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Madagascar
Country Assistance Evaluation

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Acronyms and Abbreviations

ADF	African Development Fund
AGOA	African Growth Opportunity Act
APL	Adaptable Program Loan
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CEM	Country Economic Memorandum
CFAA	Country Financial and Accountability Assessment
CNN	National Council for Nutrition
CPAR	Country Procurement Assessment Report
DHS	Demographic and Health Survey
EFA	Education for All
EPM	*Enquête périodique auprès des ménages (*Household Survey)
ESW	Economic and Sector Work
EU	European Union
FDI	Foreign Direct Investment
FSA	Financial Sector Assessment
HIPC	Heavily Indebted Poor Countries
HNP	Health, Nutrition, and Population
ICA	Investment Climate Assessment
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IRR	Internal Rate of Return
JIRAMA	Electricity and Water Company
MDGs	Millennium Development Goals
MOH	Ministry of Health
MTEF	Medium-Term Expenditure Framework
NEAP	National Environment Action Plan
NGOs	Non-governmental Organizations
ODA	Official Development Assistance ODA
ONN	National Nutrition Office
PER	Public Expenditure Review
PMU	Project Management Units
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
RMF	Road Maintenance Fund
SAC	Structural Adjustment Credits
SALAMA	Central Drug Procurement Agency
SECALINE	Food Security and Nutrition Project
SEECALINE	Community Nutrition II Project
SME	Small and Medium Enterprises
SSC	SME Solution Center
TFR	Total Fertility Rate
TVET	Technical Education and Vocational Training
UNDP	United Nations Development Program

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Preface

This Country Assistance Evaluation (CAE) reviews the Bank's assistance strategy for Madagascar for the period 1995–2005 (FY94-06). It looks at the relevance, efficacy, efficiency, and impact of Bank's assistance to Madagascar during this period. The CAE is based on a comprehensive review of World Bank documents, government policy statements and documents, and development literature on Madagascar, as well as interviews with government officials, Bank staff, officials from other donor agencies, representatives of nongovernmental organizations, the academic community, and private sector representatives.

A Bank mission visited Madagascar from the October 10–28, 2005. The contributions and the cooperation of government officials and agencies, the regional World Bank office, civil society, private sector, and donors are gratefully acknowledged. A list of people interviewed is in Annex B.

The Management Action Record is attached as Annex D. Comments from the Bank's Regional Management have been incorporated in the report. The report was also sent to the Government whose comments are attached in Attachment 1.

The CAE was written by Zeynep Taymas (Task Manager) with contributions by Roger Key, Robert Lacey, and Patrice Harou (Consultants). The peer reviewer was John Johnson. Maria Claudia Pachon and Victor Hugo Orozco provided research assistance, while Silvana Valle and Janice Joshi provided administrative support.

Summary of CAE Ratings

Objectives of Bank Assistance	Outcome for Objectives of Bank Assistance	Ratings
Broad-Based Growth		*Moderately Unsatisfactory*
Higher growth through establishing an enabling environment for PSD	Business environment improved, but mixed progress in infrastructure services (par. 3.2–3.10 and 3.20–3.21); Higher growth rates achieved but poverty did not change appreciably (par. 3.20–3.21).	Moderately Unsatisfactory
Increased agricultural productivity	Rice and other crop yields stagnant; institutions and infrastructure to support the sector in poor state (par. 3.11–3.13).	Unsatisfactory
Improved natural resource management	Main legislation in place, but too many institutions and weak enforcement capacity. Rate of deforestation reduced. Four and a half percent of county's total area designed as protected areas (par. 3.14–3.15).	Moderately Satisfactory
Better access to roads	Some institutional improvements. But Bank-financed road rehabilitation likely to be incomplete and national road program far behind schedule (par. 3.16–3.19).	Moderately Unsatisfactory
Good Governance		*Moderately Unsatisfactory*
Reduce corruption, increase transparency, and strengthen judiciary	Anticorruption Agency active; asset declaration requirements (Head of State excluded), anti-money laundering legislation, decree on entry to public service passed; a number of reforms made in customs administration. Corruption still widespread (par. 4.2–4.5).	Moderately Unsatisfactory
Improve public sector management	Some public financial management improvements in place. New procurement code and oversight agencies established. Madagascar still in need of substantial improvement in public expenditure management. Low tax to GDP ratio (par. 4.6–4.13).	Moderately Unsatisfactory
Human and Material Security		*Moderately Satisfactory*
Increase in pro-poor expenditure	Share of education expenditure increased but that of health expenditures constant (par. 5.2–5.5).	Moderately Satisfactory
Improve access to and quality of education	Primary school enrolment increased but quality of education not improved at all levels. Severe regional disparities persist (par. 5.6–5.11).	Moderately Satisfactory
Provide affordable basic health care and access to clear water and sanitation	Some progress in health indicators, but not much progress in clean water and sanitation access (par. 5.12–5.18).	Moderately Satisfactory
Protect vulnerable group through targeted interventions	Nutritional indicators improved in targeted areas; the Social Fund effective in delivering small-scale infrastructure, but institutional impact limited and better targeting needed (par. 5.19–5.25).	Satisfactory
Overall		**Moderately Unsatisfactory**

Summary

1. Madagascar, with its rich natural resources, has the potential to stand out among developing economies. Yet its long-term economic and social development path was uneven and mostly downhill as a result of dirigiste and xenophobic policies, particularly in the 1980s. Average per capita income declined, and stocks of human, physical, and natural capital were steadily depleted. Poverty, largely structural in nature, became widespread. At the beginning of the Country Assistance Evaluation (CAE) period (1995), the prospects for Madagascar to achieve high growth rates and poverty reduction seemed remote. More important, there seemed to be no serious commitment to change by the governments prior to 2003.

2. Throughout the CAE period under review 1995–2005 (FY94–06), the Bank's overarching goal was to help alleviate constraints preventing Madagascar from achieving its full growth potential, particularly in non-traditional sectors. During this period, the Bank committed about US$1.9 billion in IDA resources, of which over 60 percent was aimed at the objective of broad-based growth. The Bank was one of Madagascar's largest donors, and a major player in supporting high-priority structural reform and institutional change. After several decades of extremely difficult dialogue, Madagascar's Authorities began, in the mid-1990s, to implement serious structural reforms. However, progress during the first six years of the review period seemed to be driven more by financial necessity than by real commitment to reform. This changed after the crisis of 2002. The Bank responded with a major increase in IDA resources, and became a close adviser to the President. The Bank also aligned its program with the PRSP which has strong government ownership.

3. The Bank's response was timely and appropriate to the new circumstances. However, it is already becoming clear that capacity limitations and weak governance hamper progress toward strategic objectives. Implementation of the ambitious reform programs is proving to be slower and more difficult than anticipated. The extent to which the President's vision and goals are shared within the middle and lower ranks of his administration is unclear. The grounds for optimism remain fragile, and there is a high degree of political risk in the country, as well as some potential reputational risk for the Bank.

4. While higher growth has been achieved, it has not been broad-based and poverty was as high in 2004 as it was a decade before. Bank support has been of critical importance in helping improve the investment climate in Madagascar, and thereby promoting growth in some export-oriented sectors. On the other hand, the results of Bank's involvement in infrastructure in support of private sector development have been mixed, with visible improvements in air transport and telecommunications, but not much progress in electricity and water supply. More importantly, Madagascar's growth process generated only limited and cyclical urban employment, but made no systematic inroads into poverty, particularly in rural areas. Agricultural growth was insufficient to raise rural incomes and enhance food security. The Bank was unable to find the appropriate design and mix of interventions for complex multi-faceted agricultural sector issues. On the other hand, progress was made in improving natural resource management, thanks in part to Bank-sponsored first National Environment Action Plan that set the basis for a 15-year program. Deforestation has been virtually eliminated in protected areas, but continues at a slower pace in other areas. Although important environmental institutions have been established, their effectiveness remains a serious issue. In short, important progress has been made on the environmental agenda, but this is not yet sufficient to ensure sustainable conservation of ecosystems.

