernizing the veterinarian vaccination production line, with the scientific assistance of regional and international institutions.

Some technological research applied to priority human needs and environmental research to improve living conditions will be carried out so as to: (i) improve housing conditions, (ii) make rural roads usable all year round, (iii) manage natural resources better, (iv) reduce agroindustrial pollution, and (v) reduce environmental factors that contribute to disease.

5.2.6.5 Food security

Animal diseases and plant health problems are among the major causes of food insecurity. This can be controlled by means of:

- consolidation of partnership with border control officers and the private sector to guard against new diseases that might find their way into the island, and reduce the cases of prevailing diseases;
- plant health control against the dissemination of organisms that might damage crops, underpinned by effective control of imported and exported plant matter, to control crop diseases and pests;
- adoption of an appropriate plan of attack.

The fight against food insecurity is a key objective. Thus, a stable supply must be ensured in all places and at all times. The fact that service roads are unfit for traffic, especially in rural areas, puts crop producing zones at a disadvantage and taxes returns on rural production. Supplies of inputs, materials and essential goods are hampered.

The development of rural transport is taken into account in the Rural Area Transport Program (PTMR) whose strategies consist in: (i) setting up a Rural Transport Coordination Unit, (ii) integrating intermediate means of transport (MIT), (iii) involving decentralized local authorities, and (iv) improving transport infrastructure. A marked effort will be made to disenclave producing areas by rehabilitating and maintaining rural roads. The communication routes to be rehabilitated will be ranked so that their rehabilitation and maintenance can be underwritten either at national, provincial or communal levels. At least 10 percent of the annual budget of the Road Maintenance Fund (FER) will be allocated to the repair and maintenance of rural roads. (see section on basic infrastructure).

To cope with emergency situations (cyclones, drought, swarms of migratory locusts, animal epidemics and plant health problems, etc.), the systems for forecasting and monitoring natural disasters and warning systems, as well as the intervention capacity of the local communities and the Farmers' Associations, will be strengthened. The national strategy for risk and disaster management will be implemented.

The food situation is deteriorating after the frequent droughts and cyclones that the country has undergone. The setup of an emergency fund that can be easily mobilized enabling an immediate assessment of damages, assistance and support for the poor, an emergency supply of agricultural inputs, or artificially induced rainfall, will be of essential to the task of coping immediately reviving the agricultural sector. Development activities will be aimed mainly at enhancing farmers' response capacity (advanced availability of seeds, Joint Village Silos—GCVs, etc.). Moreover, the assistance of NGOs in emergency operations and the regional structure of disaster and risk management will be improved to better coordinate activities (distribution of seeds, rehabilitation of labor-intensive hydro-agricultural infrastructure).

5.2.6.6 Secure land ownership

Land is either the main problem or problem of poverty in rural areas, or at the center of that problem. Secure land ownership is a prerequisite for numerous actions aimed, in particular, at ongoing management of environmental and hydro-agricultural developments. The design of an overall land policy that makes it possible to provide public security for the various rural land owners remains one of the priorities of the Government, which is now firmly preparing a National Land Tenure Program.

With this in view, ongoing actions in the area of access to land and security of land ownership will be intensified, i.e. the determination of priority zones of intervention, setup of a topographic and land tenure information system, reinforcement of decentralized agencies, development of a private network of certified land surveyors, information and sensitization of all the players and beneficiaries, and generalized land registration procedures.

The modalities for application of the SFD, SFI, SFO and ODC procedures, depending on the type of land ownership and needs, will be adapted to irrigated developments and areas. The land tenure code will be rewritten so as to simplify and facilitate land acquisition for farmers, clearly demarcate the lots allocated to such territorial divisions as the *fokontany*, communes, regions, autonomous provinces and the Government. The management of land tenure information will be computerized. Pending the reform, temporary measures to compile a land tenure directory will be taken to provide security for farmers. To guard against misappropriation, genuine land development and actual payment of land taxes will serve as the basic criteria for acquisition.

5.2.6.7 Space management

Madagascar is marked by glaring disparities in agro-economic potential, land capital in low-lying areas and in irrigation areas, proximity to urban markets, networks of economic operators, and degree of isolation of the subregions. Thus, in the rural areas there are: (i) areas with the advantages of having a favorable environment, large surface area, well-watered highlands and lowlands, where the opportunities for economic activity abound, and (ii) poor areas, which usually have rougher terrain and are more enclaved, with an accumulation of structural and natural constraints.

The process of developing the endowed areas, which are true “poles of production,” Fostered by targeted support actions, could meet the growing domestic demand for foodstuffs and provide the bulk of the supply to export markets, while absorbing the surplus manpower in the poor areas. Investment and access to land ownership must be facilitated there in order to develop modern modes of farming (land investment areas), and encourage more intense farming, particularly in irrigation areas (GPI, PPI, etc.). This process could lead to increased specialization in the various zones and the strengthening of downstream functional links with local agro-industrial poles.

By contrast, in the poor or “vulnerable areas” in terms of agro-ecology, income-generating secondary activities will be developed (cottage industry, forest harvesting, tourism, fishing, seasonal migration) and maximum investment in forestry and environmental capital for reforestation and stabilization crops grown under shade trees. The production poles and the urban secondary sector (textile, food industry) can be expected to become increasingly attractive to people in the vulnerable areas. Those areas would have to gradually withdraw from agricultural activities and move into secondary activities with high value-added. The permanent management of forestry resources in these areas is a part of the strategy of catchment basin management, on which the sustainability of the main irrigation areas in the region depends.

At the regional level (Rural Development Working Groups or GTDR), it is therefore necessary to think about how support would be coordinated to ensure balanced development, which is based on

poles of production with high potential, strengthens their ties with the urban agro-industrial pole(s), and stabilizes the vulnerable areas. Also, each GTDR must prepare a regional development diagnostic study based on dividing the space into poles of production, vulnerable areas in agro-ecological terms, and agroindustrial poles.

With the economic growth of the industrial sector and services (5-6 percent between 1998 and 2000), which is twice as high as in the primary sector (2.5-3 percent), the Malagasy economic landscape and its national network of secondary towns and major is changing radically.

The rapid development of market towns and regional urban centers, reflected by an urban population growth rate three times that of the rural population,³⁷ is a decisive factor in the regional dynamics of regional development. It creates more outlets and access to services.

The small agro-food enterprises (processing, distribution, restaurants) play an essential role in constructing the social fabric, developing economic activities, and organizing urban and rural space.

The agro-food and agro-industrial sector, in intermediary zones between rural and urban areas, generates employment. It is a significant asset in advancing agriculture and, at the same time, integrates the rural economy with the industrial economy. It can accelerate overall economic growth and raise incomes, absorb rural unemployment and strengthen food security. The vertical integration of agriculture with the processing industry and local industry will not be a success unless it is accompanied by an appropriate infrastructure (roads, energy, water, communication).

De facto, the GTDR work in collaboration with Regional Development Committees and the regional authorities in order to implement town-country synergy. The prioritization of roads to be rehabilitated and areas to be made accessible must include the concept of supplying urban markets.

5.2.6.8 Agriculture

The PRSP implementation programs in agriculture will essentially aim to “ensure food security and make the best use of resources”, through the following five objectives:

- increasing agricultural productivity and cultivated areas;
- promoting small investments in rural areas and partnership between farmers' associations and the private sector;
- promoting agricultural and agro-food exports and improving quality;
- ensuring transparent and rational management of the resources to guarantee their sustainability;
- facilitating producers' access to land capital.

To each specific objective correspond programs which include several well-defined actions to be carried out in the course of the next four years, with a view to attaining all the general objectives for an economic growth rate of 8 to 10 percent per year.

5.2.6.8.1 Increasing agricultural productivity and crop areas through the following actions:

- 1- Increased animal and plant production by:
 - revitalizing agricultural production;
 - importing inputs and producing certified seeds locally;
 - making the best use of technical itineraries of agricultural production;

³⁷ INSTAT 1997 Demographic projections and forecasts: the growth differential between the rural population (1.5 percent) and the urban population (4.7 percent) is more than 3 percent between 1999 and 2015

- wider use of the in vitro plan to regenerate healthy plants;
 - developing various animal farming sectors such as dairy farming, pig farming, modern poultry farming, short cycle breeding, raising small ruminants, bee keeping, silk production, and rabbit rearing.
- 2- The development of production and use infrastructures based on the rehabilitation of rural roads with the ongoing projects and the construction of vaccination corridors.
 - 3- The control of animal diseases by:
 - ensuring diagnosis of the disease;
 - implementing plans to combat disease;
 - making the epidemic supervision network operational;
 - ensuring sanitary protection at the frontiers;
 - building the operational capacity of the central as well as decentralized structures;
 - receiving support from private veterinarians.
 - 4- The development of irrigation areas and the neighboring catchment basins by:
 - rehabilitating irrigation areas through hydro-agricultural projects;
 - repairing damage to these areas;
 - maintaining strategic works periodically.
 - 5- The implementation of the anti-locust surveillance system and the strengthening of the system of forecasting, supervision and warning of natural disasters.
 - 6- Support for producers' efforts to organize and become more professional to increase their performance through:
 - training technicians;
 - disseminating high-performance production techniques;
 - providing equipment and supplies.
 - 7- Strengthening of a legal and regulatory environment favorable to rural development through the updating and dissemination of the texts governing farmers' organizations and the laws on fishing and fish farming.
 - 8- Reactivation of mechanization in agriculture by setting up six pilot mechanization sites and disseminating, through operations light agricultural equipment such as ploughs, harrows and weeding hoes.
 - 9- Strengthening of the information system on rural development by conducting basic reference surveys to identify export products and ploy water zoning maps.
 - 10- Institutional support aimed above all at facilitating the authorization for harvesting, inland fishing licenses, and industrial fish processing licenses, and implementing fishing supervision centers.
 - 11- Intensify applied research into rural development by:
 - introducing stocks or new species;
 - carrying out research on seeds;
 - creating pilot centers for breeding experimentation;
 - carrying out a study/action on fresh water shrimp farming

5.2.6.8.2 Promote small investments in rural areas and partnership with farmers' associations and with the private sector through the following actions:

- 1- The development of income-generating activities through:
 - dissemination of little practiced breeding techniques (breeding in a cage and within an enclosing fence);
 - production of young fish;
 - support for harvesting and marketing crayfish and other inland fishing products;
 - re-stocking ponds with fish;
 - recognition of the value of secondary fish.
- 2- Establishment of systems of funding adapted and accessible to the poor by particularly emphasizing the mobilization of fishing and fish farming credits and supporting facilities for financial operations.
- 3- Development of production and operating infrastructure by improving the slaughtering process through the creation of 23 facilities, establishment of 100 points of sale, and full functionality of all sanitary inspectors.

5.2.6.8.3 Promote agro-food exports and improve the quality of products.

Actions will involve:

- 1- Development of growth sectors by:
 - strengthening and diversifying export crops;
 - establishing quality assurance for export products;
 - diversifying and improving fisheries products;
 - increased compliance control of fisheries products;
 - identifying aquaculture sites for shrimp farming;
 - increasing media publication of information;
 - sales of post-larvae and unfed fries;
 - promoting snail farming;
 - developing the ostrich business.
- 2- Control and supervision of plant health problems by implementing a procedure for analysis based on quality standards and capacity building in that area.

5.2.6.8.4 Ensure transparent and rational resource management

The sustainability of resources is one of the major concerns for any development of action. Rural development is particularly affected by it owing to the existence and diversity of such resources in the rural environment. As a result, attaining this objective will require the following actions:

- 1- Increased plant and animal production through training programs, dissemination and communication for retraining 60 officers per year.
- 2- Development of production and operating infrastructure through:
 - the establishment of cattle markets;
 - support for integrated development of the coastline;
 - creation of fish breeding sites;

- motorization of boats;
 - creation of harvesting, processing and distribution points;
 - building two pilot facilities for marine fishing.
- 3- Resumption of mechanization in agriculture by drafting and implementing such a policy
 - 4- Reinforcement of rural development information systems by:
 - developing a data bank;
 - developing the system of information on rural markets;
 - developing a computer system;
 - producing communications support;
 - setting up regional documentation centers;
 - monitoring and evaluating programs and projects.
 - 5- Strengthening a legal and regulatory environment conducive to rural development by applying the standards governing animal farming.
 - 6- Institutional support by:
 - setting up 12 new training facilities;
 - designing 20 professional repositories in accordance with training needs;
 - establishment of a support system for the private establishments engaged in agricultural training;
 - integrating new qualified agronomists into the rural development sector with 100 operational engineers every year;
 - building the capacity of agricultural training centers;
 - strengthening management programming and technical and financial monitoring.
 - 7- Support for producers to organize and become more professional through the technical training of 20 associations every year.
 - 8- Dissemination of research results to rural development agents through training, extension work and communication programs and dissemination of agro-ecological techniques.
 - 9- Preservation and enhancement of the environment as well as of marine and inland fisheries resources by:
 - setting up environmental units in decentralized offices;
 - implementing the policy of integrated management of coastal areas;
 - creating and managing marine and coastal protected areas;
 - reinforcing transfers of fisheries resource management;
 - strengthening the protection of protected species against unlawful trade;
 - environmental monitoring of fishing and fish farming companies.

5.2.6.8.5 Facilitate access by producers to land capital:

Land constitutes the key factor of development in agriculture. Secure land ownership is therefore a prerequisite for good land use. Yet, the state of land ownership in Madagascar still leaves a lot to be desired and requires a number of actions, such as:

- 1- Programs to ensure secure land ownership by:
 - marking the boundaries of 212,000 hectares of land by 2006;
 - collective operations to establish title resulting in title deeds for 200,000 lots by end-2006;
 - securing land ownership in areas where young rural entrepreneurs (JER) are established.

- 2- Support for producers to organize and become more professional through the development of 1,500 ha of new land:
 - settlement of 150 migrating families;
 - training of JERs and the coaching of farmers with a view to setting up 325 agricultural enterprises.
- 3- Support for micro-finance to meet the needs of 600 beneficiaries of rural credit in the framework of the PROJER.
- 4- Implementation of the National Land Tenure Program:
 - Strengthening of the operating capacity of the Land Office and its decentralization down to the level of the *fivondronana*;
 - computerization of the system of land and topographical information;
 - amendment of land tenure texts and drafting of the land tenure code;
 - updating of legal texts and regulations on migration;
 - alleviation of administrative procedures for obtaining title to land;
 - creation of incentives for local and foreign investors (creation of investment land zones).

5.2.6.9 Environmental conservation and sustainable management of renewable natural resources:

It is fair to say that the at least 50 percent of income in the Malagasy economy is directly dependent on natural resources. If one considers the labor market, 9 jobs out of 10 are in the sectors that depend directly on natural resources. Eradicating poverty in Madagascar will necessarily be contingent on the sustainable management of this capital that is key to the national economy, namely the environment.

Madagascar adopted the Malagasy Environmental Charter in 1990, which sets the general framework for implementation of the environment policy.

During the first two stages of the Environmental Plan of Action (PAE) from 1991 to 2002 the main foundations for sustainable management of the environment and renewable natural resources (biodiversity, forests, pastures, water and marine resources) were laid with the involvement of regional and local actors (decentralized institutions, operators, associations, NGOs, grassroots communities) and the access of Madagascar to international conventions.

Environmental management cannot be treated separately from development. It goes far beyond the scope of the institutions responsible for the environment by complete integration with all areas. From now on, all development actions are formulated and followed-up taking account of the environmental aspect. Every new project is subject to an environmental impact evaluation while all ministerial departments have an environmental unit.

The transfer of natural resource management to rural grassroots communities (GELOSE – Forestry Management by Contractors) has begun and has shown its efficiency. Through these management transfers, grassroots rural communities begin to take a greater part in poverty reduction with due regard for the environment. Such management transfer initiatives will be strengthened and intensified.

With the various agencies engaged in rural areas, the ministerial departments (forestry, animal farming, agriculture, environment, research) are seeking to develop alternative solutions acceptable to farmers accustomed to slash-and-burn methods (*tavy*) and animal breeders accustomed to burning land to provide pastureland. The objective is for them to desist from such practices and turn to other activities, and to steer them towards alternative cultivation techniques, including improved traditional

practices such as improved fallow land, agro-ecological techniques (direct sowing, zero-plowing, crops grown under shade trees, etc.), improved or intensive rice growing ...

Regarding reforestation, the statutory instrument for Law N° 97-017 of August 8, 1997, relating to reforestation provides incentives (land, techniques, finance), which consist in granting benefits in kind to reforestation and nursery operators .

In order to safeguard ecosystems and threatened species, specific actions will be taken, including consolidating the representation of the ecosystems in the national network of Protected Areas, setting up new conservation sites and creating Voluntary Protected Areas. The granting of the 50 percent of the entrance fees to Protected Areas (DEAP) to the riverside population would enable the latter to finance activities in the peripheral zones and thereby enhance their sources of income.

The sustainable management of coastal zones and marine ecosystems is of crucial importance for providing continuous and sustainable access to these resources to the poor populations earning their livelihood from traditional fishing. There is also the need to include marine parks into the present system of parks and reserves.

Interactions between management of natural land resources with the coastal and marine zones require integrated actions (sustainable use, conservation zones, environmental education...), aimed at sustainable management of marine and coastal zones, which will alleviate poverty in the coastal communities of Madagascar.

The degradation of catchment basins affects the coastal zones of the country and the performance of irrigation areas (silting of rice fields and coastal plains, deterioration of production infrastructure, erosion of reefs and mangroves, soil salination) and calls for simultaneous review of rural development and environmental policies.

Improved governance and the implementation of anti-corruption systems in the institutions in charge of natural resources would build the confidence of the poor and develop their interest in sustainable management. The Observatory of the Forestry Sector (OSF) has already been set up; its mission is to crosscheck and disseminate reliable information concerning forestry management (use, marketing, forestry royalties, etc. Measures for rehabilitating the forestry sector have been taken in partnership with the private sector with a view to sustainable management of the resources and sustainability of the timber sector.

The PRSP implementation programs concerning this sustainable management of the environment and natural resources will be essentially aimed at “safeguarding and enhancing the value of the environment and the unique biodiversity of Madagascar” through the following objectives:

- maintain the volume and quality of natural resources with a view to sustainable economic growth and a better quality of life;
- satisfying the population's economic, ecological and social needs in terms of forestry resources, soil and water;
- integrating the environmental dimension in sectoral development policies and actions (transport, energy, tourism, mining, fishery, health...) and in regional, municipal and local planning.

5.2.6.9.1 Maintain the volume and quality of natural resources to allow sustainable economic growth and a better quality of life through the following actions:

- 1- Developing the institutions and regulatory frameworks for protection of the environment and nature:

- the legal instruments of official international conventions;
 - the environmental code and its official legal instruments;
 - management systems (standards, certification, control...) implemented;
 - governance and anti-corruption systems (Forestry Sector Observatory—OSF, forestry committees...) set up;
 - Environmental Management Indicators available.
- 2- Promoting the sustainable management of natural resources:
- simplified development and management plans for land resources (forests, pasture land, lake resources...) prepared and implemented;
 - 60,000 ha of land transferred to grassroots rural communities;
 - forest zoning prepared and adopted;
 - technical itinerary relating on the procedure for granting permits by auction disseminated;
 - timber sectors rehabilitated;
 - priority sectors of non-wood forestry products (including the Convention on International Trade in Endangered Species—CITES) structured and enhanced;
 - clean development mechanism (carbon trapping...) studied and managed.
- 3- Ensuring the sustainable management of marine and coastal resources:
- integrated management of coastal and marine zones implemented;
 - simplified development and management plans for marine zones drawn up and implemented;
 - 100 contracts for transferring management of marine and coastal resources to the grassroots local communities implemented;
 - marine and coastal ecotourism developed.
- 4- Ensuring permanent financing of the network of Protected Areas and developing mechanisms for a sustainable financing for environmental actions:
- the “trust fund” for the financing of the park system operational;
 - the national network of parks, conservation sites as well as the voluntary protected areas developed and sustainable;
 - sustainable financing mechanism (green taxes, polluter-payer principle...) developed.

5.2.6.9.2 Meet the economic, ecological and social needs of the population in terms of forest, land and water resources by:

- 1- Promoting a national program of reforestation and in particular adopting incentives regarding economically profitable reforestation activities (fruit trees, aromatic plants, medicinal plants...), aimed at improving the population’s living conditions:
- surface areas of 6,000 ha reforested;
 - 45 reforestation land reserves created;
 - 100 municipalities peripheral to the Protected Areas receiving support for growing native species.
- 2- Combating bush fires:
- preventive and active control campaigns staged,
 - forestry supervision reinforced.
- 3- Restoration of the ecological and economic functions of the catchment basins in the regions with high development potential:

- actions related to catchment basin development (direct seeding—DSR, anti-erosion systems, economic reforestation...) intensified (500,000 ha under protection).
- 4- Support for substituting rural practices (agro-ecological techniques, energy, alternatives to tavy...)
 - sustainable development alternatives implemented;
 - wood fuel management improved;
 - techniques of agro-ecological cultivation (direct sowing, zero-plowing, cultivation under shade trees ...) made broadly disseminated.

5.2.6.9.3 Incorporate the environmental dimension in sector-based policies and development actions (transport, energy, tourism, mining, fishing, health...) and in local, regional and communal planning by taking the following actions:

- 1- Promoting environmental-friendly public and private investments:
 - the instruments for implementing the MECIE decree (standards, guidelines, procedural manuals, resource centers...) published;
 - environmental evaluation of public and private projects and programs carried out and assessed;
 - sectoral and environmental procedures made coherent.
- 2- Promoting environmental education and communication actions:
 - education policy relating the environment implemented;
 - environmental education integrated into school curricula;
 - training programs specializing in the environment reinforced;
 - local and regional out-of-school education activities (adult education, etc.) developed.
- 3- Promoting incorporation of the environmental dimension into regional, municipal and local development plans:
 - capacity of local agents strengthened;
 - integrated sustainable development approaches initiated by and between communes.
- 4- Promoting innovative hazard prevention rules:
 - pollution management policy and strategy drawn up and tested;
 - texts on industrial pollution made official and applied;
 - standardization texts (waste water, exhaust fumes, drainage oil, hydrocarbons...) drawn up and applied;
 - substances depleting the ozone layers eliminated gradually;
 - system for combating oil spills at sea implemented.

The expected impact and results of agricultural development as well as environmental conservation and sustainable natural resource management during the period are the following:

- underfed population rate reduced to 25 percent in 2005 from 40 percent in 2002;
- annual growth rate of livestock up from 2 percent in 2003 to 5 percent in 2006 for cattle, from 10 percent in 2003 to 30 percent in 2006 for sheep and goat, from 10 percent in 2003 to 100 percent in 2006 for poultry;

- livestock morbidity rate reduced from 3 percent in 2002 to 1.25 percent in 2006 for cattle, from 67 percent in 2002 to 25 percent in 2006 for pigs and from 50 percent in 2002 to 30 percent in 2006 for poultry;
- livestock mortality rate reduced from 0.7 percent in 2002 to 0.5 percent in 2006 for the cattle, from 60 percent in 2002 to 20 percent in 2006 for the pigs and from 45 percent in 2002 to 25 percent in 2006 for poultry;
- growth rate of exportable products up from 30 percent in 2003 to 100 percent in 2005;
- rural investment rate up from 5 percent in 2002 to 20 percent in 2005;
- financing network penetration rate up from 20 percent in 2002 to 25 percent in 2003 and the number of operating funds from 364 to 390;
- seven enterprises privatized during the period and 12 transfers of management;
- reforested area up from 12,000 ha in 2002 to 21,000 ha in 2006;
- burned area reduced to 50,000 ha in 2006 from 891,000 ha in 2002;
- deforested land reduced to 1,000 ha in 2006 from 9,000 ha in 2002.

5.2.7 DEVELOPMENT AND INCREASED DENSITY OF STRUCTURING INFRASTRUCTURES

Inadequate economic infrastructure diminishes performance in terms of economic growth, resource allocation, and poverty reduction. Recent surveys and studies demonstrated the existence of a relatively close correlation between the poverty index and inadequate road infrastructure in the six provinces of Madagascar. Also, the establishment and development of economic infrastructure is the country's top priority. As the strategy is implemented, the state will withdraw from all productive activities in the sector and will encourage both the national and foreign private sector to invest in this area.

5.2.7.1 Roads, transport, land development, meteorology

Actions will be taken on all the links in the chain of transport services beginning with the physical improvement of the infrastructure (repair, rehabilitation of the existing infrastructure, current and periodical maintenance), efficient management and use, ease of use with increased safety and comfort. Such actions concern all modes of transport: road, rail, sea, river and air. Coordination of the various modes will be strengthened locally within an economic region or an entire province and they will be developed throughout the entire territory in a balanced way.

Particular emphasis will be placed on road infrastructures at the level of the structuring network as well as at the level of the networks of rural roads. These two networks will be interconnected in order to ensure a smooth traffic between country and town and to totally disenclave rural populations, whose means of transport referred to as "intermediary"—carts or cycles—will be improved and developed.

More specifically these actions are aimed at:

- i) Planning and developing at the level of the provinces, coordinating the interventions of technical and financial partners using an approach based on budget support;
- ii) Building management capacity and good governance of infrastructure programs and projects by the administration ;
- iii) Efficiency in development, rehabilitation and maintenance works on infrastructure in general and roads in particular through:
 - a) enhancement of an appropriate public-private partnership;

- b) intensification of human resource training in both the private and public sectors;
- c) observance of standards.
- iv) Improving the productivity and the efficiency of operating the transport system through greater participation by the private sector in its operation;
- v) Reducing the adverse and destructive effects of natural disasters by an improvement of the weather forecast and national warning systems;
- vi) Reducing pollution in urban centers and improving the sanitation systems; and, more generally,
- vii) Protecting the environment.

Restructuring and capacity building of the administration to fulfill its missions of (i) designing and drafting policy and strategies, (ii) coordinating and planning investments, and (iii) controlling and regulating the diverse economic activities will be carried out and should be completed by 2006. During this period, the Government will be gradually committed to withdrawing from its productive activities. The Government will delegate some of its functions as principal contractor to the executing agencies to be created at the subsectoral level, while ensuring that the policy it defined will be properly executed.

Consequently, the following agencies in the sub-sectors will be set up and become operational from 2003, following the example of the agency in charge of civil aviation which is already operating:

- i) Road Agencies (AGR), central as well as provincial, will be in charge as delegated principal contractor of the construction, rehabilitation and periodical maintenance of roads;
- ii) a Port, Marine and Waterways Agency (APMF), whose articles of incorporation have already been voted;
- iii) a Land Transport Agency (ATT), whose feasibility survey is in progress; and lastly
- iv) a National Meteorology Agency, whose establishment is under study.

In addition to the steps taken to establish these agencies, some capacity building actions are scheduled during the first years of operation, for instance:

- support in the form of donations of material and logistical resources means to AGRs;
- implementation of a computerized management system of Madagascar's civil aviation authority (ACM);
- implementation of staff training plans for the ACM and APMF.

At the level of the administration itself, a new organization will be put in place. It will be mainly based on the missions devolved to it: program planning, supervision of the execution of the operations, monitoring and evaluation. The supervision missions will be strengthened by an internal audit designed to review budget execution and the application of government contracting procedures.

On the planning and planning plane, actions will be undertaken from the year 2003, namely:

- the drafting of a National Transport Plan (to achieve by the end of 2003);
- the study of the Road Transport Policy;
- audit concerning the facilitating of transport and international trade;
- the drafting of Trip Plans within the major towns of Madagascar between 2003 and 2005;

The Road Charter and the Law on the Road Maintenance Funds have been established in order to define the division of responsibilities among the various principal contractors (government, provinces, and communes) for infrastructure management and responsibilities that might be devolved to the private sector. Nevertheless, in the actual implementation of those two laws, actions aimed at clarifying and raising awareness will still be necessary in order to specify the areas of intervention and/or competence of each entity concerned. It would also be advisable to make the central, provincial and communal authorities more accountable for supervision and monitoring of the projects

to be implemented. In addition, it is indispensable to build the technical and financial capacity of the provinces and the communes and actors other than the administration.

5.2.7.1.1 Road infrastructure and transport

The total length of the Malagasy road network is 31,999 km. It can be said that it is rather small in view of the size of the territory and the services provided ($0.05\text{km}^2/\text{km}^2$), particularly in view of the fact that a part of the network is passable only during part of the year because of the bad state of the roads and roads are cut off every rainy season. But, the existence of permanent roads is a prerequisite for the economic and social development of a country.

Taking no account of the quality of the roads, the road infrastructure in Madagascar is still insignificant and will still entail considerable financial cost during the development process. In spite of Madagascar's lag and the efforts to be made in terms of roads, things will have to be done steadily, in coordination with the economic activities of the country, in order to achieve balanced development.

5.2.7.1.2 Road infrastructure

The development, rehabilitation, periodical maintenance and current upkeep of road infrastructure constitute a priority for the Government. Thus,

- 14,000 km of primary and secondary national roads connecting the capital to the main cities of the provinces or the regions must be rehabilitated in 2008;
 - from 2003 to 2006, about 2,000 km per year of rural access and service roads in the six provinces of Madagascar, and serving more than 75 percent of the population, will have to be developed or rehabilitated;
 - a program of new arterial road building will be drawn up and carried out on the basis of socio-economic needs.
- i) The Road Maintenance Funds (FER) will be strengthened in terms of management, and its financial resources will be revised upwards annually as the length in km of roads to maintain increase along with the number of km rehabilitated, subject to periodic maintenance, or newly developed. In the medium term, the Road Maintenance Fund should be capable of fully funding periodic maintenance programs. The Government will be responsible for better communicating the objectives of the FER to the different beneficiaries in order to optimize its use. It will also take responsibility for ensuring strict observance of the target of the credits allocated
 - ii) As regards planning, the directorates in charge of roads in the provinces will be expected to play an important role in the identifying, planning and monitoring the execution of road rehabilitation and maintenance programs. Heads of these directorates will receive appropriate training from 2003 on and will take charge of planning actions to be taken during 2004. The provincial road directorates will receive aid in carrying out their tasks from the "Road Agencies".
 - iii) In terms of execution, a genuine public-private partnership will be promoted and developed. Action will be taken to build the capacity of small and medium-sized enterprises in the construction and public works sector to facilitate their inclusion in local and international tendering. Actions starting in 2003 will be related to:
 - a- the training of human resources working within these SMEs in maintenance works techniques and labor-intensive techniques of rural road rehabilitation and upkeep;
 - b- assistance in acquiring public works equipment that will no longer be used by the Provincial Roads Directorates and their subdivisions;
 - c- negotiations to be held with commercial banks to obtain various guarantees.
 - iv) Staff of national consulting firms will receive training in their fields.