5. Progress in improving governance has been slow. Corruption is still widespread. During the early part of the period under review, Bank support contributed to reducing the sources of illicit gain through privatization and liberalization measures. Since 2003, the Bank focused on the institutions to fight corruption, the effectiveness of which is yet to be seen. In the public sector, several issues raise concerns about the appropriateness of budget support as the main instrument of resource transfers to Madagascar. These include the long-standing discrepancy between budgetary allocation and execution, the recent deterioration in public expenditure management as evidenced by the HIPC Expenditure and Management benchmarks, the low tax to GDP ratio, and the lack of a clear decentralization framework.

6. In the social sectors, the results have been also mixed. Primary education enrollments have increased, but retention and completion rates and learning outcomes remain problematic, while other parts of the education system have languished. The Bank contributed to increased primary school enrollments through a safety net package of measures, teacher recruitment and incentives, and classroom construction. Some key health indicators improved mainly through vertical programs supported by the Bank, but service delivery is inefficient, incomplete, and unequal. Bank-supported nutrition and social fund activities were relatively successful and responsive, but were

unable to outweigh the broader poverty context. The shift in public expenditures toward basic services has been modest so far, and further progress is constrained by the low ratio of tax revenue to GDP, slow decentralization process, and weaknesses in service delivery capacity and governance.

7. The overall outcome of the Bank's assistance to Madagascar during 1995–2005 is rated as moderately unsatisfactory. Despite higher growth, growth was not broad-based, poverty has not decreased appreciably, and governance has not improved. The outcome has been influenced to a large extent by factors outside the Bank's control, such as political crises, weak government commitment to reform prior to 2003, and exogenous events, including adverse terms of trade and natural disasters.

FINDINGS

- It is difficult to monitor donor-supported program outcomes in Madagascar, as the country suffers from an overload of indicators, most of which are neither closely monitored nor reliable, and, at times, inconsistent.
- Unless links between the dynamic sectors and the rural areas—where the great majority of the poor are located—can be improved, growth in Madagascar will not be pro-poor.
- An increase in aid flows to assist a committed government is consistent with the need to scale up aid to meet the Millennium Development Goals. But when it exceeds the country's absorptive capacity and runs ahead of the institutional reforms necessary for their sustainability, it can have limited effectiveness, as the experience in Malagasy transport sector demonstrates.
- In general, PRSCs seem to be good instruments for bringing coherence to a government's plans, for prioritizing budget allocations in line with agreed targets, and for accelerating and coordinating policy and financial support from the Bank and other donors. But, in Madagascar, inadequate preparatory work and capacity building prior to PRSCs have been behind serious implementation problems that have disrupted resource flows to beneficiaries. Whether or not this is only a transitional problem remains to be seen.
- Targeted activities addressing specific constraints of the poor can be effective in protecting vulnerable groups. The return to this investment could have been increased if set in the context of a social risk management strategy designed to lower vulnerability rather than respond to repeated crises in Madagascar.

- Staff presence in the field has been critical for ensuring stronger donor coordination and improved implementation.

RECOMMENDATIONS

- **Develop CAS Scenarios**: While the impetus for reform in Madagascar appears to be strong, the Bank needs to develop a low case scenario in the CAS, in the event of renewed political instability and/or a weakening of the Authorities' commitment to reform. Since natural disasters are highly prevalent and recurrent events in Madagascar, the CAS should also treat this phenomenon as a risk integral to its program, with focus on mitigation and vulnerability reduction measures.
- **Monitoring Indicators:** As the Bank and other donors jointly adopt results-oriented programs, there is an urgent need to define a few critical indicators and strengthen support to statistics for their reliable monitoring. Until this is satisfactorily addressed, it will remain difficult to assess the effectiveness of donor-supported programs.
- **Strengthen the Growth and Governance Aspects of the Strategy:** The growth strategy needs to be refocused on reaching the rural poor, by working jointly with the Government and other donors to develop an innovative vision and implementation program to raise rural incomes and address structural poverty. Strengthening implementation of environmental plans would also help protect Madagascar's unique bio-diversity. The Bank also needs to intensify its support for good governance, by focusing more sharply on: (a) key sectors (especially the judiciary and extractive industries); (b) resolving the land question; (c) strengthening decentralized institutions (d) tackling higher-level corruption more effectively; and (e) enhancing evaluation and auditing capacity.
- **Limit the Role of Budget Support:** Consideration should be given to limit programmatic budget support until there is a credible and sustained improvement in revenue collection and public expenditure management system. Projects designed to address specific sectoral issues, bottlenecks, and capacity constraints, will be critical for increasing Madagascar's absorptive capacity and the effectiveness of programmatic instruments.

Vinod Thomas
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1. Background

1.1 **Madagascar is a large island country, with a per capita income of US$290.** It is mostly rural, with about 80 percent of the country's 17 million people living in rural areas. Agricultural activities account for a large portion of the rural sector, and have the largest share in terms of GDP contribution. Madagascar has many natural resources and advantages: rich mineral deposits, fertile land with plentiful rain, an environment conducive to many types of tourism, including a unique ecosystem, varied topography, several climatic zones, and a coastal perimeter of about 3,000 miles, which provides access to rich maritime resources.

1.2 **At the beginning of the CAE period, the likelihood of Madagascar achieving rapid growth and a reduction in poverty seemed slim.** Average per capita income was well below its level of the 1960s. In 1993, 70 percent of the population was poor. Long-term neglect of infrastructure and harmful environmental practices in agriculture resulted in a gradual erosion of the nation's physical infrastructure and natural resources. Failure to invest in human resources to match demographic growth led to a deterioration in indicators of education, health, and nutrition. Most importantly, there seemed to be no serious commitment to change by governments, prior to 2003.

1.3 **Over the years, there has been a large gap between the country's economic potential and its performance.** Madagascar's economic performance has not been consistent; periods of reforms and growth have alternated with economic and political crises. In the mid-1970s, the country underwent a socialist revolution, resulting in dirigiste economic policies. Per capita incomes declined, affected by market distortions, xenophobia, and unproductive investments. President Ratsiraka's government launched a series of reforms in the mid-1980s to liberalize the economy. Although these reforms were rather gradual and piecemeal, the economy responded positively: foreign investment rose, non-traditional exports doubled, and for the first time in many years, GDP growth was positive.

1.4 **The economic liberalization of the mid-1980s was accompanied by a long transition to political pluralism.** A political crisis in 1991, however, brought reforms to a halt, and persisted until 1993 when a populist regime (under President Zafy) came to power and emphasized a development strategy of self-reliance. The new government undertook some piecemeal reforms on trade liberalization, but these were not enough to keep the economy from declining: per capita GDP growth was negative during 1991–95. Political tensions weakened the decision making process, and finally resulted in the impeachment of President Zafy, and the reelection of Ratsiraka as the President of Madagascar in 1996.

1.5 **The year 1997 marked the beginning of private sector-led growth and efforts to integrate Madagascar into the world economy.** The government undertook several reforms (see par. 3.2–3.6), while remaining somewhat hesitant in this process. These reforms, coupled with the preferential trade agreement of African Growth Opportunity Act (AGOA), resulted in an increase in foreign direct investment (FDI), a surge in exports, and high sustained growth rates (averaging 4.5 percent during 1998–2000).

1.6 **Madagascar's progress was halted by a deep political and economic crisis at the beginning of 2002.**[1] Although the crisis was short-lived, its impact was devastating: GDP declined by almost 13 percent, and the incidence of poverty increased. The new government headed by President Ravalomana embarked on many reforms, including those aimed at restoring private sector confidence. In 2003 and 2004, the economy rebounded, with growth reaching 9.8 percent and 5.3 percent, respectively. Nonetheless, at end 2004, real per capita income was less than its 2001 level, and the poverty rate higher than its pre-crisis level.

Table 1. Selected Economic Indicators, 1995–2005

	1995/97	1998/2000	2001	2002	2003	2004	2005p
Real GDP growth	2.5	4.5	6.0	-12.7	9.8	5.3	6.4
Of which primary sector	2.1	2.1	4.0	-1.3	1.3	3.1	3.6
Inflation, consumer prices	24.5	9.4	6.9	15.9	-1.2	13.8	5.0
Total investment (% GDP)	5.4	14.9	18.5	14.3	17.9	24.4	24.9
Of which private investment	2.0	7.7	11.2	9.5	10.1	15.0	14.0
Of which FDI	0.3	1.0	2.0	0.2	0.2	1.0	-
Exports of goods and services (%GDP)	22.2	25.6	29.1	16.0	21.5	28.4	22.0
Tax Revenue (% of GDP)	8.7	10.7	9.7	7.7	10.0	10.9	10.8
Fiscal deficit, excl. grants (% GDP)	8.6	7.4	8.1	7.7	9.3	13.1	9.5
External debt (% GDP)	18.8	122.2	89.5	97.9	88.7	117.7	-
Per capita ODA commit. (US$)	22.6	33.5	28.1	21.0	45.1	65.5	-
Memo:							
Population growth	3.0	3.1	2.9	2.8	2.7	2.7	2.7

Source: World Bank internal database and IMF Statistical Appendix report, Sept 2005.

1.7 **Between crises, Madagascar had five years of sustained growth, but only a small percentage of the population was able to move out of poverty.** The gains were confined to the urban areas. The percentage of the population in extreme poverty[2] remained basically constant. Poverty in rural areas increased steadily until 2005. (For a discussion of the evolution of poverty, see par. 3.21.) These developments reflected the pattern of growth: the enclave nature of some growth sectors, the concentration of labor-intensive manufacturing and the growth of Export Processing Zones (EPZ) in Antananarivo and a few other urban areas, and the poor performance of agriculture and the rural sectors.

1.8 **Madagascar is highly dependent on foreign aid for the implementation of its program**.[3] Aid flows have fluctuated in line with crises and periods of reform. After the Ratsiraka Administration began its reform efforts in the second half of 1990s, official development assistance (ODA) per capita (excluding debt relief) increased sharply to an average of about US$39. This fell to US$23 in 2000 as donors became disappointed with the slow pace of reform and persistent governance issues. As expected, per capita ODA fell further in the crisis year of 2002, but rose sharply in 2003–2004 to an average of over US$50, reflecting the donors' confidence in Ravalomana's government. IDA flows followed more or less the same trend, and averaged about US$10 per capita during 1995–2005.

1.9 **Madagascar's recent political and economic performance has led to a strong optimism about the future of the country.** There is certainly room for a somewhat more upbeat view, but caution must be exercised as well. While earlier governments were often ambiguous and hesitant in their commitment to reform, the present government is much more engaged and decisive. Nonetheless, the country's prospects remain fragile as the challenges ahead are daunting. Madagascar will need to sustain high growth rates in its non-traditional sectors, not a modest achievement in this highly competitive global environment. At the same time, ways will have to be found to make inroads into unwavering rural poverty and persistent regional disparities. Pervasive governance issues will need to be addressed at all levels, including grand corruption. This is all the more important because Madagascar is likely to see a substantial investment increase in large-scale mining and possibly in off-shore oil and gas exploration. While these can bring important development benefits, they can also exacerbate corruption and create social conflict.

NOTES

1. Elections were contested by two major candidates: incumbent president Ratsiraka, and his contender Ravalomanana. Mediation efforts failed, and there were practically two different governments in place. The stand- off grew fierce with parts of the highlands isolated from the coastal areas due to road blocks and destruction of bridges. Activities in several sectors (including transport, tourism, and the EPZ) came to a complete halt; about 150,000 workers lost their jobs in the formal sector alone; farmers' incomes were drastically reduced. The political crisis ended six months later when Ravalomanana's government was recognized internationally.

2. The extreme poor are defined as those who cannot afford to buy a basic food basket even if they spend everything they earn on food items.

3. Nonetheless, Madagascar is not among the largest aid recipients in Africa: during the 1995-2004 period, it ranked 19th out of 29 African countries in terms of per capita aid.

2. Bank Strategy and Assistance

Policy Dialogue and Key Focus of Country Assistance Strategies

2.1 **This CAE reviews the period 1995–2005 (FY04–06).** To assess the relevance of Bank's objectives in Madagascar during this period, one needs to briefly review how each country assistance strategy responded to specific economic and social situations against the background of political cycles and crises.

2.2 **The FY04-07 country assistance strategy intended to help Madagascar sustain and deepen the reforms started in the 1980s**, which showed that a strong private sector response was possible when major constraints to private sector development (PSD) were lifted. With cautious optimism, it viewed Madagascar as a potential African success story, provided the authorities pursued their commitment to a renewal and intensification of economic reform, and addressed constraints to accelerated growth. This optimism was, however, short-lived. The FY94–96 country assistance strategy coincided with the President Zafy period during which there was little progress in reform, and the lending program was less than 60 percent of the possible IDA envelope. An active policy dialogue was nevertheless maintained to convince the government of the need to reform.

2.3 **The FY07–09 country assistance strategy was launched at a time when Madagascar's development policy was becoming more pragmatic and private sector friendly.** The Bank's policy dialogue underscored the need for a profound and convincing transformation program. The Bank's strategy was of the view that of nothing short of turning the country into a business-friendly Mauritius or Singapore would be good enough. his was a period of high lending and intensive policy dialogue through structural adjustment credits (SACs) that emphasized private sector development, mainly in non-traditional sectors. The SACs were intended to give a strong signal to the international community that an irreversible, fundamental transformation was taking place in the country. The Bank operated in the high case, satisfied with progress on SAC-I and IMF programs and Madagascar's vigorous efforts to attract investors.

2.4 **The Bank's assistance continued from FY00 through part of FY02 without a new CAS**, pending the preparation of a full Poverty Reduction Strategy Paper (PRSP). During this period, an interim-

PRSP was prepared, leading to the heavily indebted poor countries (HIPC) decision point (December 2000). This period, as in other HIPCs, led to greater emphasis on improving public expenditure management systems and basic service delivery. The triggers to reach the HIPC completion point were chosen primarily in these areas. During this period, an important part of the Bank's assistance was to help the government prepare the PRSP and meet HIPC triggers.

2.5 **The FY03 Interim CAS was the Bank's response to the political crisis of 2001.** The emphasis was on assisting private sector recovery, restoring public services, and providing targeted assistance to those worst affected. This involved a major restructuring of the existing portfolio, as well as an Emergency Economic Recovery Credit. During the crisis, the Bank maintained its presence in the field, and kept an active portfolio. This proved to be quite effective for a timely response to the crisis, not only by moving project activities forward as much as possible in very difficult circumstances, but also by providing policy advice to the new government. In the process, the Bank became a close advisor to the new President.

2.6 **The FY04–06 CAS was the first to be anchored in the PRSP**. It is also a CAS of stocktaking, particularly with respect to the critical issues of how to reorient the Bank's assistance for growth to become more pro-poor and for social sector programs to have nationwide impact. In response, the FY04 CAS foresaw a transition to programmatic lending, with agreed overall sector strategies. Building on the relative success of the EPZ in Madagascar, the Bank also adopted a strategy of "betting on winners" through an integrated growth poles approach to promote regional development. In line with the PRSP, reducing rural poverty and ensuring the competitiveness of local rice became explicit CAS objectives, the first time during the period under review.

2.7 **This CAE reviews the progress in achieving Bank's objectives, as pursued in these country assistance strategies.** While doing so it relies to the extent possible on quantitative outcome indicators, some of which were presented in country assistance strategies. However, several caveats need to be mentioned regarding the use of indicators. First, the last population census in Madagascar took place in 1993. As a result, for example, the current school-age population remains uncertain. Second, it is difficult to find consistent series of indicators covering the CAE period. For instance, over the years, there have been shifts in the choice of education indicators monitored (see par. 5.6). Third, major survey dates such as *Enquête Périodique Auprès des Ménages (*Household Living Conditions Survey-EPM) do not necessarily coincide with the CAE period. Fourth, for the last two years, each ministry has been operating with a system of quantitative targets (a private-sector inspired incentive scheme introduced by President Ravalomana). While this is a commendable initiative, it may also produce an incentive to inflate results. Fifth, Madagascar currently suffers from an overload of indicators,[1] not all of which are closely monitored. For most of those, no reliable estimates exist prior to 2002.