- v) Actions will be carried out to attract large enterprises to invest and set up business in Madagascar, considering the importance of the infrastructures to be developed or rehabilitated within a short period in order to ensure rapid development. Such actions will be translated into a distribution of works in batches amounting to about USD 50 millions.

5.2.7.1.3 Road transport

In order to improve the quality of service as well as the level of safety of road transport, specific activities are programmed for the period 2003–2006, including:

- i) implementation of a vast road security program covering the whole territory and targeting the public in general, school children and carriers in particular;
- ii) support for enhancing the professionalism of carriers through a training program targeting different categories of operators, such as road transport company managers and truck drivers;
- iii) reduction of the impact of road transport on the environment through the implementation of a regulation and a control system;
- iv) development and building of related infrastructure, such as multi-modal platforms, goods and passengers stations, parking and rest areas;
- v) improved tax conditions with a view to having carriers renew their fleet of vehicles;
- vi) promotion of the Intermediary Means of Transport (MIT) such as carts and bicycles in the rural areas for easier and more economical transportation for the needy;
- vii) revision and application of the regulatory texts governing imported vehicles;
- viii) improved tax conditions for the acquisition and maintenance of intermediary means of transport.

5.2.7.1.4 Territorial development and town planning

Regional development plans will be drawn up for 12 regions between 2003 and 2006. Urban development master plans for provincial capitals and major towns and summary urban development plans for at least 50 percent of the communes starting in 2004, developed urban infrastructure and basic services, areas with high potential, and at-risk areas, such as anti-flood developments.

In the towns, improved urban migration and the expansion of market infrastructure will be undertaken in the six major cities and secondary towns. Sanitation systems will be reviewed in about 30 towns and about thirty districts will be restructured.

Along with these actions, the human resource, technical and financial capacity of the communes will be strengthened, through considerable efforts by Government or the provinces, or through the promotion of decentralized cooperation.

5.2.7.1.5 Rail transport

From 2003 to 2006 all the rail infrastructure in Madagascar will be rehabilitated and functional: tracks, bridges and drainage. The feasibility studies of new railway lines and the upgrading of those serving Antananarivo-Mahajanga and the mining valley (north and south) will be carried out.

Such rehabilitation operations will not only make it possible to increase the transport of various goods, heavy loads, or hydrocarbons but also and above all give access to areas which are not serviced by roads. In this way after the rehabilitation of the TCE (Antananarivo- East Coast, between Moramanga and Brickaville) and FCE (Fianarantsoa – East Coast, between Fianarantsoa and Manakara), over 1.5 million rural people living along the railway route will again have access to

transport services for marketing their products (only source of income) and to basic social services (health, education and water supply).

Railroad operation will be contracted out. The contractor for the northern network (TCE) has been designated and the line will soon be reopened. In the same way, FCE operation will soon be contracted out. In 2006, the TCE and the FCE will be completely operational.

As regard the facilitation of international transport and development of industrial activities in the big towns serviced by the railways, complementarity with sea and road transport will receive special attention and related developments, such as container terminals at the Toamasina Harbor, in Antananarivo and in Antsirabe will be undertaken.

5.2.7.1.6 Ports and marine transport

Given the importance of marine transport in the economic development and opening up of the coastal regions an effort to develop and rehabilitate main and secondary ports will be made, based on economic priorities. The main ports of Toamasina, Antsiranana Mahajanga and Toliara will also be the recipients of major investments over the period 2003-2006. In connection with these actions, the Government will provide incentives for participation by the private sector, mainly the local sector, to strengthen the system of Public-Private Partnership. Some of the activities relating to port use, such as stevedoring will be offered to the private sector. In that connection, the Government will also encourage development of the momentum of the regions in term of regional planning, following the example of the Anosy Region, which took advantage of the QITFER project (Taolagnaro).

In the same way, taking into account their respective roles in regional development, the secondary ports of Manakara and of Morondava will be rehabilitated as a sectoral priority.

The effectiveness of the port system also depends on ease of access to the ports as well as the existence of an efficient system for regulating and monitoring the safety of navigation. Lighthouses and buoys will be rehabilitated during 2003-2005. Efficient handling equipment is envisaged. Similarly, the wreckage found in near the Antsiranana, Manakara and Taolagnaro harbors (Wellborn since 1994) will be removed. A study on the removal of all wrecks (35 of them have been recorded) with an estimate of the corresponding costs will be carried out in the period 2003-2006.

Under the heading of development of tourism activities, which are potential sources of income and hard currency for the country, the development of about ten leisure ports in Antsiranana, Mahajanga, Toliara and Toamasina provinces is scheduled to start in 2004. The actions to be taken will be accompanied by measures to ensure the safety and control movements of persons.

Regarding river transport, the Sofia and Tsiribihina rivers will be developed in 2003 and will be used as pilot projects for the development of other large and small rivers. In view of the results of these pilot experiments, works to develop some ten rivers will be studied between 2004 and 2006 under the heading of Rural Transport Development. These investments have been identified and given priority in addition to the road access programs.

5.2.7.1.7 Airports and air transport

The institutional reform of the airport system (Government's divestiture of airport management and operation, incentives for competition on intercontinental, regional and national routes) will be continued.

Government priorities for airport investments relate to:

- improvement of air traffic security conditions: night flights, beacons, telecommunication systems;
- improved security in international airports by setting up an entry/exit monitoring system;
- development, rehabilitation and extension of airport infrastructure according to the levels of traffic envisaged, relative to economic needs and disenclavement. Such works will be financed by public and private resources within the framework of the outsourcing system to be established.

5.2.7.1.8 Meteorology

In 2004, there are plans to build domestic capacity in meteorology by defining and implementing the new institutional and legal framework. This measure will be accompanied by the improvement of the system of observation, collection, processing and dissemination of meteorological data on the acquisition of new modern equipment, and by contributions from and/or strengthening of the communes for certain tasks.

The effort to rehabilitate national meteorological facilities, with a view to improving the services rendered to the public, international and regional cooperation will continue. Rehabilitation will be carried out in accordance with international standards.

In keeping with the sustainable development objective, the areas of intervention and scope of the meteorological services will also be extended to:

- promoting synergy between national sectoral programs and the meteorological activities;
- improved management and prevention of the risk of natural disasters in collaboration with the National Rescue Council;
- sustainable management of natural resources (biological and water resources, etc.).

5.2.7.2 ENERGY

The Government's energy sector policy is to help the poor directly by providing a sustainable and quality supply of energy at affordable prices.

The important factors in implementation of the strategies are:

- restructuring of the sector;
- participation of the private sector in conjunction with the Government;
- increased effectiveness and competitiveness of the energy sector by a market that will make it possible to meet demand at any time using the best possible means of production in terms of security, stability, and price.

For the hydrocarbon sector, the objectives are to equip the country with an efficient supply system for petroleum products. For the electricity sub-sector, efforts will be geared towards (i) providing a supply of electricity to the country under the best conditions of security and pricing; (ii) increasing the rate of urban and rural electrification. As for other sources of energy, the goal is to encourage the development of alternative energies (solar, wind, hydraulic, biogas, and biomass), and manage wood fuel resources rationally.

In order to improve the population's access to energy and support economic growth, actions will involve:

- **Hydrocarbon sub-sector**
 - liberalization of activities relating to the importation, refining and marketing as well as the elimination of any form of protection or subsidy on the whole chain of petroleum activity;
 - standardization of the taxes on petroleum products;

- promotion of gas and paraffin oil for cooking and lighting in rural countries as a substitute to firewood.
- **Electricity sub-sector**
 - acceleration of the implementation of the electrification program with the support of (i) the Development Agency for Rural Electrification (ADER), (ii) the National Electricity Fund (FNE) and with the participation of beneficiary communities and the private sector;
 - establishment of the Electricity Regulation Office (ORE);
 - improvement of the management of JIRAMA³⁸ to enhance its performance;
 - promotion of renewable energy sources namely solar, wind and hydraulic;
 - development of operations to privately produce hydraulic electricity (IPP's formula) as substitutes for thermal energy;
 - development of the program for rational use of energy.
- **Wood energy sector**
 - better use, processing and marketing of wood energy which is still energy source used by the poor, in order to reduce health risks, deforestation, erosion, the greenhouse effect, and the cost of energy in the household budget;
 - taking actions to control energy properly (extension of the Integrated Pilot Program of Mahajanga (PPIM) and the National Wood Economy Program (PNEBE) in the other *faritany*).

Impact and outcomes expected are:

- specific energy consumption increases from 0.3 TEP/capita/year³⁹ (2002) to 0.5 TEP/capita/year (2006);
- rate of access to electricity increases from 22 percent in 2002 to 26 percent in 2006;
- 150 villages electrified every year, which represents an investment of USD 15 million per year;
- number of subscribers connected per year: 15,000 to 20,000 subscribers;
- additional capacity of 110 MW for the period;
- increase in the number of private investing operators in the sector;
- legal and regulatory framework attractive and secure for private investment;
- performing JIRAMA;
- share of wood energy in energy supply: down from 75 percent in 2003 to 65 percent in 2006.

5.2.7.3 Postal Services, Telecommunications, Communications

The general policy of the Government is based on the access of all regions to the telecommunications and postal systems, and on broadening the range of services to meet the needs of the population.

At the postal services level, the objective is to make of the Postal Checking Account (CCP) an instrument sensitizing farmers about playing a greater part in savings and investment. From that perspective, the integration of CCP in the banking system is an essential element of an overall development strategy.

As far as telecommunications are concerned, the objective is to provide the 600 communes with telephone/internet connectivity, and to provide the entire country with high speed connections. The widespread use of telecommunications resources will be achieved in partnership with the private

³⁸ *National electricity and water company*

³⁹ *TEP/capita/year: metric ton equivalent per capita per year*

sector using advanced technology (VSAT, DOMSAT, NICT etc), to give the poor segment of the population access to low-cost, fast, and effective means of communication.

Particular efforts will be devoted to the dissemination of ICT which must be used as the driving force in the process of rapid development and in the fight against poverty in enterprises, the administration, education, the community and individuals. Moreover, centers of excellence for training, research and production are to be created.

To achieve these objectives, an important place will be reserved for public-private or national-international partnerships by strengthening the Government's contribution to the promotion of ICTs and notably through a tax incentive for equipment acquisitions and expansion.

5.3 PROGRAMS DESIGNED TO ACHIEVE THE OBJECTIVES OF STRATEGIC FOCUS NO. 3

5.3.1 EDUCATION

The Government's policy is based on making primary education universal, which consists of increasing the rate of access to primary education, reducing the dropout rate and completion of the level. Conscious of the importance of access to education for developing the country and redressing the effects of the 2002 crisis, the Government awarded a special subsidy in the amount of FMG 20 billion as its contribution to registration fees. As a result, the pupils in the primary schools were exempted from the payment of their registration fees for the 2002-2003 school year.

The gradual establishment of nine years of basic education is one of the strong points of the present reform of the Malagasy educational system. The main aspects of the reform are the creation of a basic education level including primary school and the first cycle of secondary education. Therefore the new structure of this level will include: **basic education I** (primary education), **basic education II** (the first cycle of secondary education). Regarding technical and occupational education, the reform will consist of replacing the current technical and occupational education with technical and occupational training. As for higher education, the reform will make it possible to set up the Regional University Institutes and turn the Training and Research Units into Training, Research, Experimentation and Production Units.

The Program to improve education and training, following the new guidelines, is aimed at universal **basic education I** with a graduation rate of 100 percent in 2015. The Program also aims at improving apprenticeship and the quality of teaching, gradually reinforcing the growth and improvement of **basic education II** with a view to establishing nine years of basic education. Higher education will be modernized and provide training for the employment market.

However, in order to better steer the actions to be taken and to efficiently identify schools, zones or localities to target, it is necessary to have the appropriate tools to provide maximum and coherent coverage of the whole country. Widespread use of the school map, which is a tool available to policy-makers to help them in their decision-making, will, for instance, facilitate good management and better planning of new school openings over several years.

Education must also play a major role in developing a sense of community responsibility. The idea must also be marketed to parents so that they see the need to invest in education.

In addition, it is important to make parents aware that it is essential to register their children at birth in order to obtain a birth certificate so that they can attend school. To this end the Government is

determined to strengthen management of the sector by decentralizing decisions and responsibilities to the provinces, school districts and schools.

The availability of education will be examined, teaching methods adapted, and school organization reviewed so as to provide programs that address the constraints on and needs of pupils' parents, giving priority to the vulnerable groups by setting up an equitable system of aid.

Consonant with the efforts which will be made in the first cycle of basic education and in order to achieve the goal of nine years of basic education, it may be useful to reformulate the program and work in partnership with the private sector to build capacity to receive students as well as the technical training of teachers.

In order to execute this program, the Government will allocate sufficient resources to the education system while maintaining, during 2004-2006, the current portion of education expenditure in operating expenditure (on- and off-balance sheet), i.e., at around 25 percent.

5.3.1.1 Equality of access to education

It is particularly important to reduce social and geographic inequalities of access to the first cycle of basic education. Consequently, priority must be given to the allocation of resources to the regions with the lowest indicators in terms of access to and success in school, as well as to geographic areas where the poorest populations live.

The actions to be taken are:

- building and equipping new classrooms in rural areas at the rate of 2,300 classrooms per year, for primary schools;
- use of the school map to identify areas of intervention;
- recruiting and training of new secondary and primary school teachers, who will be assigned on a rational basis;
- study to improve the system of transfers to families: payment of registration fees, provision of school supplies, distribution of nutritional supplements, establishment of school canteens.

The participation of the private sector is very important through the development of partnerships with private schools in order to encourage them to invest more in the priority areas. Incentives such as increased subsidies will be proposed to this end.

5.3.1.1.1 Reducing the repetition rate in the first cycle of basic education (primary) and work to ensure that all Malagasy people complete this cycle

The structural changes brought about by the reform must be accompanied by the following actions:

- recourse to multi-grade classes in rural areas, particularly in remote localities, building and equipping of classrooms in the first cycle of basic education;
- multiplication of schools that cover a complete cycle.

As regards teachers, skills will be strengthened, with teacher training in the handling of multi-grade classes being a priority. In that connection, initial teacher training programs and mastery of the Malagasy and French languages will be intensified.

Several other activities must also be undertaken in order to achieve those strategic objectives. They are, *inter alia*, the development of strategies so as to facilitate access to textbooks and other teaching materials by establishing a school publishing policy. And lastly, it was considered necessary

to conduct awareness activities in the community and to enhance the skills of the local communities to enable them to participate in school life.

5.3.1.1.2 Gradually establishing quality nine-year basic education

The gradual establishment of nine years of basic education requires a gradual increase in the admission capacity of high schools and an improvement of the whole school curriculum in order to connect the different cycles of education. The important role partnership with the private sector plays in achieving this objective is worth noting.

5.3.1.1.3 Training and educating young people according to socioeconomic needs at the national and regional levels

It will be necessary to develop strategies to match supply to demand; the analysis of the employment situation and the determination of major trends is also indispensable. Nevertheless, strengthened Information-Education-Training will be used to raise awareness and sensitize partners and the work force.

At the level of the provinces and the regions, it would be advisable to readjust and/or orient the targeted training sectors and programs in line with the socio-economic development of the regions. The setup of a system to monitor and evaluate curricula will complement the activities to be undertaken with regard to this strategic objective.

5.3.1.1.4 Developing the production and working capacity of the labor force in the traditional and artisanal sectors of basic production

The traditional and artisanal basic production sectors still play an important role in development. It is therefore necessary to strengthen them by establishing a permanent relationship between the establishments and the actors concerned through Technical and Occupational Training, by adopting regional development strategies.

The training and education of young people according to socioeconomic needs directly related to the external efficiency of the education system.

In fact, the education system should be aimed at a balanced economy, labor market and school system through participation by the communities and economic agents in defining the content of education. It will be necessary to move away from a model of school organization aimed at obtaining a certificate to one which should respond to a professional context leading to integration into the labor and employment market.

The actions to be taken will be:

- establishment of a single system of labor analysis to adjust the supply of technical and occupational training and higher education in terms of prior and in-service training;
- matching occupational and technical training to the needs of the labor market;
- organization of the training programs around the acquisition of skills;
- setup of the system of validation of acquired skills;
- reinforcement of the private occupational and technical training sector;
- raising students' awareness of occupational and technical training.

5.3.1.2 Improving higher education

- planning the expansion of higher education and research in the priority areas for national and regional development, and testing, research and training under real conditions;

- redefining the university map according to the economic, social and cultural context as well as the labor market;
- developing in-service training, partnership contracts in research, and training in professionalism, including the transformation of Training and Research Units (UFR) into Training, Research, Testing and Production Units (UFREP);
- exploratory research in economic, technological and cultural development to promote self-creation of micro-enterprises;
- developing and consolidating NICT;
- strengthening relations with foreign institutions;
- setting up a survey on slotting graduates into jobs.

5.3.1.3 Improving the quality of education and training at all levels

The improvement of the quality of instruction and training at all levels will be assured by:

- **Improving internal efficiency through:**
 - *development of strategies for facilitating access to textbooks and other teaching materials;*
 - *rationalization of the management of the teaching and non-teaching staff;*
 - *improvement and reinforcement of the initial and continued teacher training programs;*
 - *harmonization of programs for a better transition from one cycle of education to the next;*
 - *standardization of career coaching by training and recruiting an additional number of teachers/researchers;*
- **Improving external efficiency through:**
 - *development of continued training and research contracts in partnership;*
 - *introduction of the notion of skills in the education and training system as well as the introduction of new information and communication technologies (NICT) in training and apprenticeship;*
 - *balanced economy, labor market and school system through the actual participation of communities and economic agents in defining the content of education.*
- **Improving the management of the system, in particular by means of:**
 - *establishment of a management system based on good governance;*
 - *continued deconcentration and decentralization;*
 - *management by results along with the strengthening the monitoring and evaluation system;*
 - *establishment of rigorous career coaching;*
 - *new focus of the role of the central authorities: establishment of cost plus incentive fee contracts between the central and other deconcentrated authorities;*
 - *setting up a steering committee for Occupational and Technical Training, development of partnerships with the various actors in the system with increased accountability of local communities;*
 - *implementation of an information-communications program among the various partners;*
 - *definition of clear, transparent criteria for the allocation of financial resources;*

- *redeployment of personnel trained in education planning and general administration in the central and deconcentrated offices of the MINESEB to better match profiles to jobs;*
- *setting up the National Council for Human Resource Development;*
- *setting up the National Council on Higher Education*

It is necessary to curtail expenses through strict, highly motivated management of flows through the schools and universities and through the management of teaching and non-teaching personnel resources centered on their presence in the classroom. The point will be to change from a policy of transmitting knowledge to obtain a diploma to a policy of acquisition of skills needed for employment and useful on the labor market. It will also be necessary to give thought to producing graduates whose decrees meet the requirements of the labor market.

Concerning higher education in particular, in order to ensure that all the components of higher education and research are reliable and that the programs, personnel and infrastructure are of good quality and compliant with the Institutional Development Program (PDI), the following must be supplied: explicit guidelines/procedures as well as examples of good practices regarding the use of the resources by defining the roles and responsibilities of each actor involved. It is also important to harmonize the system of financing higher education so as to improve financial management, develop capacity in information and communication technologies, and maintain and ensure the quality of infrastructure as well as the environment for the studies, training and research.

In brief, in order to ensure the quality of education at all levels, in addition to the measures already taken into consideration such as the building of classrooms, the training of teachers, the availability of textbooks, etc., the aim is to provide Malagasy youth with knowledge and the economy with human capital. Such a measure will consist in producing basic knowledge and the necessary *know how* for the economic, social, cultural development of the country, and promoting a knowledge of *how to be* and *how to become*. It will also consist in disseminating knowledge to the different segments of the Malagasy population, notably to the young and the have-nots, ensuring better conditions for research and training and a better environment for studies.

The outcomes expected will be reflected by:

- an increase in the number of school children respectively by 2.1 percent per year for the first cycle of basic education and by 6.8 percent per year for the second cycle;
- reduction in the percentage of repeaters from 30.2 percent in 2001 to 12 percent in 2006 for the first cycle, and from 17.5 percent in 2001 to 11 percent in 2006 for the second cycle;
- reduction in the percentage of repeaters in secondary school from 19.3 percent in 2001 to 11 percent in 2006;
- recruitment and training of 950 primary school teachers in 2003 as well as the training of 1,700 primary school teachers in 2004 for the first academic cycle;
- recruitment and training, in 2004, 2005 and 2006 of 1,170 teachers per year for the second academic cycle;
- availability on the labor market of a workforce of 13,000 qualified workers per year (needs identified at the level of 300 rural and urban communes and/or enterprises in 2004 and 600 communes in 2005).
- implementation in Regional University Units by 2006 of 12 local training and research areas based on the growth areas defined in the PRSP;
- increase in the ratio of students per 100,000 inhabitants from 187 to 205 by 2015;
- reversal of the ratio students to administrative and technical personnel from 0,4 to 3 by 2015;

- enhancement and dissemination of 18 technologies by 2006.

5.3.1.4 Cultural diversity

The Malagasy population, particularly the youth, have problems of social integration, cultural identity and involvement in the development of the country. Culturally speaking, Malagasy youth have lost their bearings: some of them are no longer rooted in Malagasy culture, yet they have not become integrated into the Western culture that has invaded their environment. The majority are in danger of delinquency, criminality, drug addiction and STDs/AIDS. These different problems seriously jeopardize the full development of the youth and have negative effects on the development of Madagascar.

In view of this rather disastrous situation, the Government is taking up the challenge by using cultural diversity as a key vector for the restoration of a well-governed society, thereby creating a source of national pride that motivates the population.

The intervention strategy consists of developing sporting activities and promoting culture both inside and outside the country.

5.3.1.4.1 Culture

The actions to be taken consist of: i) building seven operational cultural centers; ii) setting up a National Cultural Council; iii) drawing up the Cultural Charter; iv) staging an advocacy campaign to raise awareness of cultural elements in economic activities; v) developing a synergy between actors in the private and public cultural worlds; vi) preserving cultural heritage; vii) using the mass media to disseminate the artistic and cultural wealth; viii) developing cultural industries; and ix) creating an area for Art and Culture in all the Madagascar's chambers, and in Malagasy embassies and consulates abroad.

Impact and outcomes expected are:

- the six provinces have operational houses of culture;
- National Cultural Council, artists' statutes, six music schools, 15 libraries and 15 art galleries operational;
- one cultural site renovated and 12 museums opened;
- 150 agents and 40 guide trainers trained;
- decrease in the rate of piracy of artistic products to 60 percent;
- increase in the reading rate of Malagasy people;
- increase in documentary heritage by 60 percent;
- creation of Art and Culture corners in Malagasy Embassies and Consulates abroad.

5.3.1.4.2 Sports and leisure

The actions to be taken relate to the promotion of mass sports, traditional sports and especially the development of high-level athletes. In terms of leisure, priorities include the design and implementation of the leisure projects accompanied by the corresponding actions

5.3.2 HEALTH

The objective of the Five-Year Plan 2002-2006 of the Ministry of Health is to improve the access of Malagasy people, especially the poor, to health services and to protect them from diseases by: (i) immunizing all children; (ii) improving the access of women to prenatal care and to assisted

childbirth; (iii) combating health hazards and public health problems; (iv) securing access to medical care and to medicine; (v) and seeking performance and financial viability of the health system.

Efforts have been made in implementing the reform envisaged in the five-year plan. However, their impact on the health of the population remains limited⁴⁰.

The program of action in the health sector will be focused during 2003-2005 mainly on the following:

- promotion of mother and child health;
- intensification of the fight against malnutrition;
- reinforcement of the fight against transmissible diseases;
- reinforcement of the fight against nontransmissible diseases.

5.3.2.1 Promotion of mother and child health

The actions will cover:

- i) strengthening vaccination activities (expanded program of immunization—EPI), for which the procurement and dispatch of vaccines, equipment and consumable items to the recipient Basic Health facilities (CSB) will be left to the care of the Government with the support of international partners. Those responsible for the districts will be equipped with rolling stock (motorcycles) so that they can supervise the activities. Immunization actions are also supported by intensive awareness campaigns through the mass media. An evaluation of the vaccine management and the refrigeration chain will be performed in 2003, and so will operational research on new vaccines in collaboration with the Pasteur Institute;
- ii) reinforcement of emergency obstetrics care by the standardization of technical platforms, the training of traditional midwives in areas that are difficult to access, the actual collaboration between traditional midwives and qualified health personnel, making expectant mothers aware that they must have four prenatal doctors' visits and give birth in health facilities with the help of skilled personnel, raising the awareness of communities, including teenagers, about STDs/AIDS, family planning and Teenager Reproductive Health in order to reduce maternal mortality;
- iii) application of the strategy for Integrated coverage of the Children's diseases (PCIME) with its three components—clinical, institutional, community—so as to reduce the infant mortality rate;
- iv) application of ROLL BACK Malaria reduce the incidence of the disease;
- v) establishment of "Health Schools" in education establishments and health facilities. Welcome centers for children and young people will be opened in the six provincial capitals, school health facilities in main cities of health districts. In the communes and *fokontany*, school health activities are integrated with those of the health facilities. These activities call for some construction and renovation of health facilities and their outfitting with equipment and materials, and especially an institutional framework to handle steering, coordination, and advocacy activities; and finally
- vi) the fight against sexual and domestic violence will be intensified so as to lower the number of victims of violence to 50 percent in the targeted areas.

Impact and expected outcomes are:

- coverage rate of routine vaccination activities up from 80 percent in 2002 to 100 percent in 2005;

⁴⁰ results already mentioned earlier

- maternal mortality rate down from 488 in 2002 to 285 in 2005 per 100,000 live births;
- infant mortality rate down from 96 in 2002 to 72 in 2005 per 1000 live births and infant-child mortality rate down from 156 in 2002 to 111 in 2005 for 1000 live births;
- contraceptive coverage up from 12 percent in 2002 to 25 percent in 2005;
- 462 community agents trained over the period 2003 – 2005;
- 5070 health agents trained in reproductive health over the period 2003-2005;
- 2000 health facilities equipped over the period 2003-2005;
- 58 health facilities refurbished over the period 2003-2005;
- 50 percent of schools transformed into health schools over the period 2003-2005;
- 2500 community PCIME sites set up over the period 2003-2005.
-

5.3.2.2 Combating malnutrition

To improve the coverage of malnourished mothers and children, the following actions are envisaged:

- i) each District Hospital Center that has not been equipped so far will be provided with an Intensive Nutritional Education and Recovery Center (CRENI);
- ii) the existing CRENIs will be revitalized;
- iii) basic health facilities located in high risk areas for malnutrition will be provided with Day Nutritional Education and Recovery Center; centers which were not functional will be revived;
- iv) Out-patient Nutritional Education and Recovery Centers will be set up in the communes;
- v) the various health facilities will be provided with medicine, while sensitization campaigns will be organized to fight against micro-nutrient deficiency;
- vi) Breast Feeding Only and Bébé Kangourou modules will be set up;
- vii) managers of baby-friendly hospitals and baby-friendly workplaces will be trained;
- viii) Women's Nutritional Education Teams (EFEN) will be revitalized;
- ix) the National Food and Nutrition Policy will be updated with a view to drawing up a National Nutrition Policy;
- x) the members of the Intersectoral Nutrition Action Group (GAIN) will receive periodical refresher courses;
- xi) a food security stock (example BP5) will be established to cope with possible disasters;
- xii) a data use system will be set up at all levels the community structure.

Impact and expected outcomes are:

- the percentage of malnourished children aged 0 to 3 reduced from 48 percent in 2000 to 36 percent in 2005;
- hospital mortality due to severe malnutrition down from 26 percent in 2002 to 15 percent in 2005;
- the 111 district centers equipped with CRENI functional in 2005;
- 100 percent of CRENIs will never run out of stock in 2005;
- 90 percent of children aged 6 months to 59 months will have received vitamin A by 2005;
- 75 District Health Services (SSDs) equipped with a team of trainers in 2005;
- 96 baby-friendly hospitals functioning in 2005.

5.3.2.3 Strengthening the fight against transmissible diseases, namely HIV infection

Consistent with the strategic focus to reduce the socioeconomic burden of the main transmissible diseases, including emerging and reemerging diseases, the program provides for the following actions:

5.3.2.3.1 Leprosy and lymphatic filariasis

- i) reinforcing prevention actions at the community level through mass treatment, which itself will be supported by large-scale social awareness and mobilization campaigns;
- ii) training health workers to improve case handling and regular supervision of activities;
- iii) securing the regular supply of health units with medicine and management support;
- iv) establishing a map showing the classification of districts according to the level of endemic lymphatic filariasis.

5.3.2.3.2 AIDS

Concerning control of the spread of HIV/AIDS, the willingness of the national authorities to step up HIV/AIDS control in Madagascar concretely reflected in an operational National Strategic Plan. To that end, the chosen option is for local intervention, underpinned by a participative and multi-sectoral approach centered on the commune, the basic administrative unit of the Malagasy institutional hierarchy. This, indeed, appears to be the as the most logical and the most prudent approach to development and therefore to HIV/AIDS control in Madagascar.

In this way, the approach controlling the spread of HIV/AIDS must combine the two dimensions, namely the sectoral one (multisectoral and multidisciplinary) and the spatial one (extensive coverage). From this perspective, the best approach in low-incidence countries like Madagascar would be to differentiate types of intervention according to the risk to the population in a given geographic area (areas with a high risk of HIV/AIDS spread: areas with a high concentration of young and mobile men separated from their usual sexual partners, areas through which professional groups pass, economic development program areas), and the risk to a particular population group (HIV/AIDS high-risk groups, such as sex workers and sex workers' clients).

In the various areas identified as high-risk for the spread of HIV/AIDS, actions will have to be carried out aimed at: (i) strengthening the coverage of STDs (syndrome treatment); (ii) social marketing of condoms (accessibility at less than half an hour's walk); (iii) preventive education, messages on changing behaviors involving all sectors engaged in the fight; (iv) safe blood transfusions; (v) prevention of infection in a health care environment; (vi) counseling and voluntary testing; (vii) handling of opportunistic diseases, including the supply of antiretroviral drugs; (viii) support for infected persons and their affected families/children (psychosocial care).

For the rest of the country, interventions aimed at creating awareness and limiting the risks of dehumanization and discrimination against infected people will be carried out. They will focus on: (i) Information-Education-Communication/Advocacy, with the main objective of publicizing the modes of HIV transmission and modes of prevention as well as arguments explaining the dangers of the HIV epidemic to the individual, the family, the community and the nation; (ii) prevention of infections in hospitals; and (iii) combating STDs with free treatment of syphilis in pregnant women who visit the doctor and their partners.

Particular attention will be paid to evaluating of the coordination process which aims at making multi-sectoral strategies operational: (i) coordination of development partners; (ii) coordination between the different public sectors (health, education, labor, ...); and (iii) coordination between the

Government and civil society. The same can be said of the degree of involvement of the private sector and civil society in local responses. The localization of cultural factors of specific risk as well as specific places of risk, such as prisons, will be envisaged.

BOX 6: ORGANIZATION OF THE FIGHT AGAINST HIV/AIDS IN MADAGASCAR

Madagascar has some fifteen years of experience in fighting against HIV/AIDS. To consolidate these achievements and to carry out its international commitments by ratifying the declaration of the United Nations General Assembly Special Session (UNGASS), two important measures have been taken, namely:

- adoption of decree 2000-1156 of October 39, 2002 on the status and organization of the fight against HIV/AIDS in Madagascar;
- drafting of a multi-sectoral strategic plan to combat HIV/AIDS, which is the reference document for all interventions in the context of this fight.

These measures are informed by principles that are subject international consensus, namely, the commitment of the highest authorities to the fight against HIV/AIDS and the multi-sectoral and multi-disciplinary aspects of the fight. The first principle is met by attaching the National Committee to Combat HIV/AIDS (CLNS) to the Office of the President of the Republic, with the technical support of an Executive Secretariat.

This Committee is in charge of, among other functions, defining the political and strategic guidelines for the actions against HIV/AIDS. The Committee will be represented in the six provinces and in all the communes of Madagascar. As for the Executive Secretariat, it will have local branches in the provincial capitals, which are called Provincial Coordination Offices

As for the second principle, its first component, the multisectoral one, is guaranteed by this incorporation into the Office of President of the Republic, which is the only institution authorized to mobilize all the existing sectors—public, private, community or religious, for instance. The multidisciplinary aspect is represented in the composition of the National Committee to Combat HIV/AIDS, on which all the country's stakeholders are represented.

The Ministry of Health, which initially controls the operational decentralized units for carrying out technical activities, will work in collaboration with other sectors. To this end, a General Directorate of to Combat HIV/AIDS has been set up in the Ministry. This structure provides technical leadership in monitoring treatment and prevention.

The Executive Secretary of the National Committee to Combat HIV/AIDS chairs the multisectoral technical committee against HIV/AIDS, a structure that is in charge of the technical coordination of anti-HIV/AIDS interventions, by the Ministry departments and the operational partner entities in the field.

The financial and technical partners come together in a forum to ensure synergies between their actions and the national priorities as defined in the National Strategic Plan to Combat HIV/AIDS. They meet periodically with their Malagasy counterparts and supply input for database at the Executive Secretariat the CNLS.

5.3.2.4 Endemic diseases (malaria, tuberculosis, bilharziasis (blood flukes) and cysticercosis (tapeworm))

Efforts are made to:

- i) build stocks of medicine (anti-malaria, anti-tuberculosis, anti-bilharziasis, anti-cysticercosis) in health facilities;
- ii) train health workers;
- iii) set up a system of epidemiological surveillance;
- iv) quick detection to control epidemics;
- v) operational studies and research (surveys, impact and cost assessments).

5.3.2.4.1 Malaria

- i) ensure the sustainability of the household fumigation campaign, in the areas where malaria has not been stabilized in the provinces/*faritany* of Fianarantsoa and Antananarivo;
- ii) popularize widespread use of mosquito nets impregnated with insecticide;
- iii) advocacy work with partners involved in the fight against malaria and support for community activities.

5.3.2.4.2 Bilharziasis and cysticercosis

- i) intensify the fight against the intermediary host of the disease;
- ii) strengthen the campaign of sensitization and communication in hyperendemic areas;
- iii) proceed with mass chemical treatments in hyperendemic areas.

5.3.2.4.3 Emerging and reemerging diseases (plague, cholera, dysentery, influenza...)

- i) intensify vector prevention operations;
- ii) supply insecticides;
- iii) strengthen sensitization and communication activities;
- iv) further training of health workers;
- v) guarantee free access of the population to medicine and insecticides;
- vi) set up a system of epidemiological surveillance at hot points and in large urban centers;
- vii) perform periodical assessments and operational research.

Finally a "country coordination authority" has been established (CCM) to manage the world fund for AIDS, tuberculosis and malaria control.

The reduction in outbreaks of those endemic/epidemic diseases will have a positive impact on household incomes.

Impact and expected outcomes are:

- 1.5 millions inhabitants to be protected against malaria every year ;
- 550,000 insecticide-impregnated mosquito nets on the market every year;

- the proportion of children among new cases of leprosy reduced to 0 percent from 14.15 percent in 2002;
- HIV/AIDS prevalence rate stabilized at less than 1 percent;
- STD prevalence rate among pregnant women decreasing from 11 percent in 2002 to 5 percent in 2005;
- coverage rate of endemic disease prevention actions up 25 percent to 80 percent;
- percentage of well-stocked treatment centers up 50 percent in 2002 to 100 percent in 2005;
- 850 CSBs with functional material relating to the fight against transmissible diseases.

5.3.2.5 Strengthening the fight against nontransmissible diseases

Concerning the fight against nontransmissible diseases, coordination units of the main nontransmissible diseases have been set up within the Directorate of the Medical Services and Support for Decentralization and Research on Health. The actions envisaged under the strategy consist of:

- i) improving the oral and dental health of the population through fluoridation, mainly of the school population by the restoring and refurbishing the existing dental offices, enhancing the skills of dentists and intensifying the Information-Education-Communication campaigns for behavioral change;
- ii) reinforcing the detection and the treatment of cancer by establishing a network of centers, training and specialization of doctors;
- iii) developing treatment for diabetes and cardiovascular diseases by setting up a program to combat them;
- iv) providing social security for elderly people through free medical care and treatment;
- v) strengthening the fight against disabling conditions and diseases by the community handling physical, sensory and psychomotor handicaps, diagnosis and treatment of congenital deficiencies and of early damage to the brain, and by improving access to medical care and treatment;
- vi) developing the prevention and fight against blindness by conducting prevalence surveys and by building and/or by rehabilitating ophthalmology units;
- vii) reinforcing the prevention and fight against drug addiction and mental diseases by training mental health professionals and conducting research on the biological and psychosocial aspects of mental health.

Impact and expected outcomes are:

- 17,700 cataract cases will undergo operations over the period 2003-2005;
- 12 CHD2 will be equipped with ophthalmology centers ;
- 1347 communes will benefit from having a preventive oral and dental program;
- 444 dentist's offices are to be brought up to operating and quality standards;
- functional of cancer registers in the six *faritany* at the CSBs;
- National Policy to Combat Cardiovascular Diseases prepared;
- 70 percent of target populations knowledgeable about the damaging effects of drug addiction in 2005 as opposed to 20 percent in 2002.

5.3.2.6 Organization of the health sector

For optimal implementation of all the plans, health sector financing will be normalized and decision-making decentralized in the health districts. The planning of the provisional operating budget will be standardized and finalized during an annual review for better distribution of budget allocations. Such planning tools as the national health fund will be created. Financial management, supplies management and public expenditure tracking of will be computerized.

To improve the efficiency and the performance of the District Health Services (SSD) a District Development Plan (PDD) 2004-2005 will be drafted. Moreover, an institutional framework for the provincial level will be defined. To improve access by the population to health facilities, new construction and renovations will be undertaken. To improve the coverage of enclaves Mobile Health Teams will be set up. The availability and accessibility of consumable and essential drugs will be guaranteed at the level of basic health center (CSB). The minimum resource package will be updated to make the CSBs functional. Moreover, the enclaved CSBs will be equipped with communication material (BLU).

Regarding cost-sharing, the suspension of the PFU has been a test period. It needs to be reinstated but with a human face, reducing the number of people excluded to the minimum. A study has been launched in order to devise a new version of the PFU.

In many places, a number of community structures have been created in an *ad hoc* manner and have proved to be efficient and functional. They will be regarded as an integral part of the health system and will therefore be institutionalized.

An intervention coordination committee on community health will be set up in the district.

5.3.3 DRINKING WATER AND SANITATION

5.3.3.1 Drinking water

The national policy on management, control and conservation of water resources, the national policy on sanitation and the strategy implemented are based on the principles defined in the Water Code.

The Government has already taken some steps in that direction by drawing up a legal framework targeting organizational reform for more effective participation of the private sector, NGOs and above all, beneficiaries, establishment of the National Water and Sanitation Authority, and preparation of the regulatory instruments of the Water Code.

As for the water sector, the objectives set by the Government are to cover 80 percent of rural areas and 100 percent of urban areas by 2015.

The overall objective is to augment the proportion of the population having access to efficient and sustainable services as regards drinking water and sanitation. Concerning drinking water, in the short term, the goal is to raise the service rate⁴¹ to 48 percent at the national level, i.e., 37 percent in rural areas and 92 percent in urban areas, and to increase the rate of access to waste disposal infrastructure to 57 percent in 2003, 58 percent in 2005, and 60 percent in 2005 in rural areas and to 93 percent in 2003, 95 percent in 2004, and 97 percent in 2005 in urban areas.

The water and sanitation sector contributes to poverty reduction through:

- Control of water for the AEP, agriculture, hydro-electricity, industry and all the other uses of water with a view to economic development;
- sustainability and conservation of water resources to ensure the future of Madagascar;
- contribution to desertification control, in conditions of good health and economic productivity;
- erosion control.

⁴¹ Proportion of the population having access to drinking water.

To this end, it is necessary to ensure the functionality and periodic upgrading of the existing infrastructure, particularly in urban areas, which are to be efficient and adapted to the local reality and to increase new infrastructure with the involvement of ongoing or planned, such as:

- the Drinking Water and Hygiene Pilot Project in Rural Areas (PAEPAR);
- second cycle 2001-2003 of the Sanitation, Drinking Water, Environment Primary Care Project (AEPSPE);
- second phase of the underground waters development project in the Menabe region;
- activities of the AES in the south;
- water supply project in Mahajanga;
- projects relating to the supply of drinking water to Nosy Be Hell Ville and Mandritsara;
- reinforcement works relating to the drinking water supply distribution network in Antananarivo and Antsirabe;
- drinking water supply (AEP) mini-projects and wells implemented by ANAE in rural areas within the framework of environmental programs.

In urban area, the objective of the Government in the medium term is also to provide access to drinking water and sanitation (AEPA). The service is to be affordable, reliable and viable.

For an *affordable* service, actions focus on increased community participation in the preparation of projects, review of technical criteria for the projects, encouraging initiatives by small entrepreneurs operating in the poor districts, and introduction of a system of rates.

For a *reliable* service, actions involve refurbishing equipment that has not been maintained in districts where the demand for connections and fountains is not satisfied; particular attention will be paid to the development of low-cost sanitation systems in districts where cholera is endemic.

For *viable* service in the long term, functions of the principal contractor and operator must be specified. There are also plans to pass on to users the responsibility for paying for the water consumed at public water fountains, and to establish a rate to meet financial obligations, promote direct access to the network, and discourage excessive consumption in centers where production costs are high.

These actions will be complemented by institutional provisions that envisage Information-Education-Communication actions and community mobilization actions for a better management of water supply facilities.

5.3.3.2 Sanitation

The process of establishing a national policy on sanitation was started in 2002. A day after the Johannesburg Summit, the WASH initiative was officially launched. The objective of this vision is to sensitize the population to make a positive change in their behavior as regards hygiene.

The actions will focus on implementing the sanitation and hygiene education program. Measures for waste water monitoring and treatment will be taken to give priority to actions to create access to drinking water and sanitation in the vulnerable areas. Such actions will be carried out in close collaboration with the communities, the NGOs and the private sector.

Impact and expected outcomes over the period 2003-2005 are as follows:

Concerning drinking water supply infrastructure:

- 900 wells drilled and equipped with hand pumps;
- 161 aqueducts;
- 714 paid water fountains;
- 17 upgraded centers managed by JIRAMA;

- 1812 management committees set up in 2003–2005.

Concerning sanitation infrastructure:

- 6,000 Madagascar Ecological Movement (MEM) and NGO latrines in 2003-2005.

5.3.4 SOCIAL AND CULTURAL ACTIONS

5.3.4.1 Reduction of social exclusion; social protection

The great majority of the Malagasy population (nearly 95%) have no social protection system. Consequently they are exposed to all manner of risks (social, economic and/or natural).

The government has included the reduction of social exclusion among its objectives in order to improve participation of the population in the attainment of its rapid and sustainable development objectives.

The social protection programs therefore include three types of actions: mitigation actions, curative actions and preventive actions.

5.3.4.2 Mitigation actions

These aim at decreasing the negative effects of the various shocks on the populations, especially the underprivileged ones, and thereby avoiding a social implosion. They consist of emergency measures: i) the extension of safety nets to the underprivileged and vulnerable groups in rural as well as urban areas (the jobless, handicapped people, the aged, the homeless, small farmers, etc.) including the SEECALINE program; ii) assistance to underprivileged families and CISCOS; and iii) the programs against natural risks using the Labor Intensive system (HIMO) and the VCT and/or Cash for Work approaches.

5.3.4.2.1 SEECALINE/Security net program

This program, financed from HIPC resources, will have two components:

- The Community Works component. It mobilizes the least privileged strata of the population in urban areas, to engage in activities designed to create, rehabilitate and maintain basic infrastructures in poor neighborhoods; it aims at improving the incomes of the poorest households and improving their living environment.
- The Social Centers Support component. The long-term objective of this component is to support the educational and productive activities of the NGOs and social centers that care for needy children, youth and adults.

5.3.4.2.2 HIMO Programs

These programs are mainly focused on temporary job creation in the implementation and execution of public infrastructures in the urban environment in general, the planning and

implementation of micro-projects and the implementation of community infrastructures. The principle targets are populations whose children suffer from malnutrition, pregnant woman whose husbands belong to priority groups, widows, the jobless, the newly poor and the unemployed.

5.3.4.2.3 Programs against natural disasters

These programs are supported by a policy of mitigation of the consequences of natural disasters, through the implementation of a National Strategy for the Management of Natural Risks and Disasters, including vulnerability studies. The National Relief Council (CNS) was established along with the Limited Intervention Committee in the Event of Cataclysm (CRIC) and specialized bodies like the National Anti-locust Committee (CAN), the National Water and Hygiene Committee (CNEA) and the Anti-Cholera Coordination and Control Group (GCALC).

The impacts and results expected are: temporary job creation, reduction of malnutrition, a better coverage of the indigent and the victims of natural risks and disasters and the establishment of communal immediate relief funds.

The synergy between the various participants (safety net programs, Ministry of Population, National Relief Council, Municipalities NGOs and Civil Society) and a greater integration of the programs aimed at the reduction of social exclusion, are necessary for the gathering of reliable information, management and monitoring tools, and improved impacts on the beneficiary populations.

The mitigation actions are no doubt necessary but they are not sufficient. A bridge is necessary, consisting of curative actions.

5.3.4.3 Curative actions

The aim of these actions is to improve the living conditions of the underprivileged and vulnerable groups by providing them with the minimum for subsistence, such as lodging, a stable income and access to basic social services, notably by:

- Relocating the homeless of the major cities of Madagascar;
- Enhancing the viability of dwellings of vulnerable households;
- Creation of a socio-economic support system such the development of agricultural short-cycle activities as well as accessory activities; supporting minor occupations contributing to social insertion; establishment of a supporting mechanism for the AGRs;
- Establishment of municipal job awarding systems (minor occupations);
- Support for the organization of associations in both rural and urban areas;
- Restoring handicapped people's dignity on a community basis;
- Creation of a national solidarity system (funds, "green cards for the aged," etc.);

Support for mechanisms geared to facing social shocks (mutual aid, donations, loans).

To implement social security actions requires supervision that is adequate, efficient and ongoing, which in turn necessitates enhanced capacity-building by both the government and Madagascar's partners (civil society, including NGOs, communities, etc.) as well as analytical and monitoring tools.

The implementation of capacity-building is carried out, especially through:

Strengthening of the social development fund;

Standardization of the NGO sector;

Creation of community resource and initiative centers;

Establishment of a commune-based system for targeting underprivileged groups;

Creation a center for analysis and forecasting of development in Madagascar.

Public information campaigns have been initiated to induce civil society to take part in social security projects, particularly the private sector, in accordance with the principles chosen by the government for implementing the national recovery program.

The results and impacts expected are:

- At least 400 homeless families relocated each year;
- Rehabilitated dwellings for least 3,000 urban households each year;
- At least 3,000 urban households with a stable source of income.

In addition to the actions mentioned above, a certain number of programs have also been initiated. Their implementation, however, requires greater integration with a view to achieving the common objectives of social protection and reduction of social exclusion.

5.3.4.4 Microfinancing

The microfinancing policy targets households excluded from ordinary banking systems, providing them with Mutualist Microfinancing (IFM) and Financial Non-Mutualist Microfinancing Institutions (INMF). The targeting system contemplated, however, needs a revision in order to improve the impact on poverty reduction.

5.3.4.5 The Community Development Project (PDC)

The PDC, run by the development intervention fund (FID), a non profit organization, operates on the basis of a participative approach by the community and the communes, which select, develop, manage and maintain their infrastructure. It has four components:

The "Community Project" component

The "Direct Financing of Communes" component

The "Strengthening of capacities through Training" component

The "Social Protection" component launched in 2002 as a pilot project.

At its completion (in around 2005-2006) the project will have financed investments and activities in Madagascar's 1,385 communes (not including the 6 provincial capitals and Antsirabe); 300 communes will have obtained direct financing. These communes will have benefited, directly or indirectly, from the Training and Information-Education-Communication Programs. A transition period is provided for in the course of the first year of the implementation of the Project (2001) for the Community Projects (PCs); indeed, in the course of that period, the PCs will be initiated on the basis of the beneficiaries' requests.

Subsequently, the implementation of the project will proceed from the training performed in a commune on the one hand, and from the existence of a Communal Development Plan (PCD).

Finally, a commune may lay claim to both Community Projects and direct financing of its priorities.

In any event, the selection criteria of the communes themselves are applied.

5.3.4.6 The Nutrition program (SEECALINE)

The purpose of this program is to improve the nutritional condition of children under three years of age: primary school children, and expectant and nursing mothers living in the project's target areas. It also aims at ensuring durability of the nutritional results by improving quantitatively and qualitatively the nutrition of children in every home.

The specific objectives of development out to 2003 are:

- To reduce by 30% the rate of children under three years of age who have a weight deficiency;
- To reduce by 30% the rate of children under three and nursing mothers with vitamin A deficiencies, and by 25% the rate of primary school pupils suffering from anemia due to iron deficiency.

These objectives will be attained by implementing the following actions:

Community Nutrition Program: i) supervision of the growth of children under three; ii) food supplements for malnutrition-affected children under three and pregnant women; iii) Vitamin A supplements for children under three and nursing mothers; iv) parasite control in children under three and expectant mothers; v) Information, Education, and Communication (IEC) and community mobilization; vi) community activity promotion aimed at improving nutrition, hygiene and sanitation in the villages; and vii) training community nutrition agents and coordinators; training and capacity-building for NGOs.

School nutrition Program: i) iron/folate supplements to primary school children; ii) parasite control for children going to school or not, aged from three to fourteen; iii) Information-Education-

Communication and promotion of nutrition and hygiene at school; iv) monitoring of salt iodation; v) promotion of school activities to improve nutrition and hygiene in the school environment; vi) and training of school teachers in nutrition and hygiene

Inter-sectoral activities: i) in the health sector, contribution to Integrated Coverage of Children's Diseases (PCIME); and ii) in the agricultural sector, support to designing and disseminating technical guidance aimed at improving diversification of food and agricultural crops as well as their preservation.

Information-Education-Communication: training and management of the project;
two new programs supplement those described above.

Intervention Program Against Cyclones and Drought (PICS): this is the equivalent of the Community Nutrition Program in the regions which were not targeted in the initial project but which should have been targeted at the beginning of 2000, on account of the effects of drought in the South and the three cyclones Gloria, Hudah and Eline in the rest of the country.

5.3.4.7 Prevention measures

These actions are given concrete expression in programs whose aim is to reduce the vulnerability of the risk populations; they consist in:

- Social and educational supervision of marginalized, vulnerable and underprivileged groups (literacy education and informal education in all its forms and at all levels) and vocational training;
- Creation of an institutional and legal environment that will guarantee the rights of the groups mentioned above;
- Institutional strengthening of the department in charge of implementing social protection strategies.

5.3.4.7.1 Literacy program and adult education (informal)

The overall objective is to extend and improve access to education while at the same time improving the context and conditions for success in the learning processes for illiterate youth and adults, inter alia, in Madagascar; use of the new Intensive Functional Literacy Education (AFI) approach and with particular attention given to the rural areas and zones of great poverty in the country.

The impacts and results expected are:

Increase in the number of literate people by 500,000 each year, including 40% women;

Training or retraining of 14,000 literacy educators and 120 literacy supervisors per campaign and per year, integrating themes related to education, family life, (parent education, family planning, etc.);

Implementation of policies and programs in the fields of literacy education, adult education, and family and parent education.

5.3.4.7.2 Vocational training

The impacts and results expected are:

Access to employment for handicapped people;

Training in simplified management (AGR) and in organization of associations for the aged;

Support to civil society training centers ((including those run by NGOs);

Establishment of a national institute for social workers, to be in charge of training specialized workers, among other objectives.

5.3.4.7.3 Aged persons

A national policy on the condition of the aged is contemplated; the desired outcome is the improvement of their quality of life.

The results expected are:

- i) Creation of meeting and leisure centers for the aged;
- ii) Support for the restoration of social centers for the aged;
- iii) Access for the aged to basic social services.

5.3.4.7.4 Promotion of integrated development of young children (DIJE)

The impacts and results expected are:

- i) Greater awareness as to the importance of DIJE;
- ii) Strengthening of legal instruments, and a clearer definition of the grounds for intervention on behalf of the social protection of the child (national policy for the protection of the child, action plan on sexual violence, retroactive national program for registering births, access for handicapped children to specialized education services, etc.);
- iii) Improved assumption of responsibility for preschool-age children (laws on early childhood and preschool education, training of educators).

5.3.4.7.5 Promotion of the family

The impacts and results expected are:

- i) Putting in place of a mechanism for caring for orphans at community level;
- ii) Strengthening of the laws and procedures related to international adoption;
- iii) Reform of the standardization framework of the Malagasy family codification system;
- iv) Creation of a mechanism for supporting income-generating activities.

5.3.4.7.6 Integration of the population/gender dimensions

The impacts and results expected are:

- i) Implementation of the action plan concerning gender and extension to the national as well and regional planes;
- ii) Broader participation of the population in development;
- iii) Strengthening technical capacity for integration;
- iv) Updating of the National Population Policy for Economic and Social Development (PNPDES) and implementation of a realistic National Policy.

5.3.4.7.7 Dissemination of Family planning

The impact aimed at is an increase in the rate of contraceptive use; in this connection, the results expected are:

- i) Total coverage of the areas where knowledge about contraceptive methods is insufficient through energetic social mobilization and retraining or training of extension workers;
- ii) Strengthening of the family planning information and management system.

6 COSTS AND FINANCING OF THE STRATEGY

The implementation of the strategy for poverty reduction implies the mobilization and effective use of local and/or external resources, already available and/or to be found. The greater part of the government budget, in both operations and investment, is to be devoted to the fight against poverty.

To reduce the rate of poverty by half in ten years, (poverty rate = 34.2% in 2013 versus 71.6% in 2002 and 68.5% in 2003), the macro-economic framework shows that the resources in public investment needed will be MGF 16,042 billion (that is approximately US\$2.5 billion) over the period 2003-2006; additional resources needed amount to US\$1 billion over the period 2004-2006. These amounts correspond to the estimated priority financing.

Madagascar will see to it that these resources are mobilized and the corresponding programs implemented fully.

The totality of the resources from the HIPC initiative is also earmarked for the financing of the programs that support the strategy. These internal resources are supplemented by external financing through the various development and poverty control projects as well as the direct support from the government budget. The possible shortfall (gap) will be negotiated with Madagascar's technical and financial partners.

The Table 18, below, gives an estimate of the cost of implementing the listed programs for the next three years. The sectoral breakdown based on the budget nomenclature of the public investment program is provided in Table 10 of Annex III.

Table 18. Madagascar: Cost of the strategy and funding needs
(in billions of MGF)

STRATEGIC FOCUS	PROGRAM	PLANNING				
		2003	2004	2005	2006	TOTAL
<i>Restore the rule of law and a well governed society</i>	1.1 Governance and fight against corruption	184	272	310	350	1,116
	1.2 Governance and respect for democracy	pm	pm	pm	pm	Pm
	1.3 Governance and rule of law	148	226	247	269	880
	1.4 Local governance	74	78	128	128	408
<i>Foster and promote economic growth on a very broad social basis</i>	2.1 Macroeconomic stability and growth	pm	pm	pm	pm	Pm
	2.2 Development of strong sectors	8	72	61	40	180
	2.3 Rural development	336	523	597	675	2,132
	2.4 Development and densification of structuring infrastructure	1,057	1,704	1,961	2,265	6,987
	2.5 Development and enhancement of the dynamism of the private sector	21	31	34	38	124
	2.6 Opening up to world competition	pm	pm	pm	pm	pm
<i>Foster and promote greater material and human security and greatly expanded social protection systems</i>	3.1 Education	188	314	361	427	1,287
	3.2 Health, water and sanitation	195	322	370	436	1,323
	3.3 Reduction of social exclusion; social protection	160	260	299	353	1,072
	3.4 Cultural diversity	pm	pm	pm	pm	pm
HIPC		124	124	132	142	522

GENERAL SUMMARY, 2003-2006

	2003	2004	2005	2006	TOTAL	
	(in billions of MGF)				(in billions of MGF)	(in millions of USD)
Total	2,496	3,924	4,502	5,120	16,042	2,468

Granted*	2,496	2,485	2,591	2,386	9,958	
Needed	-	1,439	1,910	2,734	6,083	1,532
						936

(*granted = projects in progress and/or with agreement in principle)

USE OF HIPC INITIATIVE RESOURCES

Madagascar reached the HIPC decision point in December 2000, which enabled the country to benefit from a 50 percent reduction in debt-servicing starting in 2001: this represents available resources amounting to about US\$50 billion per year in the interim period until the completion point, to be reached after one year of implementation of the strategy set forth in the present document. The alleviation of Madagascar's debt will then relate to inventory so as to represent, when converted to net present value, only 150% of annual export receipts.

The current poverty reduction program is ambitious but realistic, and its implementation requires improved utilization capacity, especially in priority sectors such as education, health, drinking water and rural roads. Research has been conducted along these lines within the administration, and measures have been taken to reconcile the need for accelerated use of resources using flexible procedures, with rigorous standards of control.

An indicative breakdown of HIPC resource use was presented in PRSP-I. Generally speaking, for the next three years the government proposes to allot about 60% of the HIPC resources to operating expenses in the priority sectors; the remaining 40% will be allotted to accompanying investment expenses for an efficient implementation of the strategy.

In order to measure the impact of the use of these additional resources on the poor, an evaluation involving all the program beneficiaries is planned, to be carried out starting at end of the first year. It will then be possible either to strengthen the programs whose impact on poverty is significant or to reorient the ones whose results are rather disappointing. In order to facilitate such an evaluation, the HIPC resources will be posted under specific but individualized lines of credit, although they are an integral part of government expenditures.

BOX No. 7: PROGRESS OF THE REFORMS LINKED TO THE IPTE PROCEDURE

All the regulations governing the control bodies have been subjected to an in-depth study by the Internal Reform Committee (CRI); the latter brings together representatives of the Department Heads of the Ministry of Finance, and was enlarged to include other participants, including the control bodies themselves, the Ministry of Civil Service and universities, especially to make the appropriate amendments.

Ordinance No. 2001 – 004 of November 18, 2001, reorganized the Supreme Court which is composed of three courts, i.e. the Court of Appeals, the Council of State, and the General Accounting Office. The General Accounting Office should be set up at the same time as the two other courts. The draft organic law on the procedure to be applied to the new Supreme Court is in the final stages of preparation by the Ministry of Justice.

Law No. 021 of August 3, 2001 was adopted to set up the administrative and financial tribunals. The buildings intended to house these tribunals are already available in Mahajanga, Tuléar and Toamasina; in Antsiranana and Fianarantsoa these tribunals are temporarily housed in buildings lent by the administration while awaiting construction of new buildings, planned for 2005. In December 2003, at the National School of Judges and Clerks (ENMG) training of the first class of administrative and financial judges will end; this group includes 4 administrative judges and 4 financial judges. These judges will therefore be active at the beginning of 2004. Since a court can only sit with a minimum of 4 judges, only one tribunal will be working, and it is expected that it will be the one in Toamasina, at the beginning of 2004.