The Bank Country Assistance Objectives

2.8 **Overall, the objectives that the Bank has pursued can be grouped under three PRSP pillars: broad-based growth, good governance, and human and material security.** Another important function of the Bank in Madagascar, though understandably not an explicit one in CASs, has been to respond to crises, whether arising from political disturbances or natural disasters. The three broad objectives were included in all CASs, although the emphasis, the strategy, and the modality of interventions varied. This was mainly because Madagascar's development process has been periodically affected by political instability, policy inconsistency, or natural disasters. Therefore, the Bank had to tailor its assistance toward the objectives according to existing situations, at any given period.

2.9 **The Bank's objectives were relevant, and the sequencing of interventions appropriate, despite some gaps.** During the first half of the CAE period under review, the immediate growth agenda was to put Madagascar on a sustained growth path, by stopping the bleeding in the overextended and inefficient public sector and by establishing the preconditions for private sector investment. This strategy was successful in enabling economic growth, but by 2002, its inadequacy in reducing poverty was apparent. The strategy had failed to ensure that poor people could take advantage of the opportunities being created in a growing economy, therefore missing the objective of "broad-based" growth (par. 3.20–3.21). The Bank was unable to find an appropriate strategy and related instruments to address rural poverty. At the same time, it was recognized early on that growth and improved social services would miss certain vulnerable groups. Therefore, the Bank supported projects aimed at attacking poverty directly and creating safety nets, probably more so than in many other African countries. It was only with the advent of HIPC and the PRSP era that the Bank started to focus more explicitly on poverty impact. Also, it is only then that the Bank's emphasis shifted toward improving public expenditure management, an area that had been relatively neglected in the Bank's assistance. Although natural disasters are highly prevalent and recurring events in Madagascar, the Bank strategy did not treat them as a risk integral to the program, with appropriate mitigation and vulnerability reduction measures.[2]

The Lending Program

2.10 **During the period of FY94–06, the Bank's lending program consisted of 36 IDA credits/grants and 6 supplements for a total of US$1,881 million**, of which about 23 percent was fast disbursing. Table 2 summarizes the lending program and economic and sector work (ESW) within each of the three PRSP pillars, subdivided into 10 sub-objectives.

Table 2. Summary Table: CAS Objectives, Commitments, and ESW (FY94–06)

CAS Objectives	Commitments (US$ million)	% of total Commitments	ESW
1. Broad-Based Growth	**1,134.5**	**60**	
a. Achieve higher GDP growth through an enabling environment for PSD.	575.7	31	Strategy for High Growth and Poverty Alleviation (1994)
b. Increase agricultural productivity	135.5	7.2	Private Sector Assessment (1995)
c. Improve natural resource management	75.0	4	Agenda for Growth and Poverty Reduction- CEM (1999)
d. Enable better access to roads	348.3	19	Rural and Environment Study (2003)
			Diagnostic Trade Integration Study (2003)
			Tourism Sector Study (2004)
			Development Policy Review (2005)
			Investment Climate Survey (2005 -)
2. Good Governance	**109.0**	**6**	
a. Reduce corruption, increase transparency and strengthen the judiciary	30.0	2	CFAA (2003) Decentralization (2004)
b. Improve public sector management	79.0	4	PER (2005)
3. Human and Material Security	**637.6**	**34**	
a. Increase in pro-poor expenditures	125.0	8	Poverty Assessment (1996)
b. Improve access to and quality of education	97.0	5	Socio Economic Differences in Health, Nutrition, and Population (2000)
c. Provide affordable basic health care and access to clean water and sanitation	145.0	8	Education and Training Policies (2001)
d. Protect vulnerable groups through targeted interventions	270.6	14	Poverty and socioeconomic developments, 1993–1999 (2002)
TOTAL COMMITMENTS	**1,881.1**	**100**	

Source: World Bank internal database and ImageBank.

2.11 **Reflecting the Bank's core objective of promoting economic growth in Madagascar, about 60 percent of the lending program was allocated for that purpose**. Also, the CAS implementation rate improved with government ownership (Table 3). Most projects not initially included in the CAS program were poverty targeted: the Second Community Nutrition and Third Social Fund and Community Development Fund projects were new phases of ongoing operations requested by the government, while micro-finance was a new activity. Other newly introduced projects such as the Regional Development and Rural Water Sector Pilot projects aimed at reducing regional inequalities. A relatively important share of Bank's assistance (about 15 percent) was channeled through community-driven and directly targeted schemes.

Table 3. Planned and Actual Lending, FY94–05

	FY94–96	FY97–99	FY00–02	FY03	FY04–06
Planned	300–375	450 1/		160	650 1/
Actual	215.7	419.5	421.1	162	662.8 2/

1/ High case scenario; 2/ Approved lending as of February 16, 2006.
Source: World Bank internal database..

Quality of Lending

2.12 **The Independent Evaluation Group (IEG) ratings of Madagascar's closed projects are slightly better than the average ratings for Africa, but slightly worse than the Bank's overall averages.** During FY94–05, IEG reviewed a total of 36 closed IDA-financed projects in Madagascar, representing US$961.6 million in commitments (Table 4). Outcome was rated satisfactory for 68 percent of the closed projects (by commitments). This is lower than the Bank-wide average of 79 percent, but about the same as the Africa Region average. Fifty percent of projects were deemed to be resilient to risk, this ratio being below the Bank-wide average, but above the African average.

Table 4. Madagascar—IEG Ratings by Commitment (FY94–05)

Region	Total evaluated (US$M)	Total Evaluated (No.)	Outcome % satisfactory (US$)	Resilience to Risk % (US$)
Madagascar	961.6	36	68.2	50.1
AFR	32,725.5	891	68.6	48.8
World Bank	232,108.5	3,135	78.6	70.8

Source: World Bank internal database (February, 2006).

2.13 **Portfolio implementation has been a recurring problem**. Both the FY94 and FY97 country assistance strategies started with a sharply deteriorated portfolio. At the beginning of FY97, half of commitments were at risk. Over the FY98 to FY01 period, portfolio performance gradually improved, as this became an area of emphasis for the Bank. The portfolio became high risk when the crisis hit in 2002. In FY03, a major portfolio restructuring sought to respond to the new government's priorities and ensure its ownership. This has been instrumental in improving disbursement rates, which rose to 35 percent of commitments, compared to 20 percent during the previous decade (investment projects only). The portfolio sharply deteriorated in FY06, with large projects in the transport and agriculture (accounting for 33 percent of commitments) being considered at risk. Concerted efforts have now improved the portfolio, with 10 percent of commitments being at risk.

Economic and Sector Work

2.14 **The Bank has carried out a substantial amount of ESW in support of its strategic objective of promoting broad-based, private sector-led growth.** Nearly all this work is of high quality, informing the Bank's policy advice and guiding the client's reform efforts. But the Bank's ESW could benefit from wider dissemination (a comment heard by the IEG mission on several occasions). During the review period, there have been three CEMs or their equivalent, a Diagnostic Trade Integration Study, and analytical work focusing on key sectors such as mining, tourism, and the EPZs. Impediments to private investment are thoroughly researched and documented in an Investment Climate Assessment (ICA), while the remaining reform agenda in the financial sector is reviewed in a Financial Sector Assessment (both in 2005). The reform of public finances and decentralization have benefited from several analytical pieces, especially in recent years. There has been a Public Expenditure Review (PER), a Country Procurement Assessment Report (CPAR), a Country Financial and Accountability Assessment (CFAA),[3] and a detailed decentralization study, to underpin the move to programmatic lending. A high-quality Rural and Environment Sector Review was produced in 2003 to reshape the Bank's policy in the rural sector.

2.15 **While the Bank's poverty analysis was of high quality and relevant, relatively little formal work was undertaken on human development for much of the CAE period.** The Bank's in-depth analysis of poverty trends in 1993–99[4] provided a thorough stocktaking of the impact of economic growth on poverty and contributed to a re-evaluation of Bank strategy that was ultimately reflected in FY04 CAS. The Bank was also an important player in re-building Madagascar's poverty database and analytical capacities, and made substantial use of trust funds to provide financial and technical support. On social sectors, the only formal report was on the education sector in 2001, which gave substantial momentum to the Bank's dialogue and program. In the health sector, a much-needed sector note is under preparation after a 17-year interval since the previous sector report. The first social protection strategy note is also under preparation.