Since December 2001, a consolidation unit has been operating effectively through the creation of an “accounts consolidation” division in the Treasury’s Accounting Agency. It is mandated to centralize and consolidate the accounts of the Principal Treasuries, and to write the documents annexed to the settlement law.

The current status of the laws on budget settlement is as follows:

- Settlement law for fiscal 1999: as planned, in December 2002, a draft law with appended documents transmitted for examination by the Chamber of Accounts.
- Settlement laws for 2000 and 2001: they are scheduled to be drawn up during 2003.

The Departments of the ministries concerned (Budget, Treasury) are busy preparing work in accordance with the following schedule:

- . Settlement law for 2000:
 - February-March 2003: checking and control of the documents produced;
 - April-June 2003: finalization of the work with the elaboration of a draft settlement law with

supporting documents;

- July 2003: transmission to the Chamber of Accounts.

. Settlement law for 2001:

- April 2003: notice is dispatched related to preparation of the documents;
- July-September 2003: checking and control of the documents produced;
- December 2003: transmission to the Chamber of Accounts.

The six ministries that will be monitored financially and physically starting in 2003, have been identified: Health, Education, Agriculture, Water and Forestry, Public Works, Justice. These ministries are presently identifying their concrete achievement indicators. Periodic production of reports on the execution of the budget continues: Articles 611 to 613 and 621 for operations, not including personnel, from all sources.

The complete PSRP draft was approved by the government and the cabinet on May 14, 2003. The recommendations made by the national workshop held March 24 and 25, 2003, in Antananarivo, as well as the observations made by the donors, were taken into account. The final document was transmitted to the technical and financial partners on June 10, 2003, and will be submitted to the National Assembly in early July 2003.

7 MONITORING EVALUATION

The monitoring and evaluation of the actions carried out in the framework of the PRSP require strengthening of the participatory process. The objective is to be able to possess in real time pertinent and efficient data on the poverty reduction programs implemented and, on that basis, make the necessary adjustments.

7.1 IN-DEPTH KNOWLEDGE OF POVERTY

The strategy for the reduction of poverty requires first of all a more accurate identification of the determinants of poverty. In this respect, efforts have been made within the framework of various studies and surveys conducted mainly by the Institut National de la Statistique (INSTAT) in collaboration with various local and foreign partners such as:

- Analytic work on rural development, agriculture and the environment in collaboration with FOFIFA, Cornell University, World Bank (3-year study);
- Inventory of statistical studies of poverty (UNDP-INSTAT);
- Ongoing survey of households (1997) and Priority Survey of Households (1999);
- Various National Reports on Human Development (UNDP-INSTAT);
- The results of the enquiry on urban jobs (INSTAT);
- The Organizational Chart of Society (PNUD, INSTAT);
- Various studies conducted by INSTAT within the context of the ILO Project in collaboration with Cornell University: Health and Education in Madagascar; Use and determinants of demand; Evolution of poverty from 1993 to 1999; Trend in access to public services; Poverty in Fianarantsoa, etc.
- Study on decentralized public management (BAD);
- Studies carried out by IMATEP.

The monitoring system contemplated would build on the studies and surveys already completed and would call for new ones to be undertaken, so has to have at the government's disposal a full set of reliable data on the standard of living of the population and on the economy. These data would make possible:

- Having an idea about the initial situation (a period used by PRSP as a reference) of the level of poverty as reflected in the various social and macroeconomic indicators;

Following the evolution of the various indicators over a fixed period (improve and enhance the reliability of the data-gathering arrangements, fix the periodicity of their collection, etc.), concomitantly with the implementation of the various socio-economic measures

Meeting (should the occasion arise) the specific needs and/or the urgent needs of not only the Malagasy government but also of the other participants in development (regions, private sector, NGOs, etc.); and

Having at hand regularly indicators of a structural character.

7.2 MONITORING-EVALUATION

7.2.1 PRINCIPLES

In order to measure the efficiency of the strategy for controlling poverty as it impacts the living standard of the population, and particularly that of the poor, the guiding principles relate to:

Effectiveness of the private-public partnership: the actions carried out will be subject to a system of monitoring-evaluation which will associate all the partners of the government under the coordination of the Technical Cell in charge of the drawing up of the poverty reduction strategy. In the action plan, the Ministry of the Economy, Finance and Budget will play a major role through STA, INSTAT, the General Directorate of the Economy and the General Directorate of Planning. The Government will use the results of consultations with its partners in order to redirect, if necessary, the ongoing programs towards higher efficiency in its dealings with beneficiaries.

Objective and rigorous diagnosis: the indicators used will conform to living conditions in the best possible way, and must be representative of the economic and social situation of the households, notably those of the poorest, be sensitive to the evolution of the situation in the medium and long terms, and integrate without too much difficulty into the existing statistical system. These key indicators, composite or comprehensive, are formulated by INSTAT in accordance with the indicators of sectoral business plans and according to the strategic focuses and the sectoral action plans.

These indicators take account of the:

Objectives of a major reduction in poverty and rapid and sustainable development of the Malagasy economy;

Objectives of development for the Millennium to which Madagascar has subscribed;

Objectives of the various financial partners, notably the United Nations, the World Bank, the European Union, the International Monetary Fund, the African Bank for Development, etc.

Objectives of regional cooperation and integration, international agreements such as WTO, IOC, COMESA and NEPAD.

Connection between the PRSP monitoring-evaluation and the national information system: the mechanism offers an opportunity to revive coordination of the national statistical information system. This is an integrated system which has to the following objectives:

Inform the government on the state of poverty and its evolution in real time;

Assess the impact of the strategy for reducing poverty;

Assess the effectiveness of the policies and suggest adjustments;

Provide all the development participants with accessible, significant and reliable information, necessary for the processes of decision making, supervision and evaluation.

7.2.2 INSTITUTIONAL STRUCTURE OF THE PRSP IMPLEMENTATION MONITORING SYSTEM

Institutional framework

The institutional structure proposed will ensure that the various tasks to be performed by every party concerned will be clarified. To that end, steering and coordination bodies and sectoral advisory groups will be set up.

Technical Cell in charge of the drafting and monitoring of the PRSP

The technical Cell gives recommendations and strategic orientations. It is composed of elected officials (Deputies), Administration officials, representatives of civil society and the private sector. The office of Chairman of the Technical Cell is held by the Vice-Prime Minister in charge of Economic Programs, Public Works, Transportation and Territorial Development, joined by the Minister of the Economy, Finance and Budget and the Chief of Staff of the President's Office.

Small Cell placed within STA

A small body will be set up within STA for the coordination of the monitoring, the processing of the results, and the synthesis and analysis of the indicators. This body will work in close collaboration with INSTAT, which will play a pivotal role in the gathering of information, and the Directorate in charge of the Monitoring-Evaluation of the General Directorate of Planning.

Thematic advisory groups

Sectoral advisory groups under the aegis of STA will also be established, including technical representatives of the ministries, research centers, universities, civil society, NGOs, etc. These groups will be composed for the most part of members of Technical Committees who have taken part in the drafting of the Poverty Reduction Strategy Document (PRSP). The thematic advisory groups

will analyze information coming from the ministries, INSTAT and the Directorate in charge of Monitoring-Evaluation in the sectors. They will meet periodically (every month or every quarter) for the processing of sectoral information.

Ministries and technical institutions

Ministries and technical institutions supply the information relating to the use of the resources allocated and the indicators related to the sectors as well as the monitoring of the concrete realized projects of the various programs.

The Adjustment Technical Secretariat (STA)

STA coordinates in a technical sense the poverty monitoring and evaluation activities and ensures:

- Verification of the appropriateness and coherence of the objectives;
- Measurement of the efficiency of the programs and activities in relation to the results;
- Recommendations as to the strategic guide lines and budget appropriations;
- Organization and supervision of thematic advisory groups and participatory workshops.

INSTAT

INSTAT is in charge of:

Inquiries and surveys of households concerning the major indicators of well-being;
Monitoring of the results, in particular various indicators of:

- Standard of living (well-being)*
- Poverty and human development*
- Macro-economy*
- Impacts on the beneficiaries.*

Monitoring, if necessary, with the General Directorate of Planning the various indicators of:

Products generated
Services generated
Financial indicators
Physical indicators
Human indicators

Coordination of information in collaboration with the Directorate in charge of Monitoring-Evaluation
Undertaking of an impact survey system related to the implementation of the PRSP with a component on monitoring, and another on the HIPC initiative.

The General Directorate of Planning

Through the system of monitoring-evaluation based on the logical framework method and the reporting system already operational within its department, the General Directorate of Planning (DCSE and DPG) will bring its actions to bear on the monitoring and evaluation of resources, activities and results of the programs and projects. To that end, it will draft periodical reports according to a three-month, six-month and annual schedule. It will provide information for redirecting the allocation of resources and information about sectoral policies.

7.2.3 PURVIEW OF THE MONITORING SYSTEM

The system ensures the monitoring of inputs, programs and results as well as the evaluation of the impacts.

7.2.3.1 Monitoring the inputs

The monitoring activities related to the of inputs consist in monitoring the allocation of resources to the offices and the programs whose object is to reduce poverty through financial auditing operations on the budgetary and financial accounts.

7.2.3.2 Monitoring the programs

The monitoring of the programs is related to the monitoring of the implementation of the sectoral plans contemplated. It consists in operations of control of physical implementations such as the building of schools, health centers, rural tracks, public fountains, etc., on the basis of administrative documents from the ministries and institutions concerned.

7.2.3.3 Monitoring the results

This activity will enable determination of the population groups that have access to the programs and projects aimed at reducing poverty, and will allow measurement of the extent to which their needs are met. Such monitoring will be based on the various inquiries using the major indicators of well-being.

7.2.3.4 Evaluation of the impacts

The evaluation of the impacts of the poverty reduction strategy means the evaluation of the overall effects of the measures taken as regards well-being and poverty in the various sectors, using: national accounts, household surveys, census taking, etc. The approach consists in combining the evaluation by the beneficiaries with the studies of socio-economic impacts.

7.2.4 COORDINATION OF FOREIGN ASSISTANCE

In the framework of the monitoring of the programs, particular attention is given to foreign assistance coordination. Portfolio reviews will be applied systematically to all the donors. For each intervention sector, sectoral platforms will be set up in order to coordinate the various activities more effectively.

The coordination of foreign assistance will be the responsibility of the Ministry of the Economy, Finance and Budget, working with the Directorate of the Coordination of External Assistance and the General Directorate of Planning.

7.2.5 PARTICIPATORY METHOD OF MONITORING

Strengthening of the participative process will be carried on in the framework of monitoring the implementation of the action plans of the PRSP, and evaluation of the impacts of the strategy on the level of poverty.

The thematic advisory groups will periodically work on analysis of information on the monitoring of the results and the monitoring of the impacts.

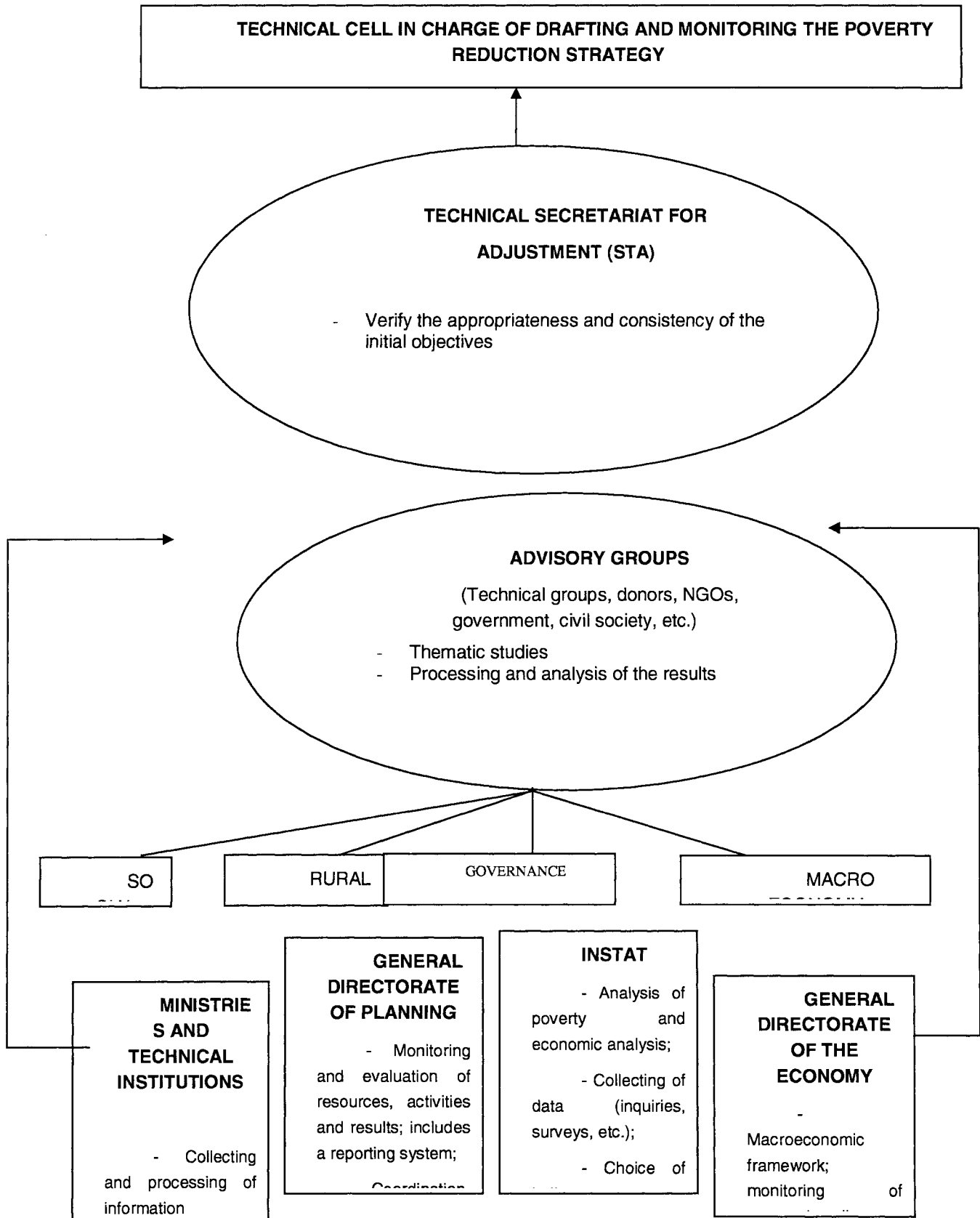
Participative workshops on monitoring will be organized by STA twice a year in each of the provincial capitals, and sectoral impact analysis will be undertaken as well. These workshops will enjoy the participation of all the participants who took part in the drafting of the strategy during the consultation phases, and the results will be disseminated among the partners. Concomitantly, sectoral analysis will be carried out every quarter.

Table 19. Madagascar: Summary of monitoring activities

Descripti on	Activities	Questions	Information sources	Contribut ors
- Monitoring inputs	Monitoring the resources allocated to agencies and programs whose object is to reduce poverty. (Financial control operation: examination of public expenditures, monitoring of human and material resources available)	Are the resources allocated to the scheduled programs and used according to the objectives set?	Budgetary and financial accounts	Ministries DGDP, STA, DSE
- Monitoring programs	Monitoring the performance of the sectoral plans designed to reduce poverty (oversight of concrete projects completed: schools built, health centers, rural tracks, public fountains, etc.). Monitoring of macroeconomic programs	Are the activities related to poverty reduction functioning according to plan?	Administrative documents External sources Internal statistics from the ministries	Regulator y ministry concerned Civil society STA, DSE, DGE
- Monitoring results	Determining the population segments that have access to the programs and projects aimed at reducing poverty; extent to which they use the services offered by those programs and projects, and the extent to which the latter meet their needs.	Do the poor have better access to such services and programs? Do they use the latter? Do the programs satisfy the needs of the poor?	Research on the major indicators of well-being; Organization of thematic working groups; Participative monitoring of poverty (twice yearly)	INSTAT, STA, Beneficiaries Civil society

Descripti on	Activities	Questions	Information sources	Contribut ors
- Evaluating the impact	Evaluating the overall impact of measures taken concerning well-being and the levels of poverty (regarding socio-economic groups)	Have there been any improvements in the various sectors (health, education, etc.) stemming from the programs?	National accounts and macro-economic indicators; household budgets, price statistics; Inquiries with the households; Census Thematic working groups Participative evaluation of poverty (yearly)	INSTAT, STA, DGE, DSE Civil society, beneficiaries
- Coordinating external assistance	Organizing periodical reviews of the assisted programs	Have objectives set been achieved in terms of disbursements, and physical achievement?	Reports on monitoring	STA, DCAE, DGP, ministries, Donors

Institutional chart



7.2.6 THE MAIN INDICATORS IN RELATION TO THE STRATEGIC FOCUSES

There are 31 monitoring indicators, classified according to the priority focuses. Budgetary aspects of monitoring activities are treated in Table 22 below.

Table 20. Madagascar: Main monitoring indicators

N umber	Indicators	Fore cast 2003	Fore cast 2004	Fore cast 2006	Sources
	Poverty indicators and social indicators				
1	Rate of poverty (as % of the poor population /population)	72	6 7	5 8	EPM (INSTAT)
2	Number of telephone connections (fixed or mobile) per 1,000 inhabitants	15. 0	1 6.5	1 8.0	OMERT/IN STAT
3	Mortality of children aged under five (per 1,000 children under 5)	14 1	1 31	1 20.0	EDS (INSTAT)
4	AIDS prevalence rate among pregnant women	<1	< 1	< 1	Ministry of Health, PNPS
5	Net public and private school attendance rate (pupils 6-11 years/ school age population)	79. 5	8 2.5	8 5.0	MINESEB/I NSTAT
6	TDC3 vaccination rate (infants under 1 year) as %	80	8 5	9 0	Ministry of Health
7	Completion of primary education, as %	44	4 9	5 8	MINESEB/I NSTAT
8	Literacy rate (% of persons aged 15 years and above who can read and write)	54. 0	5 5.0	5 6.0	INSTAT
9	Medical prescriptions filled in the CSBs (as %)	90	9 3	9 5	Ministry of Health
10	Percentage of the population having permanent access to a source of drinking water	28	3 0	3 6	INSTAT

7.2.5.1.1 <u>Infrastructures indicators</u>					
11	Kilometers of roads improved and/or renovated	4 ,000	8 ,200	1 6,900	VPM
12	Isolation rate (%)	3 5	3 1	2 2	VPM
13	Percentage of transportation fees reduced	5	1 0.3	2 6.2	VPM/INSTAT
14	Number of inhabitants for one operational CSB1 and CSB2	5 ,771	5 ,726	5 ,656	Ministry of Health/INSTAT
15	Number of children of school age (6 to 10) per operating primary school	1 05	9 5	8 1	MINESEB/INSTAT
16	Number of latrines	4 9.3	5 1	5 5	INSTAT
17	Number of electrified villages	1 50	1 50	1 50	MEM/JIRAMA
7.2.5.1.2 <u>Good governance indicators</u>					
18	Time needed to establish a business	3 days (SARL) 20 days (SA) 6 days (EI)	3 days 1 5 days 3 days	< or = 2 days < or = 2 days < or = 2 days	One-stop shop
19	Tax burden rate (%)	10. 3	1 1.2	1 2.1	DGE/INSTAT
<i>Poverty indicators and social indicators</i>					
20	Budget deficit (as % of GDP)	- 3.3	- 5.9	- 4.6	DGE/INSTAT
21	Number of inhabitants per policeman	2,0 00	1 ,960	1 ,702	MSP/INSTAT

	Number per gendarme	1,2 60	1 ,200	1 ,100	MIN DEF/INSTAT
22	Number of corruption cases against which legal action has been taken	0			Ministry of Justice/CNLC (1)
23	Number of delayed trials (%)	10	9	7	Ministry of Justice
7.2.5.1.3 <u>Primary sector indicators</u>					
24	Intensity of agricultural production (Paddy) base 100 = 2003	10 0	1 14	1 30	Ministry of Agriculture
25	Reforested area (base 100 = 2003)	10 0	1 10	1 40	Ministry of the Environment/ONE
26	Value of the investments in mining sector (base 100 = 2003)	10 0	3 45	9 ,895	MEM
7.2.5.1.4 <u>Macroeconomic indicators</u>					
27	Total expenditures for education (base 100 = 2003)	10 0	1 32	1 47	MINESEB
28	Total expenditures for health (base 100 = 2003)	10 0	1 20	1 72	MINSANTE
29	GDP (growth rate in %)	6	7	8	INSTAT
30	Inflation rate (CPI period average, yearly change) %	6.6	6 .0	L ess than 5	INSTAT
31	Exports (base 100 = 2003)	10 0.0	1 39.0	1 57.0	INSTAT/DGD

(1) National Committee to Fight Corruption

HYPOTHESES

No.	Poverty indicators and social indicators	Hypotheses
1	Poverty rate (as percentage of poor population/population)	Average growth rate above 7.5 percent redistribution, opening up - successful, higher agricultural output – successful, no epidemics (e.g., AIDS) affecting the productive output group, political stability
2	Number of telephone lines (fixed and mobile) per 1000 inhabitants	Putting infrastructure in place, increasing demand, raising household income
3	Death rate of children under 5 (per 1000 children under 5)	Impact of the increase in the vaccination rate, access to drinking water, food availability, opening up, and the number of CSBs
4	Prevalence of AIDS among pregnant women	IEC successful and expanded
5	Net rate of school attendance (school population age 6-10/potential school population) public and private	Impact of incentives on school attendance by children, recruitment of teachers and their deployment in the rural areas, building schools
6	DTC3 vaccination rate (infants under 1 year) as a percentage	Continuing vaccination campaigns
7	Rate of primary education completion as a percentage	Impact of incentives on school attendance by children, recruitment of teachers and their deployment in the rural areas, building schools, increased household income
8	Literacy rate (percentage of individuals 15 and above able to read and write)	Impact of child school attendance incentives, recruitment of teachers and their deployment in the rural areas, building schools
9	Rate of filling medical prescriptions in the CSB (as percentage)	
10	Percentage of the population with reliable access to a source of drinking water	Installation of infrastructure, raise the number of villages attached to electricity grid, increase household incomes
Infrastructure indicators		
11	Number of kilometers of roads maintained and/or repaired	
12	Isolation rate	Depends on Indicator 11
13	Percentage of reduction in transportation costs	Put infrastructure in place, stability or reduction in fuel prices, raise transport supply, stability of the ariary against foreign currencies
14	Number of inhabitants per CSB1 and CSB2	At least 100 CSB created per year and 2.7 percent population growth
15	Number of children (age 6-10) able to attend school per EPP	
16	Number of latrines	Put infrastructure in place, increase household income
17	Number of villages with electricity	
Indicators of Good Governance		
18	Time needed to create an enterprise	Favorable economic environment
19	Tax ratio as percentage	Favorable economic environment
20	Fiscal deficit (as percentage of GDP)	Favorable economic environment
21	Number of inhabitants per policeman	Depends on level of recruitment and population growth
	Number of inhabitants per gendarme	Depends on level of recruitment and population growth
22	Corruption cases reaching the courts	IEC to citizens successful
23	Number of delayed court cases	Resources to be provided to the Ministry
Primary sector indicators		

24	Intensiveness of agricultural production (Paddy rice), base index 100=2003	Increase the area under intensive cultivation and development of irrigation
25	Reforested area in Hectares	Reforestation incentives to communes
26	Value of investments in the mining sector (base index 100=2003)	
Macroeconomic indicators		
27	Total education budget (base index 100=2003)	Based on the MINESEB projection
28	Total health budget (base index 100=2003)	Real increase of 20 percent in the Health budget
29	GDP (growth rate as percentage)	Inflow of investors, increased supply and demand (especially foreign demand), political stability
30	Inflation rate (average CPI for period, annual change) as percentage	Increase in supply, reduction of margins by way of reduction in transport costs, stability of the ariary, stability or lowering of world fuel prices
31	Exports/Volume of trade (imports + exports) as percentage	Revival of export activities (textiles, mining, rent proceeds ...), increase in agricultural production and improvement in quality to enhance exports

GLOSSARY

No.	Indicators	Technical note
Poverty indicators and social indicators		
1	Poverty rate (as percentage of poor population/population)	Proportion of the population whose consumption expenditure is below the poverty line (poverty line: the amount needed to supply indispensable foodstuffs to provide a food ration of 2133 calories a day and the corresponding nonfood consumer items)
2	Number of telephone lines (fixed and portable) per 1000 inhabitants	Ratio between the total number of telephone lines (fixed and mobile) and the number of inhabitants, multiplied by 1,000
3	Death rate of children under 5 (per 1000 children under 5)	Ratio between the total number of deaths of children under 5 and the total number of children age 5, multiplied by 1,000
4	Prevalence of AIDS among pregnant women	Proportion of pregnant women with AIDS to total number of pregnant women
5	Net rate of school attendance (school population age 6-10/potential school population) public and private	Ratio between the primary school population age 6-10 and the total number of children age 6-10, multiplied by 100
6	Vaccination rate in DTC3 (infants under 1 year) as a percentage)	Ratio between the number of infants under 1 that have been vaccinated and the total number of infants under 1, multiplied by 100 and reinforcement of cold chains in CSB [<i>sic</i>]
7	Rate of primary education completion as a percentage	Ratio between the number of students not repeating a year in the seventh grade and the number of 10 year old children
8	Literacy rate (percentage of individuals 15 and above able to read and write)	Ratio between the literate population age 15 and above and the total number of persons age 15 and above, multiplied by 100. Literate is taken to mean those who know how to read and write and do simple sums or those who have reached the fifth year of primary school or higher and have attended school for at least four years
9	Rate of filling medical prescriptions in the CSB (as percentage)	Ratio between the number of medical prescriptions filled at the CSB level and the total number of medical prescriptions at the CSB level
10	Rate of access to drinking water	Percentage of households with reliable access to water in controlled installations
Infrastructure indicators		
11	Number of kilometers of roads maintained and/or repaired	Cumulative number of all roads (national primary and secondary, linking the capital with the provincial capitals or the regions among themselves) and rural roads to relieve isolation or service roads, maintained and/or repaired
12	Isolation rate	Ratio between the number of isolated communes and the total number of communes in Madagascar
13	Percentage of reduction in transportation costs	Change from the previous year's transportation cost situation for 50kg of rice from a Commune's administrative center to the closest major urban center (6 provincial administrative centers, Antsirabe, Morondava, and Taolanaro)
14	Number of inhabitants for a CSB1 and CSB2	Ratio between the total number of inhabitants and the total number of CSB1 and CSB2
15	Number of children (age 6-10) able to attend school per EPP	Ratio between the total number of children age 6-10 who can attend school and the total number of EPP in Madagascar
16	Number of latrines	Rate of installation of latrines (including all toilets with hygienic installations)
17	Number of villages with electricity	Number of villages with access to electricity supply per year

Indicators of Good Governance		
18	Time needed to create an enterprise	The time lapsing between the date of submission of the dossier to create an enterprise and the date the processed dossier is taken out (enterprise created) for an SA (Limited Liability), SARL (Private Limited Liability), and EI (Sole Proprietorship)
19	Tax ratio as percentage	Ratio between tax revenue and Nominal Gross Domestic Product, multiplied by 100
20	Fiscal deficit (as percentage of GDP)	The fiscal deficit measures the overall balance between public revenues and expenditure, multiplied by 100. It is the ratio between the balance and nominal GDP
21	Number of inhabitants per policeman	Ratio between the total number of inhabitants and the total number of policemen
	Number of inhabitants per gendarme	Ratio between the total number of inhabitants and the total number of gendarmes
22	Corruption cases reaching the courts	
23	Number of delayed court cases	[100-Rate of processing cases] (Rate of processing cases: ratio between the number of cases processed and the total number of dossiers recorded)
Primary sector indicators		
24	Intensiveness of agricultural production (Paddy rice), base index 100=2003	Ratio between the area under intensive cultivation in the current year and in the base year, multiplied by 100
25	Reforested area (Base index 100=xx2003)	Ratio between the area reforested in the current year and in the base year, multiplied by 100
26	Value of investments in the mining sector (base index 100=2003)	Ratio between the value of investment in the sector in the current year and the value of investment in the base year, multiplied by 100
Macroeconomic indicators		
27	Total education budget (base index 100=2003)	Ratio between the total education budget for the current year and the total education budget for the base year, multiplied by 100
28	Total health budget (base index 100=2003)	Ratio between the total health budget for the current year and the total health budget for the base year, multiplied by 100
29	GDP (growth rate as percentage)	Annual change in the real Gross Domestic Product (GDP is the total sum of values added together and the total amount of indirect taxes)
30	Inflation rate (average CPI for period, annual change) as percentage	Change in average annual Consumer Price Indices (CPI) (average CPI for period, annual change) as a percentage
31	Exports (base index 100=2003)	Ratio between the total value of exports in constant francs for the current year and the total value of exports in constant francs for the base year

Table 21. Madagascar: List of tracking indicators

Strategic Focus No. 1: Restore the Rule of Law and a Well Governed Society				
Indicators	Type	Tracking method	Frequency	Source
Public expenditure deficit	R	Report	Annual	MEFB/DGE
Tax ratio	R	Report	Annual	MEFB/CGE
Number of public enterprises privatized	R	Report	Annual	Ministry responsible for privatization
Number of industries created	R	Case files on enterprises	Annual	INSTAT
Consumer Price Index	I	Price survey	Monthly	INSTAT
Ratio: Education expenditure/GDP	P	Supplemental Budget Law, estimate	Annual	MINESEB/INSTAT
Ratio: Education expenditure/Government expenditure (in terms of domestic resources)	P			
Ratio: Primary education expenditure/Education expenditure	P			
Ratio: Education expenditure for each sub-sector/Education expenditure	P			
Ratio: Health expenditure/GDP	P	Supplemental Budget Law, estimate	Annual	MINSAN/INSTAT
Percentage of population with reliable water supply	R	Report	Annual	INSTAT, MEM, MPTC
Number of telephone lines (fixed and mobile) per 1,000 inhabitants	R	Report	Annual	INSTAT, MEM, MPTC
Official cost of creating an enterprise	R	Report	Annual	MICDSP/One-stop window
Time needed to create an enterprise	R	Report	Annual	MICDSP/One-stop window