Box 1. IEG-IFC Overview of IFC Operations in Madagascar, 1995–2005

Overall, IFC investments and technical assistance (TA) in Madagascar were aligned with its strategy of supporting privatizations, small and medium enterprises (SMEs) and export-oriented enterprises.

IFC's direct investments in Madagascar were successful: Between FY95 and FY05, IFC supported seven projects —in hotels, agribusiness, banking, and textiles—for US$16.0 million, with four direct investments and three indirect investments through the African Enterprise Fund (AEF). Between FY90 and FY94, IFC supported six projects—in agribusiness, textiles, private equity, and banking—for US$10.6 million, through four direct investments and two indirect investments through AEF. All the direct investments that reached early operating maturity were evaluated as having successful outcomes, with satisfactory IFC work quality. The key drivers behind the success of the IFC direct investments were: (i) projects in competitive export-oriented operations in textiles and shrimps, with trade preferences that provided access to US and EU markets; (ii) projects with Export Processing Zone (EPZ) status that reduced the administrative barriers for doing business and granted fiscal incentives; and (iii) strong sponsors, with whom IFC had long-standing relationship in the country and elsewhere. Five of the eight direct investments had financing support from other developmental institutions. Two direct investments involved the privatization of two banks, though they were not oriented to support SMEs.

IFC supported SMEs in Madagascar initially through the African Enterprise Fund (AEF): Three of IFC's seven FY95–05 investments and two of IFC's six FY90–94 investments supported SMEs, through the AEF program. IEG-IFC evaluated the AEF program in 2000 and found its investments to have only a 56 percent development outcome success rate and a 44 percent investment outcome success rate—based on a sample of 57 enterprises approved during FY93 to FY98, representing 50 percent of the population. This was unsustainable and the evaluation recommended that the AEF program be discontinued or modified. IFC phased out the AEF program during the 1999–2001 period and now supports SMEs indirectly—on a wholesale basis—through financial institutions and new initiatives. The new initiatives include: i) an SME Solutions Center (SSC) pilot which began operations in June 2004; and (ii) an IDA-IFC micro, small and medium enterprises (MSME) initiative pilot program, approved in July 2005. Donors and investors have contributed to the full commitment of US$11.5 million for the Madagascar Risk Capital Fund that underpins the SSC concept, and IFC has selected Business Partners International (BPI), as the fund manager. While it is early to assess the results of the SSC initiative, IFC is setting up a self-evaluation system to track the results.

IFC provided TA to improve the investment climate, and opened an Indian Ocean regional office: According to the recent (2005) Investment Climate Assessment (ICA) by the World Bank, businesses identified the top five constraints to private sector growth in Madagascar as: macroeconomic instability, cost of financing, access to financing, corruption, and anti-competitive practices. Based on the Institutional Investors Country Credit Risk (IICCR) score, Madagascar has been a high-risk country (i.e., a frontier country in IFC's definition) over the review period. FIAS—in close collaboration with USAID—assessed the administrative barriers to foreign direct investments (FDI) in 1999 (at a cost of US$226,000). The FIAS study recommended reforms related to business registration, employment of expatriate workers,

Box 1 (continued)

land acquisition, customs procedures, taxation procedures and EPZs. The FIAS report was discussed at a roundtable in Antananarivo, attended by public and private sector participants and the donor community. Though the Government accepted the recommendations of the report and sought FIAS assistance in drafting an action plan, it was not implemented due to the political crisis that emerged. Since 2002, the new Government has begun addressing deficiencies in the business climate. At the request of the Government, IFC also did a leasing TA operation in FY05 (at a cost of US$128,000) to establish a legal and regulatory framework for the leasing industry. IFC was instrumental in the passing of a new leasing law by the Parliament in December 2004. IFC is currently identifying potential investors and technical partners for a leasing project. IFC opened an Indian Ocean regional office in Antananarivo in August 2004 to facilitate its operations in Madagascar and neighboring countries. IFC is also providing advisory services for the privatization of the operations of a container terminal and 12 airports, as well as for the structuring of independent power production projects (IPPs); these measures are expected to improve the quality of infrastructure services and help reduce the cost of doing business.

Challenges and Opportunities: The long-term sustainability of manufactured exports in the context of eroding trade preferences is one of the fundamental challenges for Madagascar. Malagassy textile firms need to integrate better into the global value chain. In addition, SME access to finance from commercial banks will depend on reforms to facilitate the recovery of nonperforming loans.

Source: Independent Evaluation Group-IFC.

Partnerships

2.16 **Madagascar benefits from substantial bilateral and multilateral donor support, although the number of donors is limited.** For example, over 50 percent of the overall 2004 budget was financed by external resources, and this ratio is over 70 percent for the investment budget. IDA and European Union (EU) are the main donors accounting for over 70 percent of the aid flows to the country. Chief among bilateral donors are the United States and France, though other bilateral donors, such as Japan, Germany, Norway, and Switzerland, also play key roles in certain areas, such as governance, environment, and the rural sector.

2.17 **Developing partnership among donors was given particular importance in the FY03 Interim and FY04 CASs.** After the crisis, the "Friends of Madagascar" donor meeting (co-chaired by the Bank, EU, and the United Nations Development Program, UNDP) was very effective in rallying support for the recovery effort. The move to PRSC lending further strengthened donor cooperation by basing it on a common policy and indicator matrix endorsed by the Bank, African Development Bank, and EU. Regular local donor coordination meetings are taking place on specific sector/themes to better coordinate activities. As mentioned in Box 1 above, joint IDA/IFC pilot program to develop small and medium enterprises is underway, but it is too early to assess its results.

NOTES

1. There are about 90 indicators in the "Politique Generale de l' Etat," and about 1000 actions/indicators in the PRSP Implementation report.

2. *Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters,* World Bank, Independent Evaluation Group, 2006.

3. While the PER and CPAR are of high quality, the IEG Evaluation mission did, however, hear some criticisms of the CFAA for providing "off the shelf " solutions rather than engaging the Authorities in an in-depth and participatory dialogue.

4. "Madagascar Poverty and Socio Economic Developments: 1993-1999," Report No. 23366, September 20, 2002.

3. Progress in Achieving Broad-Based Growth

3.1 **Broad-based, private sector-led growth has been, and remains, a central objective of the Bank's interventions in Madagascar.** The growth objective involves a large agenda that includes improving the investment climate and providing an enabling environment for private sector development in all sectors, improving infrastructure, increasing agricultural productivity, and better management of the country's bountiful natural resources.

HIGHER GROWTH THROUGH ENABLING ENVIRONMENT FOR PRIVATE SECTOR DEVELOPMENT

3.2 **During the early part of the period under review, the Bank focused on "getting the prices right" in Madagascar.** To that end, the Bank supported liberalization of the exchange rate and capital account; independence of the Central Bank; the abolition of nearly all subsidies (especially those for rice production); a significant reduction in import tariffs; and the elimination of all export taxes.[1]

3.3 **Then the Bank focused on "microeconomic" reforms, with the objective of generating large foreign investment flows to realize Madagascar's economic potential.** These reforms (some included in SAC II and related technical assistance projects) consisted of improvements to the business environment (such as streamlining of business start-up procedures, enhancing the enabling environment for the EPZs, facilitating tourism activities); reducing the role of the State in productive and commercial activities through a program of divestiture; establishing a sound banking sector (privatizing state-owned banks, strengthening regulation and supervision); and promoting transparency and establishing regulatory frameworks in the sectors with high growth potential (such as mining and fisheries). In addition, the Bank support aimed at improving the quality and quantity of infrastructure services, such as electricity and telecommunications that are critical for PSD.

3.4 **The results of the divestiture program supported by the Bank were significant, despite considerable delays and dilution of conditionality**.[2] The parastatals SOLIMA (petroleum distribution), HASYMA (cotton), and TELMA (telecommunications) were privatized, resulting in a competitive environment particularly in petroleum distribution and telecommunications; SIRAMA (sugar) was put under management contract; the national airline was also put under private management, and air transport was liberalized; as a result, there have been important reductions in air tariffs for both international and domestic routes, as well as for telecommunications. Autonomous regulatory agencies have been established for aviation and ports. In the port sector, the container terminal has been ceded to a foreign concession. The northern railway has also been concessioned, and shows signs of improved performance after an initial period of poor management.