R = Result

I = Impact

P = Product

Strategic Focus No. 2: Foster and promote economic growth on a very broad social basis				
Indicators	Type	Tracking method	Frequency	Source
Annual GDP growth rate	R	Report	Annual	INSTAT, DGE
Per capita GDP	R	Report	Annual	INSTAT, DGE
Agricultural productivity	I	Agricultural survey, EPM	5 years, 3 years	Minagri, INSTAT
Growth of agricultural value added	R	Report	Annual	INSTAT, Minagri
Rate of household access to microfinance	R	EPM	3 years	INSTAT
Confidence index	I	Survey	Semiannual	INSTAT
Number of persons having completed professional training in the modern, artisanal, and traditional sectors	R	Report of the Ministry responsible for professional training	Annual	Ministry responsible for professional training
Rate of completion of basic first cycle (primary) education	R		Annual	MINESEB
Rate of unbroken basic second cycle education (junior high school)				
Rate of unbroken secondary education (senior high school)				
Rate of examination passes (higher education)				
Percentage of the population under the one-dollar-a-day threshold	R	Report	Annual	Ministry responsible for higher education
Number of vulnerable urban-dwelling persons having received training for reinsertion into the workforce	I	Survey	Annual	INSTAT
	R	Report	Annual	MINPOP

Strategic Focus No. 3: Foster and promote expanded human and material security and social welfare systems and build capacity to improve governance and relations between government and the governed					
Indicators	Type	Tracking method	Frequency	Source	
Food poverty ratio	I	Survey	Annual	INSTAT	
Number of households included in the labor-intensive project	R	Report	Annual		
Gross primary school attendance rate	I	EPM survey	3 years	INSTAT, MINESIB	
Net primary school attendance rate	R	Report	Annual	INSTAT, MINESIB	
Primary cycle completion rate					
Percentage of students learning basic skills by end of first and second cycles of basic education					
Number of literate persons	R	Report	Annual	INSTAT/MINPOP	
Literacy rate	R	EPM, EDS, Household survey	3 years	MINSAN	
Proportion of girls in the formal and informal education systems	R	Report		Ministries responsible for education, MINPOP	
Percentage of the poorest having attended training for a profession	I	EPM	3 years	INSTAT/MINESEB	
Mortality of children under 5	R	Report	Annual	INSTAT, MINSAN	
Prevalence of underweight among children under 5	R	Report	Annual	INSTAT, MINSAN	
Percentage of medical-staff-assisted births	R	Report	Annual	INSTAT, MINSAN	
Human Development Indicator (HDI)	I	Survey/Report	Annual	INSTAT	
Human Poverty Indicator (HPI)	I	Survey/Report	Annual	INSTAT	
Gender-specific Human Development Indicator (GDI)	I	Survey/Report	Annual	INSTAT	
Number of functional CSB in rural areas	R	Report	Annual	MINSAN	
Number of medical personnel in rural areas	R	Report	Annual	MINSAN	

Table 22. Madagascar: Budgeting Tracking/Evaluation Activities

Objectives	Activities	Periodicity	Coverage	Est. Ann. Costs (in thousands of €)		Use	Responsible
1/ measure household living conditions 2/ track poverty	Ongoing household survey (EPM)	Two years for basic surveys One year for priority surveys	National, by province and by field	Year	Cost	- Measuring poverty - Compiling Social accounting matrices - Data for models - Thematic studies on social sectors - Compiling welfare maps - Tracking indicators - Database for compiling national accounts	INSTAT
Quickly obtain assessments and recommendations from economic agents and the people on the state of the economy, governance, and their level of confidence	Opinion poll	Six months	National, by province and by field	Year	Cost	- Measuring confidence indicators - Incorporation of recommendations of economic agents and citizens into the decision-making process	INSTAT
Report findings, analyses and forecasts on the nation's socio-economic situation to the people Promote a statistics culture	Workshops and dissemination	a/ 1 month for INSTAT information point b/ 3 months for workshops c/ 1 year for each regional dissemination		Year	Cost	Dissemination of methods, principles, and results of surveys Inclusion of feedback from users	INSTAT
Make consistent and integrate activities with the other bodies that collect data for tracking purposes	Coordination of tracking	Continuous		Year	Cost	Make available to the other users of methodologies Technical support Exchange of experiences	INSTAT
Summary and integrated presentation of the socio-economic tracking indicators	Social Indicators (TBS)	One year	National Provincial	Year	Cost	Easy and rapid consultation of the main socio-economic indicators (their development over time, any regional disparities)	INSTAT

Track activities and studies on the impact of HIPC initiative financed programs	Tracking HIPC Initiative financed programs	One year		2007		Measurement of performance, negative and positive impacts, and recommendations as to follow-up or future activities	INSTAT
				Year	Cost		
Better use of the budget	Multistage budget tracking	Semiannual	National Provincial	Year 2003 2004 2005 2006 2007	Cost 200 450 450 450 450	Better budget tracking and allocation	INSTAT
UPDATE FRAMEWORK, MACRO-ECONOMIC FORECASTING AND ECONOMIC AND FINANCIAL PROGRAMMING	- Make models for Growth and Poverty - Track macro-economic and financial indicators and programs - Socio-economic Classification by Fivondronana	One year Quarterly One year	National Provincial	Year 2003 2004 2005 2006 2007	Cost 78 85 89 92 93	Better understanding of poverty and inclusion of macro-economic targeting in the PRSP process	DGE
HELP IMPLEMENT THE TRACKING/EVALUATION SYSTEM FOR POLICIES, PROGRAMS, AND DEVELOPMENT PROJECTS	1. Track and evaluate structural reforms and resources/activities/ results of programs and projects: 1.1 Tracking disbursements and problems encountered 1.2 Track progress in structural reforms and performance (disbursements, activities) of programs and projects 1.3 On the spot monitoring of performance in implementing policies, programs, and projects, pursuant	Monthly Quarterly Quarterly Annual	Central Central Decentralized (provinces, regions, communes, localities) Central	Year 2003 2004 2005 2006 2007	Cost 30 150 55 60 60	- Identification of problems holding up execution - Checking impact of interventions so as to anticipate adjustments to be made to actions - On the spot checking with the populations benefiting from the products and the results of the implementation of policies, programs, and projects, to anticipate adjustments to be made to actions - Assessment of annual performance with a view to redirecting sectoral strategies and future actions.	DCSEP/DGP

to poverty reduction strategy objectives 1.4 Annual summary of disbursements of resources, activities (products) and results of the implementation of policies, programs and projects, achievements, problems encountered, recommendations, lessons learned 2. Implementation and harmonization of the national tracking/evaluation system and building tracking and evaluation capacity 3. Overseas training of DCESEP professional staff in management, tracking, and evaluation 4. Tracking and coordinating implementation of regional integration programs under the Forum for the Facilitation of Regional Integration (FFIR)	Twice monthly	06 provinces, 20 regions (GTDR), and 06 communes	Year 2003 10 2004 10 2005 10 2006 10 2007 10	- Capacity building for professional staff of decentralized and decentralized government administrations, persons responsible for projects, civil society...in tracking and evaluation: logical framework, indicators, reporting systems, methodologies	DCSEP/DGP
	Pm	Pm	Pm	Monitoring progress in structural reforms and activities in the context of international/regional relations	DCSEP/DGP

PRSP PARTICIPATIVE TRACKING METHOD	1. Organization of thematic advisory groups	Monthly	Central	(2003-2004)	Processing and analysis of performance data	STA
	2. Organization of sectoral workshops	Quarterly	Central	23	Publication of the quarterly statement by sector	STA
	3. Organization of participative tracking workshops	Twice a year	By province	211	Tracking inputs, programs, and results	STA
	4. Organization of workshops on evaluating the impact of the poverty reduction strategy	Annual	National	71	Tracking impacts Verification of the relevance and consistency of objectives	STA
	5. Communication	Throughout the year		18	Awareness and information about the PRSP	STA
	6. Operation of the Technical Unit			22	Recommendations for strategic reorientation and resource allocation	STA

I. A.I.SHORT-TERM ACTION PROGRAM

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II. DEPARTMENT OF TRANSPORT

A. STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Road transport - Road transport policy: study completed - Land transport agency: study completed - Training strategy: study completed
	1.02 Rail transport - Concession for Northern Network: granted - Concession for Southern Network: call for bids made
	1.03 Sea transport - Decree creating the APMF: adopted - Legislation on status of ports: Cabinet-level reading completed - Maintenance concession for the Toliara-Morondava stretch: study completed - Concession for the port of Toamasina: study completed
	1.04 Air transport - Malagasy civil aviation code drafted - Strategy for state divestment of airport system (Ivato and 4 airports): study pending approval
3. Roads program	3.01 Rail transport - Northern Network rolling equipment rehabilitated (2 track motor cars, 1 section car, and 20/30 railway cars) - Seven locomotives acquired, including 2 delivered to the Northern Network - Upkeep on Northern Network equipment performed: 3 locomotives, 2 light rail tractors, 1 section car
	3.02 Maritime transport - Rehabilitation of 6 ports and expansion of 2 ports: studies completed - Rehabilitation of Mahajanga quay: work completed
	3.03 Air transport - Rehabilitation of airport buildings (Ambatondrazaka, Manakara) - Air terminal construction and general aviation (Ivato): work completed - ACM computerization and territorial entry/exit completed

III. DEPARTMENT OF PUBLIC WORKS

A. STRATEGIC FOCUSES	ACTIONS				
1. Good governance	1.01 Technical and financial audit of the FER completed				
3. Roads program	3.01 Roads resurfaced: 3,200 km total				
	Reconstruction:		Surface	Subtotal	
		- 4 APS projects completed	60 km	1,165 km	
		- 6 calls for bids	764 km		
		- 4 contracts awarded covering: (2 new construction sites opened)	341 km		
	Rehabilitation:				
		- 2 APS projects completed	302 km	1,176 km	
		- 3 calls for bids	213 km		
		- 9 contracts awarded covering: (3 new construction sites opened)	532 km		
		- 2 construction sites finished	129 km		
	Periodic maintenance				
		- 1 APS project completed	202 km	859 km	
		- 7 calls for bids	657 km		
	3.02 Roads and dirt tracks 3,237 km total				
	Leveling of major highways			Subtotal	
		- 8 calls for bids	1,138 km	2,208 km	
		- 6 contracts awarded	1,070 km		
	Repair of rural roads				
		- 37 contracts awarded	286 km	1,029 km	
		- 22 construction sites finished	743 km		
		3.03 Current upkeep: 5,800 km of roads maintained (3,500 km resurfaced)			

**DEPUTY PRIME MINISTER'S OFFICE, MINISTRY OF TRANSPORT, PUBLIC WORKS
and regional development**

B. DEPARTMENT OF REGIONAL DEVELOPMENT

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Completed urban development strategies and master plans (SDUs and PDUs) for the 6 provincial capitals and Antsirabe
3. Roads program	3.01 Area development - Plain of Ankotoana, 2,500 ha: studies completed
	3.02 Protect cities against major risks: - Protection of 1.3 km of the Vatondry coastline: studies completed - Water studies on Farahantsana: physical model completed - Rehabilitation of dikes of the Mamba: 100 meters completed
	3.03 Equip cities: Nosy Be, Ambatondrazaka, Fort Dauphin, Antananarivo, Toliara, Diego, Fianarantsoa 2 markets rehabilitated, surface area: 0.18 ha; 2 markets built, surface area: 1.5 ha 2 bus terminals rehabilitated, surface area: 1.08 ha 1 slaughterhouse built Tuléar underwater garden restored
	3.04 City street development: Nosy Be, Diego, Fianarantsoa, Toliara, Grand Tana - 17.5 km rehabilitated
	3.05 Urban rehabilitation: Antananarivo, Fianarantsoa, Toliara, Diego, Ambatondrazaka, Nosy Be and Ambilobe - Residential trash collection: 145 tanks, 4 tractors, 8 two trucks acquired - 24 toilet facilities, 23 washhouses, 36 standpipes, 1 shower constructed - Waste water networks built or rehabilitated

MINISTRY OF JUSTICE

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Strengthen inspection and control missions of prison jurisdictions and institutions by the Control Department of the Ministry and training in control by the Supreme Court, on 10 sites
	1.02 Train 50 magistrates in inspection and control
	1.03 Process 230 long-detention criminal cases
	1.04 Train 12 magistrates and 8 court clerks for improved functioning of the Commercial Courts
	1.05 Public prevention and education actions: - 4 radio broadcasts per month - 2 television broadcasts per month - Editing and publication of 10,000 copies of judicial brochures on the structure of the judiciary, the rights and duties of citizens - Translation of penal sentences into Malagasy
	1.06 Train magistrates, court clerks, subprefects responsible for monitoring vital statistics to restore the public records of vital statistics in three jurisdictions: Antsirabe, Fianarantsoa, Antananarivo
	1.07 Strengthen security and improvement of prison conditions in 7 penal institutions
	1.08 Revive the activities of 5 penal work camps leading to a self-sufficient food supply, and improvement of nutrition and sanitary conditions of detainees
	1.09 Create an anti-corruption reception unit in the jurisdiction of Antananarivo to intensify the fight against corruption

MINISTRY OF THE INTERIOR AND ADMINISTRATIVE REFORM

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Fight against corruption: studies on computerization of personnel management, monitoring of foreigners and 6 registration centers
	1.02 Devolution: - Draft legislation creating and defining state administrative districts - Draft legislation delimiting the powers of heads of state administrative districts - Draft legislation setting forth the terms of compensation, benefits and privileges granted to heads of state administrative districts - Establishment of 15,331 <i>Fokontany</i> and 61,324 <i>Fokonolona</i>
	1.03 Publish regulations related to communal elections
	1.04 Prepare and organize communal elections
	1.05 Rehabilitate public record keeping: organization of 13 regional training sessions for 22 Prefects, 22 Assistant Prefects, 89 deputies, and 31 lower court judges
	1.06 Strengthen administrative resources: - Construction and rehabilitation of central administrative buildings - Rehabilitation of offices of 2 prefectures and 3 subprefectures - Acquisition of 25 typewriters and 21 computers
2. Security	2.01 Civil protection: - Establishment of the legal framework and operational status of the national (CNS), regional (6 CRSs) and local agencies responsible for risk management and disaster relief - Training of 50 volunteer rescue workers and provision of minor rescue equipment, fire truck and two power pumps to fire fighters in Mahajanga - Provision of a fire truck and two mobile pumping trucks to Mahajanga fire fighters
	2.02 Civil defense: - Implementation of the DINA public safety conventions in 23 subprefectures characterized as "problem areas" - Control of weapons and explosive substances (complete listing of civilians in possession of firearms)

MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH

C.

D. DEPARTMENT OF HIGHER EDUCATION

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Finalize 3 public-private partnerships
	1.02 Infrastructure for university construction
4. Rural development	4.01 Produce 50,000 shrub acacia plants in the Mid-West region
	4.02 Treat 100 ha with biopesticides, dosage: 1.5 x 1,013
	4.03 Produce 2,800,000 doses of veterinary vaccines
	4.04 Sixty percent of rural communes covered by CVP/TMP networks in the Antananarivo <i>Faritany</i> , to reduce the rate of avian mortality from 80 percent to 5 percent.
	4.05 Seventy percent of cattle of the Antsalova AEBA vaccinated , to reduce from 40 percent to 7 percent the prevalence of clostridia in vaccinated sentinel herds
	4.06 Produce 10 tons of improved rice variety seeds with the objective of boosting yields to 4 tons per hectare
5. Education	5.01 Continuing education for 150 middle school (CEG) teachers (using ICT)
	5.02 Train 8 mediators
	5.03 Train 20 database network administrators
	5.04 Install infrastructure for 14 Intranet/Extranet networks in universities, and upgrade computer hardware resources
	5.05 Establish a Doctoral degree in IT using the Research/Training/Production model.

MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH

E.

F. DEPARTMENT OF SCIENTIFIC RESEARCH

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Create a National Human Resources Development Observatory (ONDRH)
	1.02 Develop the Master Plan for Higher Education and Scientific Research (PDESRES)
	1.03 Finalize three national and international public-private partnerships
5. Education	5.01 Continuing education for 150 middle school (CEG) teachers (using ICT)
	5.02 Train 8 mediators
	5.03 Train 20 database network administrators
	5.04 Install infrastructure for 14 Intranet/Extranet networks in universities, and upgrade computer hardware resources
	5.05 Establish a Doctoral degree in IT using the Research/Training/Production model.
	5.06 Establish 10 permanent production activities (cash crops, livestock, rice growing, etc.) by 100 young peasant farmers from the Beforona region, supervised by teaching researchers from ESSA and 10 engineering students
	5.07 Create 5 training and research units
	5.08 Construct 6 housing units for 180 students
4. Rural development	4.01 Produce 25,000 acacia shrubs in the Mid-West region
	4.02 Establish 1 multi-purpose biopesticides laboratory able to treat 100 ha with a dosage of: 1.5 x 1,013
	4.03 Produce 2,800,000 doses of veterinary vaccines
	4.04 Coverage of 60% of rural communes by CVP/TMP networks in the Antananarivo <i>Faritany</i> , to reduce the rate of avian mortality from 80% to 5%.
	4.05 Vaccinate 70% of cattle of the Antsalova AEBA, to reduce from 40% to 7% the prevalence of clostridia in vaccinated sentinel herds
	4.06 Produce 10 tons of improved rice variety seeds with the objective of

	boosting yields to 4 tons per hectare through use of the technological packages issuing from research units (SRI, SRA, fertilization, etc.)
	4.07 Provide basic seeds and pre-basic seeds to seed producers or farmers' organizations: ▪ 3 tons of irrigated rice (Makalioka 34) ▪ 3 tons of irrigated rice (Mailaka) ▪ 3 tons of rainfed rice (all varieties) ▪ 1 ton of maize (Voalaso, Bakoly, IRAT 200) ▪ 100 kg of beans (Mahavatsy, Marohavana)
	4.08 Train 50 wholesale fish farmers and produce 2,000 adult fish using new growth techniques

MINISTRY OF PUBLIC SECURITY

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Transparency in processing cases: 5 inspections of 5 cases in the provinces
	1.02 Fight against corruption: train 2 managers, and conduct 20 spontaneous inspections in a variety of agencies
	1.03 Fight against administrative red tape: 5 spot checks in central and provincial agencies
	1.04 Train upper-level managers to streamline working methods: 2 training sessions of 30 managers each
2. Security	2.01 Construct 3 new Police Stations
	2.02 Rehabilitate 3 existing Police Stations
	2.03 Improve communication and intervention resources: 10 BLUs and 20 Walkie-Talkies, 4 four-wheel drive vehicles in the SAVA region and in areas with cattle theft (bordering on Tuléar-Fianarantsoa)
	2.04 Computerize agencies: 20 computers

MINISTRY OF FOREIGN AFFAIRS

<i>STRATEGIC FOCUSES</i>	<i>ACTIONS</i>
1. Good governance	1.01 Recognition of the African Union (AU)
	1.02 Acquire 50 computers and 1 Jeep
	1.03 Deliver 45 copies of the PRSP to the 15 offices representing Madagascar abroad
	1.04 Publish and send 50 quarterly reviews of the Ministry of Foreign Affairs to the 15 offices representing Madagascar abroad
	1.05 Publish and disseminate 1,000 brochures on economic development to the 15 offices representing Madagascar abroad
	1.06 Multimedia: - Intranet: internal network for 14 work stations - Internet: connections to 14 work stations - Web site: 1
2. Security	2.01 Grants of 30 Chinese military equipment lots to the Ministry of Defense
4. Rural development	4.01 Finalize 2 agreements with the RFA - Integrated management of natural resources in Farafangana and Vangaindrano - Institutional support to forestry policy (Polefor II)

MINISTRY OF THE ENVIRONMENT, WATER AND FORESTS

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Develop the necessary institutions and regulatory frameworks for protecting nature and the environment - Sustainable development policy for Madagascar's coastal and marine zones adopted - Strategy for managing humid zones finalized
	1.02 Promote innovative rules for preventing environmental damage - Development of standards for urban trash and waste - Preparation of a report inventorying the sources of marine pollution - Preparation of a national plan for fighting oil spills
	1.03 Promote inclusion of the environmental dimension in regional development plans - 14 green PCDs (Antananarivo: Tsinjoarivo, Bevato, Ambatolampy Fihaonana; Antsiranana: Ambakirana, Betiaka, Manambato; Fianarantsoa: Efatsy, Tsaravary, Ambontaka, Mavorano; Mahajanga: Belobaka; Toliara: Amkilivalo, Befotaka) - 60 communes initiate projects to conserve water and soil - Management of 7,500 ha of natural land resources transferred to local communities
	1.04 Promote use of the MECIE in all investments (public and private) - Environmental unit in each operating ministry
	1.05 Expand and extend the ban on issuance of new permits to forestry enterprises and the export of all precious woods
	4.01 Productive sectors - National reforestation program: leadership and training, coaching and follow-up of communal reforestation (400 communes) - Intensive reforestation in the four regions: Fénérive East, Moramanga/Ambatondrazaka, Southeast, South (400 ha) - Fight against brush fires: increased awareness in the 71 problem areas; revival of committees to fight wildfires - Support to rural substitution practices (agro-ecology, alternative energy sources, substitutes for slash-and-burn) - Restoration of ecological and economic functions of watersheds: launch of the first phase of the feasibility study for managing the Alaotra catchment basins.
	4.02 Natural resources - Promotion of long-term management of resources • Finalization of the Ramsar Manambolomaty site management project; 2 new Ramsar sites designated • 11 transfers of forest management (Soanierana Ivongo, Toamasina II, Vatomaniry, Mahanoro, Sainte Marie, Vavatenina, Fianarantsoa, Ambositra)

	• Plan for enhanced exploitation of raffia, prunus africana, cinnamon, medicinal plants - Permanent management of marine and coastal resources (7 sites managed, alternative activities for fishermen's wives) - Permanent financial support for the National Network of Protected Areas and development of mechanisms for lasting financing of environmental actions (legal documents governing implementation and structure of the Trust Fund developed and adopted)
5. Education	5.01 Promotion of environmental education and communication projects - Official adoption and dissemination of the regulations implementing the Environmental Education Policy (PERE) - Environmental module an integral part of the school curriculum

MINISTRY OF NATIONAL DEFENSE

STRATEGIC FOCUSES	ACTIONS
2. Security	2.01 Reduce insecurity by 50% in the following zones: 1. - Border of Fianarantsoa-Toliary (cattle theft – VB) - Border of Antananarivo-Mahajanga (cattle theft) - SAVA (Operation vanilla – OV)
	2.02 Improve means of communication and intervention (BLU, vehicles, etc.), especially in the SAVA region and in zones reporting cattle theft: - SAVA: 10 BLU (OV) ▪ 2 trucks - Fianarantsoa-Toliara (VB) ▪ 10 BLU, 4 trucks - Antananarivo-Mahajanga (VB) ▪ 10 BLU, 4 trucks
	2.03 Geographical coverage: 1 advanced post per Firaisana in the problem areas
	2.04 Safety on major highways 80% guaranteed: - Antananarivo-Mahajanga: 4 motorcycles - Antananarivo-Fianarantsoa-Toliara: 8 motorcycles - Antananarivo-Toamasina: 4 motorcycles

**MINISTRY ATTACHED TO THE OFFICE OF THE PRESIDENT OF THE REPUBLIC, RESPONSIBLE
FOR DECENTRALIZATION, DEVELOPMENT OF AUTONOMOUS PROVINCES AND COMMUNES**

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Organize 6 training workshops for managers in the 6 provincial departments
	1.02 Train 180 communal officials (on the basis of 10 communes per province and 2 persons per commune)
	1.03 Finalize 3 legal documents regarding the status of public recording secretaries, the suspension of mayors and the national printing office
	1.04 Control and follow-up the 60 pilot communes
	1.05 Promote creation of 2 Communal Solidarity Funds
	1.06 Identify 13 communes for extension of the HIMO-Urban project to Fort-Dauphin
5. Education	5.01 Control and follow-up of the use of funds allocated to EPPs of 60 communes

CIVIL SERVICE MINISTRY

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 The officials responsible for human resources management in the 22 ministries are informed regarding the transparent public administration as it impacts end-users of services
	1.02 Each of the 22 ministries is informed about, and applies the government's Circular on processing administrative cases within 72 working days.
	1.03 Each of the 22 ministries implements the government's Circular No. 002-2003-PM/SGG dated February 25, 2003
	1.04 Each of the 22 ministries implements the government's Circular requiring the posting of the following information (in Malagasy and French) in places easily seen by the end-users of the services: - Hours of service - Service free of charge (where applicable) - Fees for services (legal documents) - Time required for processing service requests
	1.05 Each of the 22 ministries implements the government's Circular

	requiring provision of a reception and information area for the public
5. Education	5.01 Five TVM televised broadcasts and 10 RNM radio broadcasts providing information on the obligations of civil servants devised and broadcast periodically
	5.02 ENAM functioning CNFA functioning

MINISTRY OF INDUSTRIALIZATION, TRADE AND PRIVATE SECTOR
DEVELOPMENT

G. DEPARTMENT OF INDUSTRY

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Rehabilitate SIDEMA - Audit and strategic recovery plan - Implementation of protective measures
	1.02 Draft legislation on Industrial Tax Free Zone regulations
	1.03 Three artisanal product promotion units (EPA) in the 6 provincial capitals
	1.04 Rehabilitate SIRAMA 2. - Preliminary work and start of negotiations with a private partner for lease-management of SIRAMA
	1.05 Finalize the processes of withdrawal and negotiation between the state and HASYMA

MINISTRY OF INDUSTRIALIZATION, TRADE AND PRIVATE SECTOR
DEVELOPMENT

H. DEPARTMENT OF TRADE

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Restore vanilla production - Draft on revision of regulatory documents - Establishment of a professional vanilla production organization
2. Security	2.01 Commercial reform Implementation in Tamatave and Antananarivo of regulations related to non-compliant products

MINISTRY OF INDUSTRIALIZATION, TRADE AND PRIVATE SECTOR
DEVELOPMENT

I. DEPARTMENT OF PRIVATE SECTOR DEVELOPMENT

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Strengthen the PPP through improved functioning of CAPE: - Operational Technical Secretariat, with office and Executive Secretary - Six regional CAPE antennas operational in provincial capitals
	1.02 Six Guides to the Establishment of a Business in the 6 provincial capitals

MINISTRY OF ENERGY AND MINES

STRATEGIC FOCUSES	ACTIONS
4. Rural development	4.01 Improve access to drinking water and sanitary facilities 3. - Midongy Atsimo: 1,483 inhabitants involved, 21 new standpipes, 1 public washhouse - Antanimbary: 2,000 inhabitants impacted, 15 new standpipes, 6,100 meters of pipe to be installed - Morondava: 4,500 inhabitants without service, 350 individual connections, 5 standpipes - Tolagnaro: 4,500 inhabitants involved, 350 individual connections, 5 new standpipes - Ambositra: 4,000 inhabitants involved, 300 individual connections, 5 new standpipes Tsiroanomandidy: 4,000 persons involved, 200 individual connections, 5 new standpipes
	4.02 Support local management of mineral resources in the regions of Sakaraha, Ilakaka and Vatomandry - Awareness achieved in 3 communes - Anticipated mining royalties: 120 M per zone - Increase in permits and AERPs granted, from 50 to 400 - AIDS awareness campaign reaching 2,000 persons per zone
	4.03 Improve access to electrical power in rural and suburban areas - Two electrified communes - 128 suburban villages connected to the power grid - 758 new subscribers connected to the SWER network - Three villages equipped with solar-powered kits

MINISTRY OF HEALTH

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Twelve DAAF agents trained in budget planning and credit management
	1.02 70 central service agency managers trained in budget planning
	1.03 111 medical inspectors, 111 health district assistant administrators, 6 DAAF heads Provincial Health Managers trained in budget planning and credit management
	1.04 200 guides for Recording Depositories published and disseminated to all Recording Depositories of the Ministry of Health
	1.05 76 Recording Depositories from the central office and provincial offices trained in goods accounting procedures using self-teaching methods
	1.06 One VAT one-stop shop established at the Ministry of Health
	1.07 Distribute 2,500 private-sector management guides to physicians in private practice
2. Security	2.01 Fifteen district hospital centers supplied with single sideband radios
	2.02 86 construction sites and 3 rehabilitation sites for 59 CSB2s and 30 CSB1s: T[19]; D[10]; F[18]; M[7]; A[9]; U[26], completed and equipped
	2.03 70 health facilities constructed (52) or rehabilitated (18): T[3]; D[6]; F[13]; M[2]; A[40]; U[6]
	2.04 12 mobile health units (2 per province) installed and operating
	2.05 15 intensive nutritional recuperation centers built and operating, costing MGF 330,000,000 per facility
4. Rural development	4.01 4,100 family latrines of sanplat type and 55 double-trench latrines on school compounds in the provinces of Toamasina, Antsiranana and Antananarivo
	4.02 300 drinking water supply systems (50 per province) identified (in CSBs)
	4.03 300 incinerators (50 per province) built in CHDs and CSBs
5. Education	5.01 5 Health schools established (3 in Antananarivo and 2 in Fianarantsoa)

MINISTRY OF CULTURE

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Improve management of human resources and financial management 4. - Train executives (Managing Directors, Directors, Ministry of culture) - Train ministerial managers
	1.02 Develop and implement - Document on cultural policy - Decree on the National Council on the Arts and Culture (CNAC) - General meeting of the CNAC - Artists' code
	1.03 Launch the "ART MADA" project - Training for cultural operators - Training sessions for movie theater owners - Training of stage actors
2. Education	2.01 Rehabilitate - Anahidrano museum building - Rova d' Ambohimanga - Mahajanga city cultural center - Arcades of Rova Manjakamiadana (support + protection)
	2.02 Construct - Manjakamiadana royal hut (BESAKANA) - 6 traditional huts in the 6 provincial cultural centers
	2.03 Establish and start up - Library - Museum: Cultural Center of Ste Marie - Art Gallery - Libraries: in provincial arts and cultural centers -Museums
	2.04 Organize cultural events - Regional festivals in Mahajanga - Regional festivals in Toamasina - Regional festivals in Antananarivo - Regional festivals in Fianarantsoa - International festival in Tanà - International contemporary dance competition
	2.05 Cultural identity awareness and mass education - Brochure on learning the Malagasy language - Audio-visual instructional aids

MINISTRY OF POPULATION

<i>STRATEGIC FOCUSES</i>	<i>ACTIONS</i>
1. Good governance	1.01 Web site of the Ministry of Population connected to the network
	1.02 Five regulatory documents on international adoption revised and made available at welcome centers and at Pupilles de la Nation
	1.03 Twelve regional councils of NGOs, 12 NGO approval committees in operation and 522 NGOs approved; 200 directories of certified NGOs drawn up
4. Rural development	4.01 Thirty-three women's associations supported as AGRs and 3 community centers created in Androy
	4.02 Twenty intervention agents and 100 persons connected to a network for protection against violence and sexual exploitation of children
	4.03 One thousand households (6,000 individuals) transferred to new housing and integrated into 5 new production zones (homeless, unemployed in rural and depressed urban neighborhoods)
	4.04 One thousand marginal households introduced to income-generating activities
	4.05 Five Kere sites in the south introduced to income-generating activities (fishing associations; farmers' associations)
5. Education	5.01 Four thousand reading and calculation manuals produced
	5.02 One thousand three hundred persons taught to read and write
	5.03 Four thousand nine hundred new learners at 140 new sites
	5.04 Updated skills for 40 instructors in Family and Children's Centers

MINISTRY OF YOUTH, SPORTS AND LEISURE

<i>STRATEGIC FOCUSES</i>	<i>ACTIONS</i>
1. Good governance	1.01 National colloquium for youth on the National youth program (PNJ) (resolution, adoption)
	1.02 Organize 4 awareness workshops in 4 cities targeting the fight against AIDS
	1.03 Participation in 2 games competitions (Island Games, African

	Games) in high-level sports
5. Education	5.01 Equipment for 6 new SRA sites
	5.02 Completion and equipping of Toamasina OPPS
	5.03 Publication of 1,000 guides for 100 trainers of neighborhood sports leaders
	5.04 Organization of a national emerging professionals competition
	5.05 Construction of 12 sports fields
	5.06 Rehabilitation work on 8 stadiums
	5.07 Rehabilitation of 3 buildings
	5.08 Rehabilitation of 3 youth centers
	5.09 Rehabilitation of 4 SRA sites

MINISTRY OF SECONDARY AND BASIC EDUCATION

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Finalize the central MINESEB Institutional Development Plan
5. Education	5.01 Roundtable with financial partners to secure their formal agreement on the content of the strategic reform plan and their contribution to its implementation
	5.02 EPT request sent to the Secretariat of IMOA-EPT
	5.03 EPT request discussed at the G8 meeting
	5.04 Provide school kit to 2,700,000 pupils , and provide 60,760 teachers with teaching kits - Governmen procurement contract signed with the successful bidder - Distribute school kits and teaching kits with cooperation of FAF and FRAM
	5.05 EPT funding included in the 2004 budget (including HIPC initiative)
	5.06 School fund provided to 19,181 primary and public schools - School fund transferred to the accounts of CISCOS - School fund deposited in FAFs
	5.07 School books provided to 2,700,000 public and private primary school pupils , and 60,760 public and private school teachers trained in use

	of the books
	5.08 Partial state funding of 8,000 substitute teachers and FRAM
	5.09 Recruit 1,658 new teachers
	5.10 New classrooms built and classrooms in poor condition rehabilitated in 707 primary schools

MINISTRY OF LABOR AND SOCIAL LEGISLATION

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Finalize the law governing the Labor Code - Submit to the government - Present to Parliament
	1.02 Draft law regulating OSIES presented to the Cabinet - Inspection and control of EPZ enterprises - Five enterprises per week - One Hundred twenty enterprises in 6 months - Inspection and control of enterprises under ordinary law - Ten enterprises per week - Two hundred forty enterprises in 6 months
	1.03 Establish a one-stop shop for work permit authorization procedures - Processing of work permit requests - Twenty-five requests processed per week - Seven hundred twenty requests processed in 6 months

MINISTRY OF POSTAL SERVICES, TELECOMMUNICATIONS AND COMMUNICATIONS

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Privatize TELMA
	1.02 Twenty public-access telephone centers , to improve access to information and communications
2. Security	2.01 Provide access to rural areas: 5 isolated areas lacking telephones connected by satellite

MINISTRY OF ECONOMY, FINANCE AND BUDGET

<i>STRATEGIC FOCUSES</i>	<i>ACTIONS</i>
1. Good governance	1.01 Financial management - Establish a committee to monitor reform measures - Finalize the organic law and legal documents related to budget management - Finalize the new Government Contracting Code - Finalize regulations on establishment of IGF - Treasury audit
	1.02 Customs Service - Rate reform for 2004 (integrate in Budget Law) - Reduce time to clear customs in airports (24 hours) - Reduce time to process containers (48 hours)

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHING

J. DEPARTMENT OF AGRICULTURE

<i>STRATEGIC FOCUSES</i>	<i>ACTIONS</i>
1. Good governance	1.01 Perform 10 audits
	1.02 Create 3 regional chambers, 30 departmental chambers and 500 forums
	1.03 Strengthen the assets of the interprofessional platforms for rice growers
	1.04 Distribute 2,000 planters' maps and 2,000 dibbers (with GES)
3. Roads program	3.01 Rehabilitate 78 km of RIP and 65 km of inter-communal roads in the South (Upper basin of Madrare)
	3.02 Rehabilitate 35 km of access roads in the SAVA region
	3.03 Restore 2 landing strips (in Mandritsara and Soadona)
4. Rural development	4.01 Support the 6 biodiversity activities within the framework of the PSDR
	4.02 Train 6 teams on environmental impact, with 180 agents trained
	4.03 Undertake erosion control measures in 9 communes
	4.04 Undertake 2 limited agricultural surveys for the purpose of installing the information system

	4.05 Finalize a 30-year land tenure plan
	4.06 Distribute 23,000 land titles
	4.07 Restore 16,330 ha of irrigated land, including 980 ha in the South, 750 ha in the SAVA region, 500 ha in Be Mangoky, 2,100 ha in the cyclone damage restoration program, and 12,000 ha by the PSDR
	4.08 Improve functioning of irrigation canals over 25,500 ha (Dabara, Marovoay, Alaotra)
	4.09 Maintain 210 km of irrigation canals in the Southeast
	4.10 Sell 4,500 pieces of farm equipment in the framework of small farm equipment operations
	4.11 Finance 543 agricultural subprojects and 83 crop storage units in the 6 provinces
	4.12 Create 1,500 demonstration plots for a variety of crops
	4.13 Organize farming competitions at the national and regional level
	4.14 Treat 80% of land infested with locusts
	4.15 Finance 60 transformation units and 191 under non-farm projects by the PSDR
	4.16 Construct 10 wells in the South (upper basin of Mandrare)
	4.17 Establish a system to facilitate access to fertilizers in 3 pilot areas (VOUCHER)
	4.18 Distribute 10,000 tons of fertilizer
	4.19 Support for 20 GTDRs
	4.20 Follow-up recommendations of the workshop on rural micro financing
	4.21 Improve the rate of penetration of rural financing, from 3 percent to 5 percent
	4.22 Revise the national land registry law
	4.23 Improve the status and compensation of managers of Water Utility Users' Associations
	4.24 Submit a bill on a maintenance fund for irrigation networks
	4.25 Draw up 200 communal development plans

	4.26 Prune 780,000 coffee plants in the eastern regions
	4.27 Distribute 220,000 robusta coffee plants, 100,000 arabica plants, 6,000 clove plants, 20,000 pepper plants, and 8,000 lychee plants
5. Primary education	5.01 Construct 11 schools, including 10 in the South (upper basin of Mandrare) and 1 in the Midwest
	5.02 Teach 970 persons in the upper basin of Mandrare project to read and write

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHING

K. DEPARTMENT OF LIVESTOCK

<i>STRATEGIC FOCUSES</i>	<i>ACTIONS</i>
2. Security	2.01 Create 1,100,000 identity cards for cattle
	2.02 Equip 10 animal markets
3. Roads program	3.01 Rehabilitate 225 km of diary farm roads in the region of Vakinakaratra
4. Rural development	4.01 Inseminate 1,500 cows (FIFAMANOR)
	4.02 Build 41 vaccination stalls (PSDR)
	4.03 Build 26 drinking troughs (PSDR)
	4.04 Vaccinate 40% of cattle
	4.05 Finance 483 subprojects on livestock (PSDR)
	4.06 Build 32 slaughterhouses (PSDR)
	4.07 Build a slaughterhouse in Antsirabe
	4.08 Broadcast 580 radio and/or television advertising spots to increase livestock farmers' awareness
	4.09 Train 50 agents in monitoring animal diseases
	4.10 Train 20 agents in use of identity cards for cattle

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHING

L. DEPARTMENT OF FISHING

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Establish 2 zones for intensive planning: ZAC (Bay of Ambaro and Morondava)
	1.02 Draw up and publish a typical protocol, compliant with the existing legislative framework
	1.03 Organize a workshop on recovery of the lobster industry in the South (GOLDS)
2. Security	2.01 Undertake 240 monitoring missions
4. Rural development	4.01 Transfer management of 30 water resources or other natural resources
	4.02 Restock 30 lakes (Alaotra, Itasy, Konkony)
	4.03 Launch a project to inventory fishing resources to serve as the basis of a long-term management plan
	4.04 Finance 99 fish farming infrastructures in the 6 provinces (PSDR)
	4.05 Finance 190 fishing subprojects in the 6 provinces (PSDR)
	4.06 Produce 6 million fries

MINISTRY OF TOURISM

STRATEGIC FOCUSES	ACTIONS
1. Good governance	1.01 Improve passenger reception in international and regional airports - Identify problems and propose solutions - Implement solutions in 3 major airports
	1.02 Improve procedures for granting visas for business travelers and expatriate workers - Review visa granting procedures - Implement changes
	1.03 Open sky policy for air transport - Review the air transport liberalization code - Identify incentives for private companies offering internal flights
	1.04 Privatize government-owned hotels - Audit hotels fully or partially owned by the state. Priorities: Zahamotel, Betty Plage, Hilton, Hôtel des Thermes - Develop privatization outline(s) - Draw up and submit to discussion a legal framework governing management, leasing, operation and sale of hotels - Implement and ensure compliance of state-owned hotels with current legislation
2. Security	2.01 - Identify new types of activities related to tourism that might serve as alternative employment and/or supplementary employment for peasant farmers in the province of Antananarivo - Implement 1 pilot project in the province of Antananarivo
3. Roads program	3.01 Enhance tourism sites - Inventory sites and prioritize in line with the roads program (sites located along RN 1 (Antananarivo-Tsiroanomandidy) and RN 43 (Analavory-Sambaina) - Create access to sites and enhance their tourism value either by making them RFTs or by using them as tourism products
4. Rural development	4.01 Promote investment in the Tourism Land Reserves (RFTs) created - Study creation of 3 RFTs by decree and draw up development plans (Cirque rouge, Morondava and Manambato) - Fence off 3 RFTs created (Ankarana, Andavadoaka and Manombo) - Make the 3 RFTs available to investors (Isalo, Ankarana and Montagne d'Ambre)
5. Education	5.01 Popularize the concept of ecotourism Action 1: Education/training in 3 localities

A-II. ACTION PLAN FOR 2004
ACCORDING TO THE THREE STRATEGIC FOCUSES

As is true for the overall PRSP, programming and budgeting for the activities are the result of a lengthy participative process. This annex provides the plan of budgeted activities prepared by the sectoral ministries for 2004. The budgeting of sectoral action plans in connection with the Public Investment Program is consistent with the macroeconomic framework, which are based on assumptions of substantial economic growth driven by a major increase in public and private investment, and pertains essentially to priority actions.

SUMMARY A-II. ACTION PLAN FOR 2004 ACCORDING TO THE THREE STRATEGIC FOCUSES

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PUBLIC INVESTMENT PROGRAM

Summary of Budget Projections for 2004 Action Plans

PUBLIC AUTHORITIES	GRAND TOTAL	155.2
	RAISED	120.3
	TO BE RAISED	34.9
SOVEREIGNTY	GRAND TOTAL	70.5
	RAISED	70.5
	TO BE RAISED	0.0
FINANCE	GRAND TOTAL	271.7
	RAISED	197.7
	TO BE RAISED	74.0
INTERIOR	GRAND TOTAL	11.3
	RAISED	10.0
	TO BE RAISED	1.3
FOP	GRAND TOTAL	9.0
	RAISED	8.0
	TO BE RAISED	1.0
DECENTRALIZATION	GRAND TOTAL	57.3
	RAISED	50.7
	TO BE RAISED	6.6
TOURISM	GRAND TOTAL	8.7
	RAISED	1.9
	TO BE RAISED	6.8
MINISTRY OF ENERGY AND MINES (MEM)	GRAND TOTAL	346.0
	RAISED	122.8
	TO BE RAISED	223.2
AGRICULTURE	GRAND TOTAL	311.5
	RAISED	310.5
	TO BE RAISED	1.0
ENVIRONMENT	GRAND TOTAL	181.7
	RAISED	181.7
	TO BE RAISED	0.0
INFRASTRUCTURE	GRAND TOTAL	1 409.4
	RAISED	849.0
	TO BE RAISED	560.4
POSTAL SERVICES AND TELECOMMUNICATIONS (PTT)	GRAND TOTAL	9.7
	RAISED	8.1
	TO BE RAISED	1.6
MINISTRY OF INDUSTRY, TRADE, AND PRIVATE SECTOR DEVELOPMENT (MICDSP)	GRAND TOTAL	31.1
	RAISED	19.1
	TO BE RAISED	12.0
MINISTRY OF SECONDARY AND BASIC EDUCATION (MINESEB)	GRAND TOTAL	220.0
	RAISED	196.2
	TO BE RAISED	23.8
HIGHER EDUCATION	GRAND TOTAL	93.9
	RAISED	64.5
	TO BE RAISED	29.4
HEALTH	GRAND TOTAL	328.8
	RAISED	157.5
	TO BE RAISED	171.3
SOCIAL WELFARE	GRAND TOTAL	260.1
	RAISED	116.4
	TO BE RAISED	143.7
OVERALL	GRAND TOTAL	3 775.9
	RAISED	2 484.9

	TO BE RAISED	1 292.0
HIPC INITIATIVE		123.7
FRAMEWORK	GRAND TOTAL	3 924.2
	RAISED	2 484.9
	TO BE RAISED	1 439.3

STRATEGIC FOCUS 1: Restore the rule of law and a well governed society

PUBLIC AUTHORITIES: Presidency, Senate, National Assembly, Constitutional High Court, Prime Minister's Office, Foreign Affairs, Justice

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions 2004
Restore the rule of law and a well governed society	Ensure a favorable environment for rapid, sustainable development	1. Governance and fight against corruption	1.1. Civil Service Reform	
			1.2. Administrative reform	
			1.3. Management of public affairs	
			Subtotal 1	
		2. Governance and respect for democracy	2.1. Transparency and respect for the people's choice	
		3. Governance and rule of law	Subtotal 2	
			3.1. Justice	
			3.2. Security	
			3.3. Civil defense	
			3.4. Rule of law	
		4. Local governance	Subtotal 3	
			4.1. Decentralization and strengthening of the communes	
			4.2. Effective deconcentration of government	
			Subtotal 4	
			GRAND TOTAL	155.2
			RAISED	120.3
			TO BE RAISED	34.9

STRATEGIC FOCUS 1: Restore the rule of law and a well governed society
SOVEREIGNTY: National Defense, Public Security

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG Billions 2004
Restore the rule of law and a well governed society	Ensure a favorable environment for rapid, sustainable development	1. Governance and fight against corruption	1.1. Civil Service Reform 1.2. Administrative reform 1.3. Management of public affairs Subtotal 1	
		2. Governance and respect for democracy	2.1. Transparency and respect for the people's choice Subtotal 2	
		3. Governance and rule of law	3.1. Justice 3.2. Security 3.3. Civil defense 3.4. Rule of law Subtotal 3	
		4. Local governance	4.1. Decentralization and strengthening of the communes 4.2. Effective deconcentration of government Subtotal 4	
			GRAND TOTAL	70.5
			RAISED	70.5
			TO BE RAISED	0.0

STRATEGIC FOCUS 1: Restore the rule of law and a well governed society
ECONOMY AND FINANCE: Economy, Finance, Budget

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions	
				2004	
Restore the rule of law and a well governed society	Ensure a favorable environment for rapid, sustainable development	1. Governance and fight against corruption	1.1. Civil Service Reform		
			1.2. Administrative reform		
			1.3. Management of public affairs		
			Subtotal 1		
		2. Governance and respect for democracy	2.1. Transparency and respect for the people's choice		
			Subtotal 2		
			3.1. Justice		
			3.2. Security		
		3. Governance and rule of law	3.3. Civil defense		
			3.4. Rule of law		
			Subtotal 3		
			4.1. Decentralization and strengthening of the communes		
		4. Local governance	4.2. Effective deconcentration of government		
			Subtotal 4		
			GRAND TOTAL		271.7
			RAISED		197.7
			TO BE RAISED		74.0

STRATEGIC FOCUS 1: Restore the rule of law and a well governed society
GENERAL GOVERNMENT: Ministry of the Interior and Administrative Reform

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions
				2004
Restore the rule of law and a well governed society	Ensure a favorable environment for rapid, sustainable development	1. Governance and fight against corruption	1.1. Civil Service Reform	0.0
			1.2. Administrative reform	1.9
			1.3. Management of public affairs	2.0
			Subtotal 1	3.9
		2. Governance and respect for democracy	2.1. Transparency and respect for the people's choice	0.0
			Subtotal 2	0.0
		3. Governance and rule of law	3.1. Justice	
			3.2. Security	
			3.3. Civil defense	0.5
			3.4. Rule of law	
			Subtotal 3	0.5
		4. Local governance	4.1. Decentralization and strengthening of the communes	6.9
			4.2. Effective deconcentration of government	
			Subtotal 4	6.9
			GRAND TOTAL	11.3
			RAISED	10.0
			TO BE RAISED	1.3

STRATEGIC FOCUS 1: Restore the rule of law and a well governed society
GENERAL GOVERNMENT: Civil Service

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions 2004
Restore the rule of law and a well governed society	Ensure a favorable environment for rapid, sustainable development and to fight corruption and favoritism	Reduce practices of corruption in the civil service	1.1. Development of a favorable working environment (environmental motivation) Subtotal 1	7.1 7.1
	Prepare and execute a program to reform the civil service to make it more effective	Modernize management of civil servants through the implementation of a single data file	2.1. Development of human resource management networks among the various ministerial departments 2.2. Implementation of an Internet system (central and provincial); creation of a website for the civil service as a whole Subtotal 2	1.6 0.3 1.9
		Ensure quality of professional training for civil servants	3.1 Strengthening of the skills of graduates of occupational training schools (Malagasy Administration—ENAM, CNFA, etc.) to serve the government Subtotal 3 GRAND TOTAL	0.0 0.0 9.0
			RAISED	8.0
			TO BE RAISED	1.0

STRATEGIC FOCUS 1: Restore the rule of law and a well governed society

GENERAL GOVERNMENT: Decentralization, Development of Autonomous Provinces and Communes

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions 2004	
Restore the rule of law and a well governed society	Ensure a favorable environment for rapid, sustainable development	1. Governance and fight against corruption	1.1. Civil Service Reform		
			1.2. Administrative reform		
			1.3. Management of public affairs		
			Subtotal 1		
		2. Governance and respect for democracy	2.1. Transparency and respect for the people's choice		
			Subtotal 2		
			3.1. Justice		
			3.2. Security		
		3. Governance and rule of law	3.3. Civil defense		
			3.4. Rule of law		
			Subtotal 3		
			4.1. Decentralization and strengthening of the communes		
		4. Local governance	4.2. Effective deconcentration of government		
			Subtotal 4		
			GRAND TOTAL		55.6
			RAISED		49.2
			TO BE RAISED		6.4

STRATEGIC FOCUS 2: Accelerate growth through increased, effective investment and through opening up the world economy

TOURISM

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions 2004
Foster and promote economic growth on a broad social base	Achieve an economic growth rate of 8-10 percent	1. Development of growth sectors: tourism	1.1. Preparation of an outline and policy for tourism 1.2. Activation of the National Council for Tourism Development 1.3. Upgrading of the artisanal tourism sector and its components 1.4. Develop the plan to fight sex tourism and HIV/AIDS GRAND TOTAL	8.7
			RAISED	1.9
			TO BE RAISED	6.8

**STRATEGIC FOCUS 2: Accelerate growth through increased, effective investment and through opening up the world economy
ENERGY, MINING, AND SANITATION**

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions
				2004
Foster and promote economic growth on a broad social base	Achieve an economic growth rate of 8-10 percent	1. WATER AND SANITATION	1.1. Pilot project to supply drinking water and sanitation to rural areas (PAEPAR);	165.3
			• 1.2. Sanitation, Drinking Water, Environmental Primary Care Project (AEPSPPE);	
			1.3. Project to upgrade integrated management of water resources in southern Madagascar	
			1.4. Project to exploit groundwater in southwest Madagascar	
			1.5. Project in connection with the Heavily Indebted Poor Countries (HIPC) initiative	
			1.6. National program to supply drinking water to urban areas	
			1.7. Strategic urban sanitation plan	
			1.8. National program to supply drinking water to rural areas	
			1.9. Rural drinking water supply and sanitation project in the deep south of Madagascar	
			1.10 Rehabilitation and strengthening of water systems in Antananarivo	
		2. Energy	1.11 Development of water resources, and extension and modernization of drinking water distribution systems in the cities of Antananarivo and Antsirabe	117.7
			1.12. National program on integrated, rational, and sustainable management of water resources	
			1.13. Water, sanitation, and hygiene program	
			1.14. Servicing of decentralized communities	
			1.15 Emergency projects	
			Subtotal 1	
			2.1. Institutional reform	
			2.2. Electrification, production, transportation, and distribution of energy	
			2.3. Sustainable management of the supply of wood for energy use	
			2.4. Improved energy supply	
		3. Mining and geology	Subtotal 2	63.0
			3.1. Publication of a number of implementing texts: mining code, by-laws for the Mining Code (IGM), LGIM, BAM, establishment of the Gemology Institute of Madagascar	
			3.2. Study on an overhaul of the taxation system for mining	
			3.3. Decentralization of mineral resource management	
			Subtotal 3	
			GRAND TOTAL	
			RAISED	
			TO BE RAISED	
				346.0
				122.8
				223.2

STRATEGIC FOCUS 2: Accelerate growth through increased effective investment and opening up to the world economy

RURAL DEVELOPMENT: Agriculture, Livestock, Fishing

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions
				2004
Foster and promote economic growth on a broad social base	1. Increase agricultural productivity and acreage under crop	AGRICULTURE, LIVESTOCK, and FISHING	1.1. Intensification of animal and plant production	34.7
			1.2. Control of animal disease	4.0
			1.3. Development of irrigated perimeters and surrounding catchment basins	80.0
			1.4. Implementation of the anti-locust surveillance system and strengthening of the natural disaster forecasting, monitoring, and warning system	39.3
			1.5. Support for the organization and professionalism of producers	1.1
			1.6. Restoration of agricultural mechanization	1.8
			1.7. Intensification of research applied to rural development	9.5
			Subtotal 1	170.4
	2. Promote small-scale investment in rural areas and partnerships between farmers' groups and the private sector		2.1. Development of income generating activities	6.0
			2.2. Implementation of adapted financing systems	67.4
			2.3. Development of production and operating infrastructures	4.1
			Subtotal 2	77.5
	3. Promote agrofood exports and improve product quality		3.1. Development of growth sectors	29.3
			Subtotal 3	29.3
	4. Ensure transparent resource management		4.1. Strengthening of information systems for rural development	3.9
			4.2. Institutional support	4.9
			4.3. Extension of research results	8.8
			Subtotal 4	17.6
	5. Facilitate producers' access to land resources		5.1. Securing land tenure	1.1
			5.2. Support for the organization and professionalism of producers	14.3
				1.3

			5.3. Implementation of the national land tenure program	16.8
			Subtotal 5	311.5
			GRAND TOTAL	310.5
			RAISED	1.0
			TO BE RAISED	

STRATEGIC FOCUS 2: Accelerate growth through increased effective investment and opening up to the world economy
RURAL DEVELOPMENT: Environment, Water, and Forests

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions
				2004
Foster and promote economic growth on a broad social base	Achieve and economic growth rate of 8-10 percent	ENVIRONMENT, WATER, AND FORESTS	1.1. Promote a national reforestation program aimed at improving living conditions for the population	46.8
			1.2. Develop institutions and the regulatory frameworks required to protect the environment and nature (good governance)	7.0
			1.3. Promote sustainable natural resource management	49.1
			1.4. Fight wildland fires	5.0
			1.5. Ensure sustainable management of marine and coastal resources	3.0
			1.6. Ensure financial sustainability of the national network of protected areas and develop sustainable mechanisms to finance environmental activities	41.0
			1.7. Promote accounting systems for public and private investments in connection with the environment	3.6
			1.8. Promote innovative regulations to prevent hazards	1.6
			1.9. Support rural substitution practices (agroecology, energy, alternatives to slash and burn methods [<i>kavyi</i>])	0.8
			1.10. Promote environmental education and communication activities	8.0
			1.11. Promote integration of the environmental dimension into regional and local development plans	4.5
			1.12. Restore the ecological and economic functions of catchment basins in regions with substantial development potential	11.2
			GRAND TOTAL	181.7
			RAISED	181.7
			TO BE RAISED	-0.0420

STRATEGIC FOCUS 2: Accelerate growth through increased effective investment and opening up to the world economy
DEVELOPMENT AND INCREASED DENSITY OF STRUCTURING INFRASTRUCTURE

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions	
				2004	
Foster and promote economic growth on a broad social base 1 st figure: Sectoral Transportation Program (PST) 2 nd figure: DT/ Port, Marine and Waterways Agency (APMF)/ civil aviation authority (ACM)	A. Ensure effective coordination of economic programs	Development and increased density of structuring infrastructure	A. Management of economic programs	13.1	
			Subtotal A	13.1	
	B1. Facilitate international transportation B2. Improve political, institutional, and regulatory framework of the road transportation sector B3. Promote proper operation of railroads by private enterprises B4. Improve quality of port, marine, and river transportation services and reduce costs B5. Encourage development of competitive air transportation B6. Promote intermediate means of transportation		B. Transportation	1.0	
			Subtotal B	180.4	
	C1. Capacity building - Ensure effective MO and MOD C2. Develop new trunk	Development and increased density of structuring	C. Public works	33.7	
				98.3	
				448.4	

	roads	infrastructures		137.6
	C3-1. Rehabilitate 14,000 kilometers of national roads			
	C3-2. Rehabilitate 2,000 kilometers of rural roads per year			175.0
	C4. Ensure maintenance of the entire national and provincial road system		Subtotal C	893.0
	D. Provide sanitation for cities and development of urban infrastructures			308.4
			Subtotal D	308.4
	E. Strengthen the national meteorological capacity			14.4
			Subtotal E	14.4
			GRAND TOTAL	1 409.4
			RAISED	849.0
			TO BE RAISED	560.4

STRATEGIC FOCUS 2: Accelerate growth through increased effective investment and opening up to the world economy
POSTAL SERVICES, TELECOMMUNICATIONS, AND COMMUNICATIONS

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions
				2004
Foster and promote economic growth on a broad social base	Contribute to human development, USING the power of Information and Communication Technologies (ICT) tools	Development and increased density of structuring infrastructure: postal services, telecommunications, and communications	1. ICT for all	8.7
			2. Development of postal financial services	1.0
			GRAND TOTAL	9.7
			RAISED	8.1
			TO BE RAISED	1.6

**STRATEGIC FOCUS 2: Accelerate growth through increased effective investment and opening up to the world economy
INDUSTRY, TRADE, AND PRIVATE SECTOR DEVELOPMENT**

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions
				2004
Foster and promote economic growth on a broad social base	Revitalize the private sector to achieve a growth rate of 12-14 percent	1. Development and revitalization of the private sector	1.1. Promote domestic and foreign private investment	9.5
			1.2. Strengthen national competitiveness	8.6
			1.3. Revitalize export processing zones (EPZs)	4.1
			1.4. Promote public-private partnership	2.8
	Open the Malagasy economy to full competition to reduce costs and improve quality	2. Opening up to world competition	2.1. Integrate Madagascar into the regional and international spheres of development	2.0
			2.2. International markets	4.1
			GRAND TOTAL	31.1
			RAISED	19.1
			TO BE RAISED	12.0

STRATEGIC FOCUS 3: Foster and promote systems for establishing human and material security and broader-based social welfare
HIGHER EDUCATION AND SCIENTIFIC RESEARCH