3.5 **Given the government's reluctance, the privatization process was protracted, dragging on for several years.** This had negative consequences on the sectors involved (particularly sugar and cotton). The Bank spent considerable time and effort in assisting with the conclusion of transactions, which raises the question of the opportunity cost of Bank's efforts. But in the end, private sector participation in all these large public enterprises sent an important signal to the international community confirming the pro-business direction of policy in Madagascar.

3.6 **Bank-supported reforms resulted in a much stronger banking sector, though there is still a large unfinished agenda.** In the early 1990s, weak public sector banks were a major source of macroeconomic instability. Restructurings and privatizations supported by the Bank resulted in the establishment of financially sound banking institutions. However, the banks are cartelized; fees and spreads are high; even blue chip borrowers are unable to obtain credit for longer than five years; and penetration—only about 2 percent of the population have bank accounts—remains exceptionally low even by Sub-Saharan African standards. Despite severe lack of access to credit in the rural areas, the Bank decided not to continue with the second phase of an APL which consisted of a successful micro-credit program.[3]

3.7 **Although still far from "Mauritius or Singapore standards," considerable improvements have occurred in Madagascar's investment climate with Bank support.** There is now an effective communication between the public and private sectors; a one-stop-shop has reduced the time needed to establish a new business by half, but the number of days needed to deal with licenses is still higher than the Sub Saharan Africa average (Table 5); obtaining work permits and visas for foreign staff has become much easier; the time needed to clear a container through customs has been reduced (below the African average) , and a new law in 2003 gave foreigners for the first time the right to own land in Madagascar, but its practical impact has been muted so far. Notwithstanding these positive developments, investors' confidence in Madagascar remains low, as reflected in low FDI inflows.

3.8 **The land issue in Madagascar remains one of ill-defined property rights, despite recent changes.** This has several negative consequences. First, it may impede agricultural development since it acts as a brake on investment by farmers.[4] Second, it restricts access to credit since banks cannot use untitled land as collateral. Third, it is a major obstacle for tourist development since firms require secure title before undertaking major investments. According to the Investment Climate Assessment, nearly all firms report having to make "informal" payments to obtain and/or retain access to land.

Table 5. Comparative Business Climate Indicators (2004/2005)

	Madagascar	Mauritius	Average SSA
Infrastructure Quality (2004)			
Number of power outages per year	78.0	5.0	28.0
% of output lost due to outages	10.7	2.5	5.4
% of output lost in shipment	1.8	0.8	3.8
Average No. of days clear customs (2004)	7.0	4.0	8.0
Average No. of days to deal with licenses (2005)	356.0	132.0	251.5
Availability of financing (2004)			
% of investment from retained earnings	76.0	56.0	63.0
% of investment from banks	12.1	16.0	14.2

Source: The World Bank database, Doing Business, February 2006; ICA 2005; IMF; DTIS.

3.9 **The electricity sector is a major obstacle to economic expansion.** There has been no increase in the rate of electricity coverage since 1995: then, as now, only some 10 percent of the population had access to electricity (3 percent in rural areas). The quality of service today is at a historical low,[5] and JIRAMA (the Electricity and Water Company) is financially and technically bankrupt. The roots of the current crisis lie in strategic decisions taken in the 1990s, for which the Bank shares responsibility.[6] The Bank and other donors adopted the position that investment in generation should be left to the private sector.[7] JIRAMA received support only for maintenance and improvement of current facilities. As private investment failed to materialize, JIRAMA resorted increasingly to thermal generation based on diesel fuel to meet increasing demand. High diesel fuel prices, combined with a failure to increase tariffs in line with costs, and the persistence of severe governance issues within the enterprise, mean that the marginal cost of servicing new clients has for some time exceeded substantially the revenue earned from them. JIRAMA has, therefore, been prohibited from connecting new clients since May 2005. All new investors must arrange for their own electricity generation, which seriously undermines Madagascar's attractiveness and competitiveness.

JIRAMA has been operating under a two-year management contract with a foreign partner since 2004. However, the partner has been able to do little to address the fundamental problems of the enterprise, which are largely political in nature. In 2005, with the Bank's support, a plan was prepared to restore JIRAMA commercially and technically, and the Authorities indicated their acceptance of this plan, including substantial tariff increases. The implementation would be followed by donor-supported investment in hydro generation.

3.10 **Overall, Bank-supported policy reforms, coupled with improved macroeconomic situation, did succeed in stimulating growth.** In particular, the sectors directly or indirectly targeted did well after 1996. Before the onset of the political crisis in the first half of 2002, the real output of the EPZs grew at 22 percent per year and export revenues by 25 percent per year. Tourism arrivals doubled to over 100,000 per year, and tourism became the country's second most important foreign exchange earner. Shrimp exports expanded by 15 percent annually, as a result of large-scale shrimp farming. There are indications that the artisan subsector expanded rapidly, as well. In addition, there has been, more recently, additional foreign investment for the exploration of two large mining deposits. All these favorable developments were, in large part, a direct result of Bank-supported legal and regulatory reforms. These enhanced activities had important spin-off effects in other sectors. Construction rose at an annual rate of 11 percent, while transport and other services saw yearly expansion rates of 6 and 8 percent respectively.

AGRICULTURAL SECTOR

3.11 **The agricultural sector, though critical for poverty alleviation, was relatively neglected in the Bank's strategy.** The Bank's strategy focused on getting growth going in non-traditional sectors. The reforms of the mid-1990s, including exchange rate depreciation, reduction of import barriers, elimination of agricultural subsidies and other price distortions, liberalization of markets, and privatizations, established a relatively balanced incentive structure for the sector.[8] But the Bank's overarching objective of increasing crop yields was not reached. The Bank was unable to address in a coordinated manner the difficult issues of research and extension, rural credit, and roads and irrigation infrastructure, whose deficiencies have been behind the low rural productivity. (For example, the potential benefits of market liberalization were offset by the deterioration in rural roads.) This mainly reflected the Bank's inability to find the appropriate design and mix of interventions for complex, multifaceted agricultural sector issues in Madagascar (variety and diversity of agro-ecological zones; regional infrastructure and constraints, particularly rural isolation; different types of households involved in agricultural production; and so on).[9]

3.12 **With the FY03 CAS, the Bank put a stronger emphasis on agricultural sector issues.** This was necessitated by the limited success in the sector due to a lack of appropriate priority-setting and regional planning, and weak institutional coordination. The Bank's approach is underpinned by the Rural and Environment Sector Review (2003), which takes a holistic view of rural development by emphasizing land use planning. Land use planning would fully integrate considerations of poverty reduction, food security, rural development, environment, and biodiversity and provide a common spatial reference framework for the actions of all national programs. In this way, it would set the stage for a fully integrated approach that seeks to maximize synergy between various sector interventions and programs. This approach is being incorporated into the Bank's new lending program (the Fort-Dauphin component of the Growth Poles Project, and the Watershed Management Project under preparation). FY07 strategy aimed to developing project synergies, but not with much success. It remains to be seen whether these new interventions will be more successful than the previous projects. At the same time, uncertainties remain, and a donor consensus is not yet reached regarding the nature of future extension services in Madagascar.

3.13 **Growth lagged persistently in the agricultural sector.** The expansion of the sector trailed growth in the rest of the economy, and failed to raise rural incomes. Food crops have suffered from long-standing low productivity. Rice yields, the main food stable for the Malagasy people,[10] accounting for about 50 percent of the value added in the sector, have remained relatively low,[11] despite Madagascar's inherently favorable conditions for this crop. Revenues from export crops (vanilla, clove, coffee) have been declining in relative terms, mainly because of unfavorable world prices. Industrial crops (cotton and sugar) suffered from the long privatization process of the parastatals involved. Currently, extension services are ineffective—or rather nonexistent—as a result of the failure of the top-down Train and Visit extension system. Research is not geared to labor-intensive farming which is the mode of operation for the majority of Malagasy farmers. Maintenance of irrigation schemes is not assured in a sustainable manner, mainly because of the inability of users' associations to recover costs and unclear land tenure rights.