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG
				billions 2004
Foster and promote systems for establishing human and material security and broader-based social welfare	Provide basic education for all Malagasy citizens—Education for All—and upgrade the country's human resources	1.1. Anticipate, lead, and accompany economic, social, and cultural development within the framework of poverty reduction 1.2. Establish fundamental knowledge and know-how essential to economic, social, and cultural development 1.3. Use all possible mechanisms to disseminate knowledge to the different sectors of the Malagasy population—and more specifically to young people—to solve their practical problems, with a view to sustainable development	1. Conduct forward-looking research in the areas of economic, technical, social, and cultural development (establishment of regional university institutes [<i>vohijery</i>], recruitment of instructors, and establishment of partnerships) 1. Redefine a university charter 2. Develop training	
			1. Create regional university institutes (IUR)	
	Ensure the quality of education at all levels	2.1. Ensure better conditions for research and training 2.2. Ensure a better environment for studies	1. Standardize infrastructure, material, and equipment 1. Increase accommodation capacity	
			GRAND TOTAL	93.9
			RAISED	0.0
			TO BE RAISED	93.9

STRATEGIC FOCUS 3: Foster and promote systems for establishing human and material security and broader-based social welfare
BASIC EDUCATION AND OCCUPATIONAL TRAINING

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions
				2004
Foster and promote systems for establishing human and material security and broader-based social welfare	Provide basic education for all Malagasy citizens—Education for All—and upgrade the country's human resources to meet quantitative and qualitative needs for labor in economic activity sectors	Education	Guarantee equal access to education by constructing and equipping rural school facilities	114.4
			Reduce the percentage of students repeating at the basic education level, first cycle, and ensure that all Malagasy citizens complete this cycle	59.5
			Gradually implement high quality 9-year basic education	22.2
			Train and instruct young people in keeping with socioeconomic requirements at the national and regional levels, and develop production capacity and working capacity of assets in the basic production, traditional, and artisanal sectors.	6.5
			Total, Objective 1	202.6
			Improve internal effectiveness	8.7
			Improve external effectiveness	6.4
			Improve management of the system	2.3
			TOTAL, OBJECTIVE 2	17.4
			GRAND TOTAL	220.0
	Improve the quality of education and training at all levels		RAISED	196.2
			TO BE RAISED	23.8

STRATEGIC FOCUS 3: Foster and promote systems for establishing human and material security and broader-based social welfare
HEALTH

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG
				billions 2004
Foster and promote systems for establishing human and material security and broader-based social welfare	Promote mother and child health	Health	Strengthen the Expanded Program of Immunization	11.6
			Motherhood without risk and reproductive health	5.9
			Develop the strategy to provide comprehensive care for childhood diseases	3.0
			Promotion of "health schools"	10.7
			TOTAL, OBJECTIVE 1	31.2
	Intensify the fight against malnutrition		Provision of care for malnourished children	8.6
			Fight against trace element deficiencies	1.2
			Prevention of malnutrition	1.5
			Monitoring and assessment	0.5
			TOTAL, OBJECTIVE 2	11.8
	Strengthen the fight against communicable diseases		Eliminate leprosy and lymphatic filariasis	6.9
			Fight against HIV/AIDS	142.2
			Strengthen disease care and prevention	35.3
			Fine-tune the strategy to address emerging and re-emerging diseases	5.4
			TOTAL, OBJECTIVE 3	189.8
	Strengthen the fight against noncommunicable disease		Develop strategies to prevent and combat blindness (cataracts, etc.)	1.0
			Improve cancer care	1.2
			Improve oral/dental health for the population	0.8
			Strengthen care for diabetes and cardiovascular diseases	1.1
			Reduce prevalence of debilitating disease and handicapping circumstances	1.3
			Improve care for handicapped persons	1.8
			Reduce the prevalence of tobacco use	1.2
			Strengthen the fight against alcohol and drugs	1.0
			TOTAL, OBJECTIVE 4	9.3

Improve performance of the health system as accompanying measures	Improve financing for the health sector	0.0
	Decentralize decision-making to the health and sanitary district level	3.4
	Ensure effective, permanent communication among the different players in the system	0.5
	Increase the population's access to health centers and hospitals	60.5
	Improve quality of services in health centers and hospitals	13.4
	Ensure that medicines, blood products, etc. are available	4.9
	Ensure the quality of medicines provided to the population	0.8
	Improve the community's contribution to health and sanitary development	0.1
	Integrate traditional practitioners into the health system	0.2
	Strengthen management capacities at all levels	0.4
	Strengthen social mobilization for MOE activities	0.2
	Develop human resources	2.5
	TOTAL, OBJECTIVE 5	86.7
	GRAND TOTAL	328.8
RAISED	305.0	
TO BE RAISED	23.8	

STRATEGIC FOCUS 3: Foster and promote systems for establishing human and material security and broader-based social welfare
SOCIAL AND CULTURAL ACTIVITIES

Strategic Focus	Overall Objectives	Programs	Subprograms	FMG billions 2004
Foster and promote systems for establishing human and material security and broader-based social welfare	Reduce social exclusion in the process of rapid, sustainable development	Social welfare and reduction of social exclusion; youth and sports; culture; projects in connection with the development intervention fund (FID) and the nutrition program (SEECALINE)	Social safety net Literacy Family planning Population, gender	
			GRAND TOTAL	260.0
			RAISED	116.4
			TO BE RAISED	143.7

A-III- MACROECONOMIC FRAMEWORK

MACROECONOMIC FRAMEWORK

Annex 3 gives two growth scenarios:

- **First Scenario:** a sustained economic growth rate of 6 percent per year in 2003 and an 8 percent average for 2004-2006, which is in line with the poverty reduction targets in this PRSP.
- **Second Scenario:** an economic growth rate of 6 percent in 2003, but a relatively weak 4.5 percent average for 2004-2006. This scenario is based, on the one hand, on the conservative hypothesis that the trend will continue from previous years and, on the other hand, on failure to meet the targets for mobilizing the necessary resources (funds needed), and also on failure to implement the main reforms and measures planned.

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(based on Public Investment Program Classification)

Table 1. Madagascar: Selected Economic and Financial Indicators, 2001-06

	2001	2002	Scenario 1				Scenario 2			
			2003	2004	2005	2006	2003	2004	2005	2006
(Annual change in percent, unless otherwise indicated)										
National Accounts and Prices										
Real GDP at market prices	6.0	-12.7	6.0	7.0	7.5	8.0	6.0	4.0	4.5	5.0
GDP Deflator	7.3	15.4	6.6	6.0	4.9	4.4	6.6	7.0	6.5	6.0
Consumer Price Index										
Average	7.4	15.8	8.0	6.0	4.9	4.4	8.0	7.0	6.5	6.0
End of Period	4.8	13.5	7.0	6.0	4.9	4.4	7.0	7.0	6.5	6.0
External Sector (in SDRs)										
Exports, f.o.b.	47.6	-50.5	56.0	16.1	19.7	19.7	56.0	11.5	14.4	12.9
Imports, c.i.f.	29.1	-37.6	45.0	7.6	20.2	15.1	45.0	5.0	13.7	10.0
(Percentage of GDP)										
National Accounts										
Gross Domestic Investment	18.5	14.3	17.5	21.4	22.5	23.2	17.5	15.4	16.1	20.2
Public Sector	7.3	4.8	7.3	10.2	10.4	10.5	7.3	7.4	7.9	8.4
Private Sector	11.2	9.4	10.2	11.2	12.1	12.7	10.2	8.0	8.2	11.8
Gross National Savings	17.2	8.3	12.9	17.3	18.0	19.2	12.9	11.2	12.0	16.6
Public Sector	0.5	-1.5	2.8	2.1	2.9	3.7	2.8	0.9	1.5	2.5
Private Sector	16.7	9.8	10.1	15.2	15.0	15.5	10.1	10.3	10.5	14.1
Govt. Financial Operations										
Total Revenue	10.1	8.0	10.6	11.5	12.0	12.5	10.6	10.3	10.6	11.3
Of which taxes	9.7	7.7	10.3	11.2	11.6	12.1	10.3	10.0	10.2	10.9
Total Expenditure	17.6	15.7	18.2	20.2	20.2	19.9	18.2	17.5	17.8	18.0
Interest Due	2.0	2.2	1.8	1.3	1.2	1.1	1.8	1.3	1.2	1.1
Curr. Expenditure excl. Interest	8.1	7.1	8.4	8.6	8.5	8.3	8.4	8.6	8.5	8.3
Capital Expenditure	7.3	4.8	7.3	10.2	10.4	10.5	7.3	7.4	7.9	8.4
Overall Balance (on commitments basis, before structural reforms)										
Incl. Grants	-3.6	-5.5	-3.2	-5.8	-5.3	-4.6	-3.2	-4.1	-4.1	-3.6
Excl. Grants	-7.5	-7.7	-7.6	-8.7	-8.2	-7.4	-7.6	-7.2	-7.2	-6.7
Net Balance of Structural Reforms	-0.7	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0
Overall Balance (On Commitment Basis, Incl. [text missing])	-4.3	-5.5	-3.3	-5.9	-5.3	-4.6	-3.3	-4.2	-4.1	-3.6
Overall Balance (on cash basis)	-4.4	-6.2	-4.3	-5.9	-5.3	-4.6	-4.3	-4.2	-4.1	-3.6
(Percentage of GDP)										
External Current Accounts										
Excl. Official Transfers	-2.0	-6.1	-7.3	-5.1	-5.5	-4.8	-7.3	-5.2	-5.2	-4.6
Incl. Current Official Transfers	-1.3	-5.9	-4.6	-4.1	-4.5	-3.9	-4.6	-4.2	-4.2	-3.6
Incl. Current and Capital Transfers	3.7	-2.7	-1.1	0.3	-0.2	0.3	-1.1	0.3	0.4	1.0
(In the Units Indicated)										
Gross Official Reserves (In Millions of [...])										
	317.5	266.6	324.0	477.7	612.5	780.4	324.0	466.5	570.2	697.5
In weeks of Non Factor Goods and Services Imports	14.4	17.9	15.2	20.8	22.9	25.6	15.2	20.8	22.9	25.6
Exchange Rate (Period Average)										
Malagasy Francs/SDR	8,391	8,774	9,308	9,659	9,992	10,279	9,308	9,750	10,241	10,696
Malagasy Francs/US\$	6,485	6,425	6,873	7,147	7,393	7,606	6,873	7,214	7,578	7,914
Nominal GDP at Market Prices (in FMG billions)										
	29,843	30,058	33,978	38,538	43,453	48,997	33,978	37,811	42,081	46,836
Per Capita GDP (US Dollars)	302	299	307	326.0	345.7	368.7	307	316.9	326.6	338.7

Table 2. Madagascar: Supply and Use of Resources, 2001-06
(in FMG billions, unless otherwise indicated)

(in FMG billions, unless otherwise indicated)											
			Scenario 1				Scenario 2				
	2002	2002	2003	2004	2005	2006	2003	2004	2005	2006	
In FMG billions											
GDP at Market Prices	29,843	30,058	33,978	38,538	43,453	48,997	33,978	37,811	42,081	46,836	
Net Imports of Goods and Services	959	1,972									
Imports of Goods and Services	9,637	6,782	2,568	2,360	2,872	2,962	2,568	2,387	2,683	2,767	
Goods (f.o.b.)	6,262	4,084	10,315	11,515	13,924	16,262	10,315	11,351	13,285	15,125	
Non Factor Services	3,375	2,697	6,283	7,016	8,724	10,328	6,283	6,910	8,254	9,482	
Exports of Goods and [Services]	8,678	4,809	4,032	4,499	5,200	5,934	4,032	4,441	5,032	5,642	
Goods (f.o.b.)	6,360	3,290	7,747	9,154	11,053	13,300	7,747	8,964	10,602	12,357	
Non Factor Services	2,318	1,519	5,445	6,557	8,121	9,999	5,445	6,359	7,641	9,010	
			2,302	2,597	2,932	3,301	2,302	2,605	2,962	3,348	
Total Available Resources	30,802	32,030									
			36,546	40,899	46,325	51,958	36,546	40,198	44,764	49,603	
Consumption	25,281	27,745									
Government	2,490	2,450	30,600	32,655	36,553	40,615	30,600	34,375	37,975	40,122	
Private	22,791	25,296	2,943	3,363	3,743	4,117	2,943	3,295	3,623	3,944	
			27,657	29,291	32,810	36,498	27,657	31,080	34,352	36,178	
Investment	5,521	4,285									
Government	2,181	1,446	5,946	8,244	9,772	11,344	5,946	5,823	6,789	9,481	
Private	3,340	2,839	2,496	3,924	4,502	5,120	2,496	2,803	3,331	3,943	
			3,450	4,320	5,270	6,223	3,450	3,020	3,458	5,539	
Gross Domestic Savings	4,562	2,312									
Government	-276	-701	3,378	5,883	6,900	8,382	3,378	3,436	4,106	6,714	
Private	4,838	3,013	55	524	958	1,489	55	53	317	818	
			3,323	5,359	5,942	6,893	3,323	3,383	3,789	5,896	
External Current Accounts											
(Excl. Grants)	-598	-1,840	-2,485	-1,948	-2,370	-2,359	-2,485	-1,971	-2,171	-2,148	
(Incl. Grants)	-389	-1,786	-1,569	-1,567	-1,957	-1,915	-1,569	-1,586	-1,748	-1,686	
Gross National Savings	5,132	2,499									
(Excl. Grants)	152	-451	4,377	6,677	7,815	9,429	4,377	4,237	5,040	7,795	
(Incl. Grants)	4,980	2,950	935	814	1,276	1,836	935	345	642	1,179	
			3,442	5,863	6,539	7,593	3,442	3,892	4,398	6,617	
As a percentage of GDP											
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Net Imports of Goods and Services	3.2	6.6	7.6	6.1	6.6	6.0	7.6	6.3	6.4	5.9	
Imports of Goods and Services	32.3	22.6	30.4	29.9	32.0	33.2	30.4	30.0	31.6	32.3	
Exports of Goods and Services	29.1	16.0	22.8	23.8	25.4	27.1	22.8	23.7	25.2	26.4	
Total Available Resources	103.2	106.6	107.6	106.1	106.6	106.0	107.6	106.3	106.4	105.9	
Consumption	84.7	92.3	90.1	84.7	84.1	82.9	90.1	90.9	90.2	85.7	
Government	8.3	8.2	8.7	8.7	8.6	8.4	8.7	8.7	8.6	8.4	
Private	76.4	84.2	81.4	76.0	75.5	74.5	81.4	82.2	81.6	77.2	
Investment	18.5	14.3	17.5	21.4	22.5	23.2	17.5	15.4	16.1	20.2	
Government	7.3	4.8	7.3	10.2	10.4	10.5	7.3	7.4	7.9	8.4	
Private	11.2	9.4	10.2	11.2	12.1	12.7	10.2	8.0	8.2	11.8	
Gross Domestic Savings	15.3	7.7	9.9	15.3	15.9	17.1	9.9	9.1	9.8	14.3	
Government	-0.9	-2.3	0.2	1.4	2.2	3.0	0.2	0.1	0.8	1.7	
Private	16.2	10.0	9.8	13.9	13.7	14.1	9.8	8.9	9.0	12.6	
External Current Accounts											
(Excl. Grants)	-2.0	-6.1	-7.3	-5.1	-5.5	-4.8	-7.3	-5.2	-5.2	-4.6	
(Incl. Grants)	-1.3	-5.9	-4.6	-4.1	-4.5	-3.9	-4.6	-4.2	-4.2	-3.6	
Gross National Savings	17.2	8.3	12.9	17.3	18.0	19.2	12.9	11.2	12.0	16.6	
(Excl. Grants)	0.5	-1.5	2.8	2.1	2.9	3.7	2.8	0.9	1.5	2.5	
(Incl. Grants)	16.7	9.8	10.1	15.2	15.0	15.5	10.1	10.3	10.5	14.1	

Table 3. Madagascar: Growth Rate per Sector of Activity
(annual change in percent)

	2001	2002	Scenario 1				Scenario 2			
			2003	2004	2005	2006	2003	2004	2005	2006
Primary Sector	4.0	-1.3	-1.8	4.5	4.8	5.0	-1.8	2.3	2.5	2.8
Agriculture	5.5	0.8	1.1	3.5	3.5	3.5	1.1	2.0	2.0	2.0
Livestock and Fishing	3.1	2.6	1.0	5.5	6.0	6.5	1.0	2.5	3.0	3.5
Forestry	2.1	-20.0	-25.0	4.5	5.0	5.5	-25.0	2.5	3.0	3.5
Secondary Sector	7.6	-21.0	17.0	8.4	9.0	9.7	17.0	4.9	5.6	6.3
Excl. EPZ	4.8	-18.8	19.8	7.4	7.9	8.5	19.8	4.4	5.0	5.6
Agricultural Ind.	-5.4	5.7	5.0	1.0	1.0	1.0	5.0	0.0	0.0	0.0
Extractive Ind.	0.3	-34.0	36.5	9.0	9.5	10.0	36.5	5.0	5.0	5.0
Energy	-6.3	-31.1	7.3	8.0	9.0	10.0	7.3	5.0	5.5	6.0
Food Ind.	4.3	-10.3	15.0	9.0	9.5	10.0	15.0	5.0	6.0	7.0
Beverage Ind.	7.1	-13.2	10.0	9.0	9.5	10.5	10.0	5.0	6.0	7.0
Tobacco Ind.	5.8	-7.3	5.7	7.5	7.5	7.5	5.7	5.0	5.0	5.0
Fats and Oils Ind.	-1.8	-25.7	46.8	5.0	5.0	5.0	46.8	4.0	4.0	4.0
Pharmaceutical	12.6	-12.0	8.5	4.0	4.0	4.0	8.5	2.0	3.0	3.0
Textile Ind.	-3.5	-52.3	70.0	8.0	8.5	9.0	70.0	5.5	6.0	6.5
Leather Ind.	-14.7	-23.8	-41.0	5.0	5.0	5.0	-41.0	2.5	3.0	3.5
Wood Ind.	2.1	-34.6	37.1	4.5	5.0	5.5	37.1	2.5	3.0	3.5
Construction Material	6.2	-36.3	5.9	9.5	10.0	10.5	5.9	6.0	6.5	7.0
Metal Ind.	36.4	-11.8	22.5	8.0	8.5	9.0	22.5	5.0	6.0	6.5
Transport Material	0.0	-10.0	8.2	1.0	1.0	1.0	8.2	0.0	0.0	0.0
Elec. Equipment	29.4	-28.6	23.2	5.0	5.0	5.0	23.2	3.5	3.5	4.0
Paper Ind.	-1.1	-20.4	-1.8	3.5	3.5	3.5	-1.8	2.0	2.5	2.5
Other	11.3	11.3	8.2	6.0	6.0	6.0	8.2	3.5	3.5	4.0
Export Processing Zone (EPZ)	40.0	-40.0	50.0	17.0	18.0	19.0	50.0	10.0	11.0	12.0
Tertiary Sector	6.1	-15.1	9.4	7.6	8.2	8.7	9.4	4.6	5.2	5.7
Public Works	13.5	-15.1	20.0	20.0	20.0	20.0	20.0	12.5	13.0	14.0
Goods Transport	5.7	-21.3	11.5	8.5	9.0	9.5	11.5	5.0	5.5	6.5
Passenger Transport	5.9	-35.4	10.0	7.5	8.0	8.5	10.0	4.0	4.5	5.0
Aux. Transport	5.7	-21.3	10.0	8.0	8.5	9.0	10.5	4.5	5.0	5.5
Telecommunications	5.5	-5.7	10.5	12.0	12.0	12.0	10.5	4.0	4.0	4.0
Trade	4.3	-7.4	10.1	6.0	6.5	7.0	10.1	4.5	5.0	5.5
Bank	8.1	5.0	10.0	7.0	7.0	7.0	10.0	4.0	4.0	4.0
Insurance	7.5	-15.0	8.2	6.0	6.0	6.0	8.2	3.5	3.5	3.5
Services rend.										
Bus. & Household	8.7	-19.3	8.2	8.0	9.0	9.5	8.2	5.0	6.0	6.5
Management	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.5	0.5	0.5
Misc. Bank Services	8.1	-12.5	10.0	7.0	7.0	7.0	10.0	4.0	4.0	4.0
GDP at Factor Cost	5.5	-11.5	6.0	6.6	7.1	7.6	6.0	3.8	4.3	4.8
Indirect Taxes	10.5	-23.6	6.6	11.2	11.4	11.4	6.6	6.1	6.5	6.8
GDP at Market Prices	6.0	-12.7	6.0	7.0	7.5	8.0	6.0	4.0	4.5	5.0

Table 3 bis. Madagascar: Availability and Use of Resources at 1984 Constant Prices
(in FMG billions at 1984 prices)

	2001	2002	Scenario 1				Scenario 2			
			2003	2004	2005	2006	2003	2004	2005	2006
Primary Sector	774.3	764.3	750.3	784.0	821.3	862.7	750.3	767.3	786.8	808.9
Agriculture	343.9	346.6	350.5	362.7	375.4	388.6	350.5	357.5	364.6	371.9
Livestock and Fishing	324.6	333.0	336.4	354.9	376.2	400.6	336.4	344.8	355.1	367.6
Forestry	105.8	84.7	63.5	66.3	69.7	73.5	63.5	65.1	67.0	69.4
Secondary Sector	304.0	240.1	281.0	304.6	331.9	364.1	281.0	294.9	311.6	331.3
Sec. Sect. excl. EPZ	272.7	221.3	252.8	271.5	292.9	317.7	252.8	263.9	277.1	292.7
Agricultural Ind.	8.1	8.5	9.0	9.0	9.1	9.2	9.0	9.0	9.0	9.0
Extractive Ind.	7.3	4.8	6.6	7.2	7.8	8.6	6.6	6.9	7.2	7.6
Energy	45.2	31.1	33.4	36.1	39.3	43.3	33.4	35.1	37.0	39.2
Food Ind.	51.9	46.6	53.6	58.4	64.0	70.3	53.6	56.3	59.6	63.8
Beverage Ind.	55.0	47.7	52.5	57.2	62.7	69.3	52.5	55.1	58.4	62.5
Tobacco Ind.	17.8	16.5	17.4	18.7	20.1	21.6	17.4	18.3	19.2	20.2
Fats and Oils Ind.	8.9	6.6	9.7	10.2	10.7	11.2	9.7	10.1	10.5	10.9
Pharmaceuticals	10.7	9.5	10.3	10.7	11.1	11.5	10.3	10.5	10.8	11.1
Textile Ind.	6.8	3.3	5.5	6.0	6.5	7.1	5.5	5.9	6.2	6.6
Leather Ind.	1.2	0.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Wood Ind.	8.4	5.5	7.6	7.9	8.3	8.7	7.6	7.7	8.0	8.3
Construction Mat.	9.0	5.7	6.1	6.7	7.3	8.1	6.1	6.4	6.9	7.3
Metal Ind.	11.3	10.0	12.3	13.2	14.4	15.7	12.3	12.9	13.6	14.5
Goods Transport	4.5	4.1	4.4	4.4	4.5	4.5	4.4	4.4	4.4	4.4
Elec. Equipment	20.0	14.3	17.6	18.5	19.4	20.4	17.6	18.2	18.8	19.6
Paper Ind.	3.0	2.4	2.4	2.4	2.5	2.6	2.4	2.4	2.5	2.5
Other	3.4	3.8	4.1	4.3	4.6	4.9	4.1	4.2	4.4	4.6
Export Processing Zones (EPZ)	31.4	18.8	28.2	33.0	39.0	46.4	28.2	31.0	34.5	38.6
Tertiary Sector	1,196.3	1,015.5	1,111.1	1,195.5	1,293.6	1,406.3	1,111.1	1,162.0	1,221.9	1,292.1
Public Works	46.9	39.8	47.8	57.3	68.8	82.5	47.8	53.7	60.7	69.2
Goods Transport	244.4	192.4	214.5	232.7	253.7	277.8	214.5	225.2	237.6	253.1
Passenger Transport	88.4	57.0	62.8	67.5	72.9	79.0	62.8	65.3	68.2	71.6
Aux. Transport	65.8	51.8	57.0	61.5	66.7	72.7	57.0	59.5	62.5	65.9
Telecommunications	39.1	36.9	40.7	45.6	51.1	57.2	40.7	42.4	44.1	45.8
Trade	258.1	238.9	263.1	278.9	297.0	317.8	263.1	275.0	288.7	304.6
Banking	37.4	39.3	43.2	46.3	49.5	53.0	43.2	45.0	46.8	48.6
Insurance	0.9	0.8	0.9	0.9	1.0	1.0	0.9	0.9	0.9	1.0
Business and Household Services	305.0	246.1	266.4	287.7	313.6	343.3	266.4	279.7	296.5	315.7
Management	110.3	112.5	114.8	117.1	119.4	121.8	114.8	115.3	115.9	116.5
Misc. Charges	-46.6	-48.9	-53.8	-57.6	-61.6	-65.9	-53.8	-56.0	-58.2	-60.5
GDP at Factor Cost at 1984 Prices	2,228.1	1,971.0	2,088.6	2,226.4	2,385.2	2,567.2	2,088.6	2,168.3	2,262.0	2,371.7
Indirect Taxes	243.3	186.0	198.2	220.5	245.6	273.7	198.2	210.3	224.0	239.2
GDP at 1984 Prices	2,471.4	2,157.0	2,286.9	2,446.9	2,630.8	2,840.9	2,286.9	2,378.6	2,486.0	2,610.9

Table 4. Madagascar: Central Government Accounts, 2001-06
(In billions of Malagasy francs)

	2001	2002	Scenario 1				Scenario 2			
			2003	2004	2005	2006	2003	2004	2005	2006
Total Revenue and Grants	4,190.6	3,053.2	5,091.9	5,572.7	6,465.4	7,488.7	5,091.9	5,046.1	5,742.7	6,712.0
Total Revenue	3,029.0	2,403.1	3,617.0	4,431.9	5,214.4	6,124.6	3,617.0	3,894.5	4,460.6	5,292.5
Fiscal Revenue	3,029.0	2,403.1	3,617.0	4,431.9	5,214.4	6,124.6	3,617.0	3,894.5	4,460.6	5,292.5
Of which taxes	2,906.4	2,304.2	3,509.0	4,316.3	5,040.6	5,928.6	3,509.0	3,781.1	4,292.2	5,105.1
Grants	1,161.6	650.1	1,474.9	1,140.8	1,251.0	1,364.1	1,474.9	1,151.6	1,282.2	1,419.5
Current Grants	427.7	249.6	879.7	289.8	317.7	346.5	879.7	292.5	325.7	360.5
Capital Grants (Projects)	733.9	400.5	595.2	851.1	933.2	1,017.6	595.2	859.1	956.5	1,059.0
Total Expenditure	5,262.6	4,709.6	6,187.0	7,791.7	8,757.9	9,755.7	6,187.0	6,605.0	7,474.9	8,417.2
Current Expenditure	3,081.7	3,109.4	3,544.6	3,867.5	4,256.3	4,635.5	3,544.6	3,802.0	4,143.8	4,474.5
Budget Expenditure	3,001.0	2,781.2	3,441.4	3,819.5	4,208.3	4,587.5	3,441.4	3,754.0	4,095.8	4,426.5
Of which:										
Staff	1,337.6	1,380.0	1,815.9	1,965.5	2,172.6	2,351.7	1,815.9	1,925.6	2,102.9	2,252.9
Operating Costs	1,071.5	741.7	1,024.3	1,349.9	1,522.4	1,717.1	1,024.3	1,321.5	1,472.1	1,642.9
Foreign Debt Interest Due	349.1	407.7	399.4	296.2	299.2	298.1	399.4	299.0	306.7	310.2
Public Debt Interest Due	242.8	251.8	201.8	207.9	214.1	220.5	201.8	207.9	214.1	220.5
Treasury Operations	54.3	202.1	65.0	45.0	45.0	45.0	65.0	45.0	45.0	45.0
Emergency Expenditure	25.0	122.2	35.0	0.0	0.0	0.0	35.0	0.0	0.0	0.0
FCV Operating Costs	1.4	3.9	3.2	3.0	3.0	3.0	3.2	3.0	3.0	3.0
Capital Expenditure (incl. HIPC)	2,180.9	1,445.8	2,496.3	3,924.2	4,501.5	5,120.2	2,496.3	2,803.0	3,331.0	3,942.7
Domestic Resources	942.3	559.7	800.0	1,224.4	1,435.1	1,663.3	800.0	874.6	1,062.0	1,280.8
External Resources (incl. HIPC)	1,238.6	886.2	1,696.3	2,699.7	3,066.4	3,456.9	1,696.3	1,928.4	2,269.1	2,661.9
Onlending		154.4				146.1	146.1			
Net Costs of Structural Reforms	-223.1	5.8	-17.1	-40.0	0.0	0.0	-17.1	-40.0	0.0	0.0
Structural Reform Revenue	11.5	5.8	10.0	10.0	0.0	0.0	10.0	10.0	0.0	0.0
Structural Reform Expenditure	234.6	0.0	27.1	50.0	0.0	0.0	27.1	50.0	0.0	0.0
Overall Balance (on commitments basis after structural reform)										
Overall Balance incl. Grants	-1,295.1	-1,650.6	-1,112.2	-2,259.0	-2,292.5	-2,267.0	-1,112.2	-1,598.9	-1,732.1	-1,705.2
Overall Balance excl. Grants	-2,456.7	-2,300.8	-2,587.1	-3,399.8	-3,543.5	-3,631.1	-2,587.1	-2,750.5	-3,014.3	-3,124.7
Changes in Dom. Arrears	-27.0	-212.6	-341.6	0.0	0.0	0.0	-341.6	0.0	0.0	0.0
Overall Balance (on cash basis)	-1,322.1	-1,863.2	-1,453.7	-2,259.0	-2,292.5	-2,267.0	-1,453.7	-1,598.9	-1,732.1	-1,705.2

Table 5. Madagascar: Central Government Accounts, 2001-06
(as a percentage of GDP)

	2001	2001	Scenario 1				Scenario 2			
			2003	2004	2005	2006	2003	2004	2005	2006
Total Revenue and Grants	14.0	10.2	15.0	14.5	14.9	15.3	15.0	13.3	13.6	14.3
Total Revenue	10.1	8.0	10.6	11.5	12.0	12.5	10.6	10.3	10.6	11.3
Fiscal Revenue	10.1	8.0	10.6	11.5	12.0	12.5	10.6	10.3	10.6	11.3
Of which fiscal	9.7	7.7	10.3	11.2	11.6	12.1	10.3	10.0	10.2	10.9
Grants	3.9	2.2	4.3	3.0	2.9	2.8	4.3	3.0	3.0	3.0
Current Grants	1.4	0.8	2.6	0.8	0.7	0.7	2.6	0.8	0.8	0.8
Capital Grants (Projects)	2.5	1.3	1.8	2.2	2.1	2.1	1.8	2.3	2.3	2.3
Total Expenditure	17.6	15.7	18.2	20.2	20.2	19.9	18.2	17.5	17.8	18.0
Current Expenditure	10.3	10.3	10.4	10.0	9.8	9.5	10.4	10.1	9.8	9.6
Budget Expenditure	10.1	9.3	10.1	9.9	9.7	9.4	10.1	9.9	9.7	9.5
Of which:										
Staff	4.5	4.6	5.3	5.1	5.0	4.8	5.3	5.1	5.0	4.8
Operating	3.6	2.5	3.0	3.5	3.5	3.5	3.0	3.5	3.5	3.5
Foreign Debt Interest Due	1.2	1.4	1.2	0.8	0.7	0.6	1.2	0.8	0.7	0.7
Public Debt Interest Due	0.8	0.8	0.6	0.5	0.5	0.5	0.6	0.5	0.5	0.5
Treasury Ops. Emergency	0.2	0.7	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Expenditure	0.1	0.4	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0
FCV Op. Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditure (incl. HIPC)	7.3	4.8	7.3	10.2	10.4	10.5	7.3	7.4	7.9	8.4
Domestic Resources	3.2	1.9	2.4	3.2	3.3	3.4	2.4	2.3	2.5	2.7
External Resources (incl. HIPC)	4.2	2.9	5.0	7.0	7.1	7.1	5.0	5.1	5.4	5.7
Onlending	0.0	0.5	0.4	0.0	0.0	0.0	0.4	0.0	0.0	0.0
Net Costs of Structural Reform	-0.7	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0
Structural Reform Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Structural Reform Expenditure	0.8	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.0
Overall Balance (on commitments basis after structural reform)										
Overall Balance (incl. grants)	-4.3	-5.5	-3.3	-5.9	-5.3	-4.6	-3.3	-4.2	-4.1	-3.6
Overall Balance (excl. grants)	-8.2	-7.7	-7.6	-8.8	-8.2	-7.4	-7.6	-7.3	-7.2	-6.7
Changes in Dom. Arrears	-0.1	-0.7	-1.0	0.0	0.0	0.0	-1.0	0.0	0.0	0.0
Overall Balance (cash basis)	-4.4	-6.2	-4.3	-5.9	-5.3	-4.6	-4.3	-4.2	-4.1	-3.6

Table 6. Madagascar: Balance of Payments, 2001-06
(in millions of SDRs)

	2001	2002	Scenario 1				Scenario 2			
			2003	2004	2005	2006	2003	2004	2005	2006
Current Balance	-46.4	-203.5	-168.6	-162.2	-195.9	-186.3	-168.6	-162.7	-170.7	-157.6
Goods and Services	-114.3	-224.8	-275.9	-244.4	-287.4	-288.2	-275.9	-244.9	-262.0	-258.7
Trade Balance	11.6	-90.5	-90.1	-47.5	-60.4	-32.0	-90.1	-56.6	-59.8	-44.2
Exports	757.9	375.0	584.9	678.9	812.8	972.8	584.9	652.2	746.1	842.3
Imports	-746.3	-465.5	-675.0	-726.4	-873.1	-1,004.8	-675.0	-708.8	-805.9	-886.5
Net Services	-125.9	-134.3	-185.8	-196.9	-227.1	-256.1	-185.8	-188.3	-202.1	-214.5
Services, Receipts	276.3	173.1	247.3	268.9	293.4	321.2	247.3	267.2	289.2	313.0
Services, Payments	-402.2	-307.4	-433.1	-465.8	-520.5	-577.3	-433.1	-455.5	-491.3	-527.5
Income	-46.7	-53.0	-56.4	-42.3	-42.6	-42.7	-56.4	-42.3	-42.8	-43.4
Receipts	18.7	20.1	19.3	19.9	20.7	21.6	19.3	19.9	20.4	20.8
Payments	-65.4	-73.1	-75.7	-62.2	-63.3	-64.2	-75.7	-62.2	-63.3	-64.2
Current Transfers	114.6	74.2	163.6	124.5	134.1	144.5	163.6	124.5	134.1	144.5
Government	24.9	6.2	98.3	39.5	41.3	43.2	98.3	39.5	41.3	43.2
Private	89.7	68.0	65.3	85.0	92.8	101.3	65.3	85.0	92.8	101.3
Capital and Financial Account	65.9	104.1	168.2	226.8	246.9	261.9	168.2	226.8	246.9	261.9
Capital Transfers	88.6	44.7	63.9	88.1	93.4	99.0	63.9	88.1	93.4	99.0
Government	88.6	44.7	63.9	88.1	93.4	99.0	63.9	88.1	93.4	99.0
Private Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account	107.9	25.5	104.2	138.7	153.5	162.9	104.2	138.7	153.5	162.9
Direct Investment	73.1	6.4	13.1	52.0	60.6	70.6	13.1	52.0	60.6	70.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	34.8	19.1	91.1	86.7	92.9	92.3	91.1	86.7	92.9	92.3
Government	21.5	48.1	96.6	92.0	97.3	97.3	96.6	92.0	97.3	97.3
Drawings	90.2	120.3	167.6	137.7	144.1	150.8	167.6	137.7	144.1	150.8
Repayments	-68.7	-72.2	-71.0	-45.8	-46.8	-53.5	-71.0	-45.8	-46.8	-53.5
Private Sector	-7.5	-7.9	-5.4	-5.3	-4.4	-5.0	-5.4	-5.3	-4.4	-5.0
Drawing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-7.5	-7.9	-5.4	-5.3	-4.4	-5.0	-5.4	-5.3	-4.4	-5.0
Banks, Net	20.7	-21.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-130.6	33.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	19.5	-99.4	-0.4	64.6	51.0	75.6	-0.4	64.1	76.2	104.3
Financing	-19.5	99.4	0.4	-84.0	-84.9	-115.8	0.4	-72.8	-53.7	-75.2
Net Foreign Assets (increase)	-76.9	40.0	-40.1	-136.4	-140.2	-173.3	-40.1	-125.2	-109.1	-132.7
Use of IMF Credit (net)	21.4	8.6	17.3	17.3	-5.4	-5.4	17.3	17.3	-5.4	-5.4
Purchases	22.7	11.4	22.7	22.7	0.0	0.0	22.7	22.7	0.0	0.0
Repurchases	-1.3	-2.7	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4
Other Assets (BCM Reserves)	-98.3	31.4	-57.4	-153.7	-134.8	-167.9	-57.4	-142.5	-103.7	-127.3
Net Change in Arrears (excl. BCM)	1.6	1.5	-9.5	0.0	0.0	0.0	-9.5	0.0	0.0	0.0
Debt Relief and Cancellation	55.8	57.9	50.0	...	...	...	50.0	...	...	...
Maturity	55.8	57.9	50.0	...	...	...	50.0	...	...	...
Arrears	0.0	0.0	0.0	...	...	...	0.0	...	...	...

Table 7. Madagascar: Balance of Payments, 2001-06
(as a percentage of GDP)

	2001	2002	Scenario 1				Scenario 2			
			2003	2004	2005	2006	2003	2004	2005	2006
Current Account Balance	-1.3	-5.9	-4.6	-4.1	-4.5	-3.9	-4.6	-4.2	-4.2	-3.6
Goods and Services	-3.2	-6.6	-7.6	-6.1	-6.6	-6.0	-7.6	-6.3	-6.4	-5.9
Trade Balance	0.3	-2.6	-2.5	-1.2	-1.4	-0.7	-2.5	-1.5	-1.5	-1.0
Exports	21.3	10.9	16.0	17.0	18.7	20.4	16.0	16.8	18.2	19.2
Imports	-21.0	-13.6	-18.5	-18.2	-20.1	-21.1	-18.5	-18.3	-19.6	-20.2
Net Services	-3.5	-3.9	-5.1	-4.9	-5.2	-5.4	-5.1	-4.9	-4.9	-4.9
Services, Receipts	7.8	5.1	6.8	6.7	6.7	6.7	6.8	6.9	7.0	7.1
Services, Payments	-11.3	-9.0	-11.9	-11.7	-12.0	-12.1	-11.9	-11.7	-12.0	-12.0
Income	-1.3	-1.5	-1.5	-1.1	-1.0	-0.9	-1.5	-1.1	-1.0	-1.0
Receipts	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Payments	-1.8	-2.1	-2.1	-1.6	-1.5	-1.3	-2.1	-1.6	-1.5	-1.5
Current Transfers	3.2	2.2	4.5	3.1	3.1	3.0	4.5	3.2	3.3	3.3
Government	0.7	0.2	2.7	1.0	0.9	0.9	2.7	1.0	1.0	1.0
Private	2.5	2.0	1.8	2.1	2.1	2.1	1.8	2.2	2.3	2.3
Capital and Financial Account	1.9	3.0	4.6	5.7	5.7	5.5	4.6	5.8	6.0	6.0
Capital Transfers	2.5	1.3	1.8	2.2	2.1	2.1	1.8	2.3	2.3	2.3
Government	2.5	1.3	1.8	2.2	2.1	2.1	1.8	2.3	2.3	2.3
Private Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Accounts	3.0	0.7	2.9	3.5	3.5	3.4	2.9	3.6	3.7	3.7
Direct Investment	2.1	0.2	0.4	1.3	1.4	1.5	0.4	1.3	1.5	1.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.0	0.6	2.5	2.2	2.1	1.9	2.5	2.2	2.3	2.1
Government	0.6	1.4	2.6	2.3	2.2	2.0	2.6	2.4	2.4	2.2
Drawings	2.5	3.5	4.6	3.5	3.3	3.2	4.6	3.6	3.5	3.4
Repayments	-1.9	-2.1	-1.9	-1.1	-1.1	-1.1	-1.9	-1.2	-1.1	-1.2
Private Sector	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Drawing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Banks, Net	0.6	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-3.7	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	0.5	-2.9	0.0	1.6	1.2	1.6	0.0	1.7	1.9	2.4
Financing	-0.5	2.9	0.0	-2.1	-2.0	-2.4	0.0	-1.9	-1.3	-1.7
Net Foreign Assets (increase)	-2.2	1.2	-1.1	-3.4	-3.2	-3.6	-1.1	-3.2	-2.7	-3.0
Use of IMF Credit (net)	0.6	0.3	0.5	0.4	-0.1	-0.1	0.5	0.4	-0.1	-0.1
Purchases	0.6	0.3	0.6	0.6	0.0	0.0	0.6	0.6	0.0	0.0
Repurchases	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other Assets (BCM Reserves), Net	-2.8	0.9	-1.6	-3.9	-3.1	-3.5	-1.6	-3.7	-2.5	-2.9
Net Change in Arrears (Excl. BCM)	0.0	0.0	-0.3	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
Debt Relief and Cancellation	1.6	1.7	1.4	...	...	...	1.4	...	...	...
Maturity	1.6	1.7	1.4	...	...	...	1.4	...	...	...
Arrears	0.0	0.0	0.0	...	...	...	0.0	...	...	...
	3,556.5	3,425.7	3,650.3	3,990.0	4,348.9	4,766.8	3,650.3	3,878.2	4,109.0	4,378.8

Table 8. Madagascar: Macroeconomic Hypotheses, Public Revenue and Expenditure, 2001-06

				Scenario 1				Scenario 2			
Unit		2001	2002	2003	2004	2005	2006	2003	2004	2005	2006
Economic Growth											
Rate	change in %	6.0	-12.7	6.0	7.0	7.5	8.0	6.0	4.0	4.5	5.0
Inflation	change in %	7.3	15.4	6.6	6.0	4.9	4.4	6.6	7.0	6.5	6.0
Nominal GDP	FMG billions	29,843	30,058	33,978	38,538	43,453	48,997	33,978	37,811	42,081	46,836
Total Investment	% of GDP	18.5	14.3	17.5	21.4	22.5	23.2	17.5	15.4	16.1	20.2
Public	% of GDP	7.3	4.8	7.3	10.2	10.4	10.5	7.3	7.4	7.9	8.4
Private	% of GDP	11.2	9.4	10.2	11.2	12.1	12.7	10.2	8.0	8.2	11.8
Public Expenditure	% of GDP	15.4	11.9	15.7	18.8	18.9	18.8	15.7	16.0	16.4	16.7
Operating	% of GDP	8.1	7.1	8.4	8.6	8.5	8.3	8.4	8.6	8.5	8.3
Investment	% of GDP	7.3	4.8	7.3	10.2	10.4	10.5	7.3	7.4	7.9	8.4
<i>Of which:</i>											
Domestic Fin.	% of GDP	3.2	1.9	2.4	3.2	3.3	3.4	2.4	2.3	2.5	2.7
External Fin.	% of GDP	4.2	2.9	5.0	7.0	7.1	7.1	5.0	5.1	5.4	5.7
Public Expenditure	FMG billions	4,590	3,568	5,337	7,240	8,197	9,189	5,337	6,050	6,906	7,838
Operating	FMG billions	2,409	2,122	2,840	3,315	3,695	4,069	2,840	3,247	3,575	3,896
Investment	FMG billions	2,181	1,446	2,496	3,924	4,502	5,120	2,496	2,803	3,331	3,943
Public Expenditure	Annual change in %	-22.3%		49.6%	-11.6%	13.2%	12.1%	49.6%	20.4%	14.1%	13.5%
Operating	Annual change in %	-11.9%		33.9%	-14.5%	11.4%	10.1%	33.9%	23.0%	10.1%	9.0%
Investment	Annual change in %	-33.7%		72.7%	-8.9%	14.7%	13.7%	72.7%	17.5%	18.8%	18.4%
NB											
Tax Revenue	FMG billions	2,906	2,304	3,509	4,316	5,041	5,929	3,509	3,781	4,292	5,105
Tax Ratio	% of GDP	9.7	7.7	10.3	11.2	11.6	12.1	10.3	10.0	10.2	10.9
Public Deficit (on commitments basis)	% of GDP	-4.4	-6.2	-4.3	-5.9	-5.3	-4.6	-4.3	-4.2	-4.1	-3.6

Table 9. Madagascar: Breakdown of Investment Budget By Program, 2003-06 (Scenario 1) (in FMG billions)

STRATEGY	PROGRAM	PROGRAMMING				
		2003	2004	2005	2006	TOTAL
Restore a Constitutional State and the Rule of Law	1.1 Governance and Anti-corruption	184	272	310	350	1,116
	1.2 Governance and Respect for Democracy	pm	pm	pm	pm	pm
	1.3 Governance and the Constitutional State	148	226	247	269	890
	1.4 Local Governance	74	78	128	128	408
Foster and Promote Economic Growth on a Very Broad Social Base	2.1 Macroeconomic Stability and Growth	Pm	Pm	Pm	pm	pm
	2.2 Development of Growth Sectors	8	72	61	40	180
	2.3 Rural Development	336	523	597	675	2,132
	2.4 Development and Increased Density of Structuring Infrastructure	1,057	1,704	1,961	2,265	6,987
	2.5 Private Sector Development and Revitalization	21	31	34	38	124
	2.6 Opening up to Global Competition	pm	pm	Pm	pm	pm
Foster and Promote Personal and Material Security and Social Welfare Systems	3.1 Education	188	314	361	425	1,287
	3.2 Health	195	322	370	436	1,323
	3.3 Social Welfare and Reduction in Social Exclusion	160	260	299	353	1,072
	3.4 Cultural Diversity	pm	pm	pm	pm	pm
HIPC Initiative		124	124	132	142	522

	2003	2004	2005	2006	TOTAL	
			in FMG billions			(in US\$ millions)
Total	2,496	3,924	4,502	5,120	16,042	2,468
Raised	2,496	2,485	2,591	2,386	9,958	1,532
To be raised		1,439	1,910	2,734	6,083	936

**Table 10. Madagascar: Possible Breakdowns of Investment Budget by Sector, 2003-06
(Scenario 1)**

(In FMG billions and annual change in percent)

	2003 LF	In FMG billions			Annual change in percent		
		2004	2005	2006	2004	2005	2006
<u>TOTAL</u>	<u>2,495.7</u>	<u>3,924.2</u>	<u>4,501.5</u>	<u>5,120.2</u>	57.2%	14.7%	13.7%
Raised		<u>2,484.9</u>	<u>2,591.5</u>	<u>2,386.3</u>			
To be Raised		<u>1,439.3</u>	<u>1,910.1</u>	<u>2,733.9</u>			
<u>Productive Sectors</u>	<u>365.1</u>	<u>625.8</u>	<u>692.1</u>	<u>753.0</u>	71.4%	10.6%	8.8%
Raised		<u>576.8</u>	<u>586.6</u>	<u>503.5</u>			
To be Raised		<u>49.8</u>	<u>105.6</u>	<u>249.6</u>			
Agric./Livestk./Fish.	199.3	310.5	355.6	404.5	55.8%	14.5%	13.7%
Raised		310.5	347.7	289.7			
To be Raised		0.0	7.9	114.8			
Industry	21.0	31.0	34.2	37.6	47.6%	10.0%	10.0%
Raised		19.1	5.4	2.6			
To be Raised		12.0	28.7	35.0			
Mining	0.5	63.0	50.9	29.5	12,584%	-19.1%	-42.1%
Raised		63.0	50.9	29.5			
To be Raised		0.0	0.0	0.0			
Tourism	7.7	8.7	9.6	10.6	14.3%	10.0%	10.0%
Raised		1.9	0.9	0.0			
To be Raised		6.9	8.7	10.6			
Environment	136.7	212.6	241.8	270.9	55.5%	13.8%	12.0%
Raised		181.7	181.7	181.7			
To be Raised		30.9	60.2	89.2			
<u>Infrastructure</u>	<u>1,057.4</u>	<u>1,703.6</u>	<u>1,960.9</u>	<u>2,265.1</u>	61.1%	15.1%	15.5%
Raised		<u>916.3</u>	<u>1,057.5</u>	<u>1,061.0</u>			
To be Raised		<u>787.2</u>	<u>903.5</u>	<u>1,204.1</u>			
Transport, Public Works and Planning	864.7	1,410.8	1,631.7	1,894.5	63.2%	15.7%	16.1%
Raised		849.0	1,000.0	1,013.0			
To be Raised		561.8	631.7	881.5			
Telecommunications	8.1	9.7	10.7	11.8	20.5%	10.0%	11.0%
Raised		8.1	8.1	8.1			
To be Raised		1.7	2.6	3.8			
Energy	78.3	117.7	129.5	143.7	50.3%	10.0%	11.0%
Raised		0.0	0.0	0.0			
To be Raised		117.7	129.5	143.7			
Water	106.3	165.3	189.1	215.0	55.5%	14.4%	13.7%
Raised		59.3	49.4	40.0			
To be Raised		106.1	139.7	175.1			
<u>Social</u>	<u>542.6</u>	<u>896.1</u>	<u>1,030.5</u>	<u>1,213.0</u>	65.1%	15.0%	17.7%
Raised		<u>534.6</u>	<u>345.7</u>	<u>285.0</u>			
To be Raised		<u>361.5</u>	<u>684.8</u>	<u>928.0</u>			

Education and Training	187.6	313.9	361.0	424.5	67.3%	15.0%	17.6%
Raised		260.7	66.7	0.0			
To be Raised		53.2	294.4	424.5			
Health	195.0	322.1	370.5	435.6	65.2%	15.0%	17.6%
Raised		157.5	162.7	168.6			
To be Raised		164.6	207.8	267.0			
Social and Cultural Actions	160.0	260.0	299.0	352.9	62.5%	15.0%	18.0%
Raised		116.4	116.4	116.4			
To be Raised		143.7	182.7	236.5			
<u>Administration</u>	<u>406.8</u>	<u>575.0</u>	<u>685.6</u>	<u>746.7</u>	41.3%	19.2%	8.9%
Raised		457.1	601.7	536.9			
To be Raised		117.9	83.9	209.8			
Government	120.3	155.2	172.3	189.6	29.0%	11.0%	10.0%
Raised		120.3	120.3	120.3			
To be Raised		34.9	52.0	69.3			
Sovereignty	27.8	70.5	75.0	79.5	153.8%	6.5%	6.0%
Raised		70.5	75.0	79.5			
To be Raised		0.0	0.0	0.0			
Economy and Finance	184.4	271.7	310.5	349.8	47.3%	14.3%	12.7%
Raised		197.7	278.6	267.7			
To be Raised		74.0	31.9	82.1			
General Administration	74.3	77.6	127.9	127.9	4.5%	64.7%	0.0%
Raised		68.7	127.9	69.4			
To be Raised		8.9	0.0	58.5			
<u>HIPC Initiative</u>	<u>123.7</u>	<u>123.7</u>	<u>132.3</u>	<u>142.4</u>	0.0%	7.0%	7.6%

**Table 10 (cont.). Madagascar: Possible Breakdowns of Investment Budget by Sector,
2003-06**

(as a percentage of total investment expenditure)

	2003 LF	As a Percentage of Total PIP		
		2004	2005	2006
<u>TOTAL</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<u>Productive Sectors</u>	<u>14.6%</u>	<u>15.9%</u>	<u>15.4%</u>	<u>14.7%</u>
Agric./Livestk./Fish.	8.0%	7.9%	7.9%	7.9%
Industry	0.8%	0.8%	0.8%	0.7%
Mining	0.0%	1.6%	1.1%	0.6%
Tourism	0.3%	0.2%	0.2%	0.2%
Environment	5.5%	5.4%	5.4%	5.3%
<u>Infrastructure</u>	<u>42.4%</u>	<u>43.4%</u>	<u>43.6%</u>	<u>44.2%</u>
Transport, Public Works and Planning	<u>34.6%</u>	36.0%	<u>36.2%</u>	<u>37.0%</u>
Telecommunications	<u>0.3%</u>	0.2%	<u>0.2%</u>	<u>0.2%</u>
Energy	<u>3.1%</u>	3.0%	<u>2.9%</u>	<u>2.8%</u>
Water	<u>4.3%</u>	4.2%	<u>4.2%</u>	<u>4.2%</u>
<u>Social</u>	<u>21.7%</u>	<u>22.8%</u>	<u>22.9%</u>	<u>23.7%</u>
Education and Training	<u>7.5%</u>	8.0%	<u>8.0%</u>	<u>8.3%</u>
Health	<u>7.8%</u>	8.2%	<u>8.2%</u>	<u>8.5%</u>
Social and Cultural Actions	<u>6.4%</u>	6.6%	<u>6.6%</u>	<u>6.9%</u>
<u>Administration</u>	<u>16.3%</u>	<u>14.7%</u>	<u>15.2%</u>	<u>14.6%</u>
Government	<u>4.8%</u>	4.0%	<u>3.8%</u>	<u>3.7%</u>
Sovereignty	<u>1.1%</u>	1.8%	<u>1.7%</u>	<u>1.6%</u>
Economy and Finance	<u>7.4%</u>	6.9%	<u>6.9%</u>	<u>6.8%</u>
General Administration	<u>3.0%</u>	2.0%	<u>2.8%</u>	<u>2.5%</u>
<u>HIPC Initiative</u>	<u>5.0%</u>	<u>3.2%</u>	<u>2.9%</u>	<u>2.8%</u>

**Table 11. Madagascar: Grouping of Institutions and Ministries (and Projects) by Sector
(based on Public Investment Program classification)**

1. Productive Sectors

Agriculture, Livestock, Fishing
 Agriculture, Livestock and Fishing
 Industry, Trade, Foreign Trade
 Mining
 Mining
 Tourism
 Tourism
 Environment/Water/Forests
 Environment, Water and Forests

2. Infrastructure

Transport, Public Works and Planning
 Transport, Public Works and Regional Development
 Telecommunications
 Communication and Telecommunications
 Energy
 Mining
 Water
 Water

3. Social

Education and Training
 Basic Education, Secondary Education, Technical Training, Higher
 Education, Scientific Research
 Health
 Health
 Social and Cultural Actions
 Population, the Status of Women, Youth and Sport, Culture, DIF Project,
 SEECALINE Project

4. Administration

Government
 President, Senate, Supreme Constitutional Court, Office of the Prime Minister,
 Foreign Affairs, Justice
 Sovereignty
 Defense, Public Security
 Economy and Finance
 Economy, Finance, Budget
 General Administration
 Interior, Decentralization, Civil Service

LIST OF ACRONYMS

ACP-EU	African, Caribbean, Pacific – European Union
ADER	Development Agency for Rural Electrification
AEPA	Access to Drinking Water and Sanitation
AESPSE	Sanitation, Drinking Water, Environmental Primary Care
AGEREF	Land Reserve Management Agency
AGETIP	Public Infrastructure Works Executing Agency
AGOA	African Growth and Opportunity Act
AIM	Association of Non-mutual Microfinance Institutions
ANAE	National Association for Environmental Action
AUE	Water Utility Users' Association
CC	Audit Office [<i>Cour des Comptes</i>]
CCM	Central Procurement Commission
CDE	Committed Expenditure Control
CGI	General Tax Code
CHD	District Hospital Center
CIOV	Inter-Ministerial Steering and Validation Committee
CISCO	school district
CITES	Convention on International Trade in Endangered Species
CNE	National Elections Council
CNJ	National Council of Justice
CODIS	Council of Discipline
COI	Indian Ocean Commission
COMESA	Common Market for Eastern and Southern Africa
CRDA	Business Law Reform Commission
CRDA [<i>sic</i>]	Business Law Reform Committee
CRENI	Intensive Nutritional Education and Recovery Center
CRSP	Penal System Reform Council
CSB	Basic Health Center
CSM	Magistracy High Council
CTD	Decentralized Local Governments
DAS	Autonomous Security Detachment
DDU	Single Customs Declaration
DEAP	Entrance Fees to Protected Areas
DNSP	National Public Security System
DRA	Regional Development Diagnostics
DRS	Soil Protection and Restoration
EDS/DHS	Demographic and Health Survey
ENAM	Malagasy National School of Administration
ENAP	National School of Penitentiary Administration
ENMG	National School for Magistrates and Court Clerks
EPI [<i>PEV</i>]	Expanded Program of Immunization
EPM	Permanent Household Survey
EPP	Permanent Steering Team
FCV	Counterpart Value Fund
FDT	Telecommunications Development Fund
FER	Road Maintenance Fund
FID	Development Intervention Fund

FNE	National Electricity Fund
GCF	Forestry Management by Contractors
GCV	Village Community Silo
GDI [<i>ISDH</i>]	Gender-related development index
GELOSE	Securitized Local Management
GPI	Large Irrigation Areas
GTC	Central Thematic Groups
GTDR	Working Groups for Rural Development
HAB	Baby-friendly Hospitals
HDI [<i>IDH</i>]	Human Development Index
HIMO	Labor-intensive
HIPC Initiative/ [<i>IPPTE</i>]	Heavily Indebted Poor Countries Initiative
IEC	Information – Education – Communication
IFPB	land taxes on improved property
IGE	State Inspectorate General
IGJ	Justice System Inspectorate General
IMATEP	Malagasy Technical and Planning Institute
IMT [<i>MIT</i>]	Intermediate Means of Transport
INSTAT	National Statistics Institute
INTH	National Hotel Skills Institute
JER	Young Rural Entrepreneur
MECIE	Environmentally-friendly investments
MMQ	Malagasy Pro-Quality Movement
MSR	Risk-free maternity
MTM	Madagascar Tourism Board
MTP	Provincial Tourism Boards
NEU	New Unitary Schools
NICT	New Information and Communication Technologies
ODOC	Collective registration of land ownership
OP	Farmers' Organization
OPA	Agricultural Professional Organization
ORE	Power Regulation Agency
ORSEC	Rescue Services Organization
OSF	Forestry Sector Observatory
PABU	Urban Management Support Program
PADR	Rural Development Support Program
PAE	Environmental Action Plan
PAEPAR	Pilot Project for Supplying Water to Rural Areas
PAGS	Simplified Development Management Plan
PAGU	Urban Management Support Project
PAIQ	District Initiative Support Project
PCD	Communal Development Plan
PCG	General Chart of Accounts
PCIME	Integrated Coverage of Children's Diseases
PDC	Communal Development Plan
PDRAB	Ambato-Boéni Regional Development Project
PFU	Financial Participation by Users
PHAGECOM	Community-Managed Pharmacy
PICS	Anti-Cyclone and Drought Intervention Program
PLS	Local Security Plan

PNAE	National Program for the Improvement of Education
PNEBE	Energy, Wood, Environment National Program
PNPDES	National Population Policy for Economic Development
PNSA-PSMC	National Program on Airport and Port Security and Marine and Coastal Surveillance
PNSP	National Private Sector Development Support Program
POCI	Public Agency for Inter-communal Cooperation
PPI	Small Irrigation Areas
PPP	Public-Private Partnership
PRDR	Regional Rural Development Program
PSDR	Sectoral Program for Rural Development
PST	Sectoral Transportation Program
PTMR	Rural Area Transportation Program
PULP	Urban Poverty Reduction Program
RCS	Business Corporation Register
ROR	Network of Rural Observatories
SAGE	Environmental Management Support Service
SEECALINE	Monitoring and Training for Schools and Communes in Food and Expanded Nutrition
SEIMAD	Madagascar Real Estate Development Company
SFI	Intermediate Land Tenure Security
SFO	Optimum Land Tenure Security
SFR	Relative Land Tenure Security
SGE	Large Enterprise Unit
SGS	Société Générale de Surveillance (pre-shipment inspection)
SIM	Market Information System
TAF	Administrative and Financial Tribunal
TAFB	Schedular Taxes on Improved Property
TI	Import Taxes
UNDP	United Nations Development Program
VAT	Value Added Tax
ZAES	Special and Socially-oriented Economic Activity Zones