Table 6. Selected Indicators for the Agricultural Sector and Environment

Indicators	Target	1995	2000	2004
Average paddy rice yields (tons/ha)	2.4 (FY04CAS)	2.1	2.1	2.4
Paddy rice production (kg/capita)	-	177	155	160
Fertilizer use (kg/ha)	-	4.5	3.1	3.1
Vaccination coverage for cattle (%)	60 (FY99)	-	57	-
Average annual deforestation rate (%)	0.6 (FY04CAS)	1.3	1.3	1
Protected areas % of land area	4 (FY04CAS)	-	1.9	3

Source: FAOSTATS, WB Africa regional database, Ministry of Agriculture.

3.14 **In Madagascar, the Bank has had long involvement in natural resource management and environment.** The fact that Madagascar is a biodiversity hotspot has been helpful in that regard. There has been strong support from the donor and the NGO communities to push the environmental agenda ahead. The first National Environment Action Plan (NEAP) was produced in 1988, and set the basis for a 15-year program.[12] The main objectives of this program were: (i) to arrest environmental degradation and promote sustainable use of natural resources; and (ii) to strengthen the framework and institutions to mainstream the environment in investment and policies. The first two phases of the donor-supported environment program are completed, and the third one was approved in May 2004.[13] Although the Bank's financial contribution to the programs is relatively small at about 25 percent, it continues to play an important catalytic role in the sector. The program has been instrumental in establishing an effective platform for sustained donor support and coordination for protection of environment.

3.15 **Government ownership of the environmental agenda has improved over time, and progress has been made in implementing it**. The legislation for the protection of country's natural resources and the promotion of environmental management was enacted. Important environmental institutions were established, although institutional effectiveness remains a serious issue given their numbers and overlapping responsibilities, as well as their weak enforcement capacities. Community-based approaches for natural resources management are being implemented (to date there have been over 100 management contracts with the communes), but progress is constrained by weak capacity of the communes, a complicated contracting process, and unclear land tenure and property rights.[14] The government and donors designated 4.5 percent of the national territory as protected areas. Deforestation has been virtually eliminated in protected areas, but continues at a slower pace in other areas. These positive developments are due to many factors: reform of the forest service, which is now integrated in the Ministry of the Environment, moratorium on all forest concessions until management plans are presented; devolution of property rights and/or management responsibilities to local communities; and the strong commitment of the President, who announced in an international conference in 2003 his objective of securing at least 10 percent of the land as protected forests.

ROAD TRANSPORT

3.16 **Insufficient road transport has long been, and remains, a major obstacle to higher agricultural productivity, provision of social services, and rural poverty alleviation.** Today, over 80 percent of the total road network is in poor condition, and many main roads are impassable during the rainy season. Half of all rural communities have no reliable road access, lowering their productivity and making them heavily dependent on monopolistic traders.

3.17 **The Bank's objectives in the sector were to improve the road network and to help set up the appropriate institutional framework.** This included a Road Maintenance Fund (RMF) for financing road maintenance activities. However, until 1999/2000, there was no sustained change in the formulation and conduct of transport sector policy, despite substantial donor interventions (for example, the last of the Bank's seven highway projects closed in 1995). As a result, maintenance was neither properly organized nor adequately financed. Between 1970 and 2000, about 30,000 kilometers of road were lost due to inadequate maintenance.

3.18 **This disappointing performance led to a 10-year hiatus in Bank lending for the road sector, followed a by an ambitious program.** It was only in 1999 that the government produced a satisfactory Sector Policy Letter (requested by the Bank and other donors involved in the sector), and established a "first-generation" RMF. The Bank responded in 2000 with an Adaptable Program Loan (APL) to be implemented in several phases. A highly ambitious program supported largely by the EU and the Bank was put in place. Early results were encouraging. In 2003, and especially in 2004, there were major increases in periodic and routine maintenance of both paved and unpaved roads thanks to the RMF (Table 7). Construction and rehabilitation activities also accelerated, almost all financed by the EU.

Table 7. Road Transport Indicators

Indicators	Before 2002*	2003	2004	2005**	CAS target (FY06)
Paved road construction and rehabilitation (km)***	91	32	1,041	628	-
Earth road rehabilitation (km)	102	98	100	248	-
Critical point maintenance (km)	Insignificant	158	1,073	349	-
Total (km)	193	288	2,214	1,225	16,900
Routine maintenance financed by RMF (km)	n.a.	n.a.	6,819	7,031	-
% of rural population with access to reliable road transport		45	52	-	-

* No reliable data exist for the pre-2002 period. However, it is known that very little maintenance took place.
**Actual figures January-August, projections September-December. ***Including major periodic maintenance.
Source: Ministry of Transport and Public Works.

3.19 **Unfortunately, the institutional reforms and enhanced governance required to sustain the massive increase in construction and**

maintenance activity have lagged seriously behind. Although the RMF is being transformed into a "second-generation" entity with legal autonomy, and has enabled a substantially improved routine maintenance effort, it is still under-resourced.[15] An autonomous Road Authority, for which the Bank has been pressing for a number of years, is still not in place, although progress toward its establishment is being made.[16] Policy coordination has been enhanced by the merger of the Ministries of Transport and Public Works, but the huge increase in funding has strained the absorptive capacities of both public and private sectors. The performance of the Bank's Project Implementation Unit (PIU) was highly unsatisfactory. After independent audits revealed serious shortcomings, the unit was closed down in June 2005. These shortcomings have adversely affected the Bank's share of the road program. Only about half the rural road rehabilitation work originally programmed under APL2 will be realized. The national roads rehabilitation program financed by APL3 is seriously behind schedule, and there are major ongoing problems with a large contract. This reflects, in part, Bank's inadequate supervision efforts at all levels.

3.20 **In sum, while higher growth rates have been achieved, there have been some important gaps in Madagascar's economic performance.** This higher growth has not been broad-based. Rural isolation has not been reduced. Economic expansion has been confined to a few modern sectors. In the process, Madagascar may have become dangerously dependent on the garment trade. Many companies in EPZ have succeeded largely because of preferential bilateral and multilateral trade agreements. These agreements are now expiring. This will expose the EPZ to serious shortcomings—low productivity, high non-labor costs, and lack of vertical integration (for example, in cotton production), etc.—which, unless addressed, will undermine Madagascar's ability to retain these mobile activities and adversely affect employment in the EPZs. The country's future competitiveness remains an issue.[17] There was little analytical work in the Bank's program prior to these developments, until recently.[18] (The Bank's relatively slow anticipation of the expiration of trade agreements, was also observed in IEG's 2006 Report entitled: *Assessing World Bank Support for Trade, 1987–2004*).

3.21 **The poor did not participate fully in this growth.** Overall, the country has made no systematic inroads into poverty as measured in income and consumption terms (Table 8). During 1993–99, extreme poverty increased,[19] suggesting that growth bypassed the poorest groups. The poverty rate in 2004 was 72 percent, higher than the rate in 1993 and the pre-crisis level. Some regions have progressed, while others fell behind.[20] The poverty rate in Antananarivo, the capital city, moved rapidly down or up with economic swings, with some overall improvement in 1994–2005. Even in the sectors where growth occurred, it did not reach the poor as much as was expected. The EPZ expansion was effective in creating employment at the low end of the earnings scale. However, the employment represented only 1.4 percent of the labor force in 2001, far below what is needed to buoy the national labor market. Moreover, EPZ proved to be highly sensitive to swings in economic activity in the subsequent years. At the same time, other growth sectors did not generate large-scale employment opportunities.[21] This indicates that growth alone has not been sufficient to address structural poverty.[22] The preliminary results of the Household Survey- EPM 2005 show a decrease in the poverty rate (68.7 percent), which can be largely attributed to rising rice producer prices and recovery measures after the 2002 crisis.[23] It remains to be seen whether this recent favorable trend will be sustained.

Table 8. Poverty Outcomes (1993–2005)

	1993	1997	1999	2001	2002	2004	2005*	(CAS target) 2006
Poverty incidence (%)	70.0	73.3	71.3	69.6	80.7	72.1	68.7	68.0
Rural (%)	74.5	76.0	76.7	77.1	86.4	77.3	73.5	-
Urban (%)	50.1	63.2	52.1	44.1	61.6	53.7	52.0	-
Poverty gap (%)	30.3	33.6	32.8	34.8	47.6	31.6	-	-
Extreme poverty incidence (%)	59.0	63.1	61.7	-	-	-	-	-
Population living in poverty (millions)	8.8	10.0	10.3	10.6	12.6	11.9	11.9	-

*Preliminary results of EPM 2005.
Source: Successive rounds of EPM and Madagascar Development Policy Review: Sustaining Growth for Enhanced Poverty Reduction, Report No. 32167-MAG, dated May 16, 2005.

SUMMARY OF OUTCOMES

3.22 **Higher growth was achieved, but it was narrowly based and has yet to have a significant impact on poverty.** Regarding the objective of restoring growth, substantial progress was made in 1995–2005, especially against the background of declining incomes for the preceding 30 years. But the Bank's overarching goal of reducing poverty was not attained: the poverty rate is almost as high as it was over a decade ago. Agricultural growth was insufficient to raise rural incomes and enhance food security, and the Bank's support for the sector was modest. On the other hand, steady progress was made in natural resource management, but it is not yet sufficient for sustainable conservation of ecosystems. Overall, the achievement of this objective was moderately unsatisfactory (Table 9).

3.23 **Bank support of strong growth was largely relevant, but there were key gaps and failures.** The Bank can claim credit for providing significant support to the turnaround in economic growth. It put growth at the center of its dialogue, its economic analyses and advice were mostly pertinent and certainly influential, and lending included basic reforms to improve the investment climate. Overall, the Bank's presence, dialogue, and resolve gave crucial momentum to structural reforms, leading to higher economic growth. Bank support for private sector development was mainly concentrated in urban areas. In the absence of agreement on overall strategy and necessary institutional reforms in the road transport sector, the Bank was unable to support improvements to the infrastructure. This was regrettable since well-targeted investments could have eased the problems of isolation and the provision of public services. The current crisis in the electricity sector has its roots in poor strategic decisions dating from the mid-1990s, for which the Bank shares part of the responsibility.

Table 9. Summary of Outcome Ratings for Broad-Based Growth

Objective	Outcome
Higher growth	Moderately Unsatisfactory
Increased agricultural productivity	Unsatisfactory
Better access to roads	Moderately Unsatisfactory
Improved natural resource management	Moderately Satisfactory
Overall	**Moderately Unsatisfactory**

NOTES

1. These reforms were supported by SAC I (approved in FY97) and related technical assistance operations.

2. In December 2001, prior to the second tranche release of SAC II, the Board approved a waiver permitting a change in the TELMA privatization conditionality from "transfer of assets" to "point of sale;" the actual change of ownership was not completed until June 2004. At the same time, the closing date for the credit was extended by one year. Following the 2002 political crisis, the government requested a restructuring of the conditions for the third tranche release. The sale of Air Madagascar assets was changed to a management contract with a foreign operator, and several conditions were dropped.

3. Limited IDA resources were cited as the reason.

4. On the other hand, the current high cost of land titling in Madagascar may exceed the private economic benefit resulting from it. See the study by Hanan Jacoby and Bart Minten, "Is Land-Titling in Sub Saharan Africa Cost Effective-Evidence from Madagascar, November 2005."

5. According to the 2005 ICA Review, Malagasy firms face one of the most unreliable electricity regimes and the highest production losses from power outages among the countries surveyed. Obtaining a new electricity connection requires 49 days in Madagascar, compared to 18 days in China and 2 days in Mauritius. Power outages are frequent, and have worsened recently with adverse impact on export and tourism sectors.

6. A number of actions, including, a tariff adjustment formula, were supposed to be taken to strengthen JIRAMA before the Energy II project went to the Board or became effective. These actions were not carried out, but the Bank went ahead, anyway. It is also noteworthy that the Bank chose an investment project to promote private sector participation, despite the high degree of political sensitivity involved.

7. As the IEG's Report entitled "*Power for Development-A Review of World Bank Group's Experience with Private Participation in the Electricity Sector, 2003*" notes that the Bank's

advice for private sector participation in the electricity sector had become exclusively focused on unbundling and privatization in a global environment of reduced private capital flows, particularly in low income, high-risk countries like Madagascar.

8. The Bank was also quite responsive by providing a paper with clear recommendations to address rice policy issues that arose during 2004/2005 when there was a sharp increase in rice prices, as a combined result of Ariary depreciation and world rice price increases.

9. For example, the Agricultural Extension Support Program Project (itself based on a pilot project), which was supposed to be the first phase of a long-term (15-20 years) program, could not be sustained because transport and marketing constraints would prevent the translation of farmers' productivity increases into increases in income. Similarly, the second Irrigation Project had modest institutional impact and unlikely sustainability because it lacked integration with extension, watershed management, credit, and management training.

10. Rice has a special place for the Malagasy farmer: about 85 percent of farmers grow rice, and it is the source of food security and cash income. It is generally acknowledged that farmers will not diversify their production unless their food security is ensured.

11. Rice productivity has been stagnant since 1960, with yields hovering around 2+ tons per hectare. The world average productivity is around 4 tons per hectare.

12. In an IEG report entitled: "Effectiveness of Environmental Assessments and NEAP: A Process Study, June 1996" the Madagascar NEAP faired relatively well in a comparative analysis involving five other countries.

13. The third phase of the program introduced a trust fund, in part to be funded by IDA is a source of income for financing environmental activities in the future.

14. There have been also problems with the partial transfer of national park visitation fees to the communes, as stipulated in the contracts.

15. The RMF is funded mainly from fuel taxes. It currently has barely enough to cover current let alone periodic maintenance. Moreover, a significant portion of its income is received not directly from the fuel companies but indirectly through the Treasury. This increases financial uncertainty as does the practice of using the Fund for major rehabilitation and even construction work, which it is not yet equipped to support.

16. The donors, including the Bank, share some of the responsibility for the slow progress. Initially the Bank's preference was for a delegated contract management agency; only in June 2003, did it start to call for an autonomous agency.

17. The World Economic Forum's Growth Competitiveness Index and Business Competitiveness Index give Madagascar a very low ranking on all perceived indicators, except Macroeconomic Environment.

18. Analysis of these issues appears in the Development Policy Review and in the PAD for the Growth Poles Project, both completed in 2005. In addition, the Bank has played a leading role in organizing a working party comprising representatives of both EPZ companies and the government. This group meets regularly to discuss the perspectives for the sector, and in particular how to meet the challenges posed by the changing international environment. One of the key measures being pursued is a trade agreement with Mauritius which would enable high-quality Mauritian fiber and cloth to be made into garments in Madagascar.

19. Extreme poverty figures are not available beyond 1999.

20. In Toliara and Mahajanga, some modest gains were recorded in growth periods, but the overall trend was flat. In Fianarantsoa, Toamasina, and Antsiranana, poverty levels rose.

21. "Madagascar Development Policy Review: Sustaining Growth for Enhance Poverty Reduction," Report No. 32167-MAG, May 16, 2005.

22. Poverty is structural if a substantial change in economic or social conditions of the household is required to address it.

23. The 2004 and 2005 EPMs were conducted over different time periods, which makes a temporal comparison problematic. As household consumption (particularly, that of rural households) is very seasonal, there would be differences in poverty rates, depending on when surveys were carried out. Also, 2005 EPM notes only a 1.6 increase in average household consumption, in real terms, which is relatively low.

4. Progress in Achieving Good Governance

4.1 **Improved governance and public sector management are essential components of Madagascar's strategy to achieve higher growth and poverty reduction.** The important, albeit reluctant, reform impetus displayed by the Ratsiraka administration during the first years of the period under review was undermined by corruption and lack of transparency. The current President was elected on an essentially anti-corruption platform. His highly personalized style of government brought new dynamism to the campaign for better governance. On the other hand, the donors have raised the issue of conflict of interest, resulting from the expansion of his companies and those belonging to his immediate family.[1]

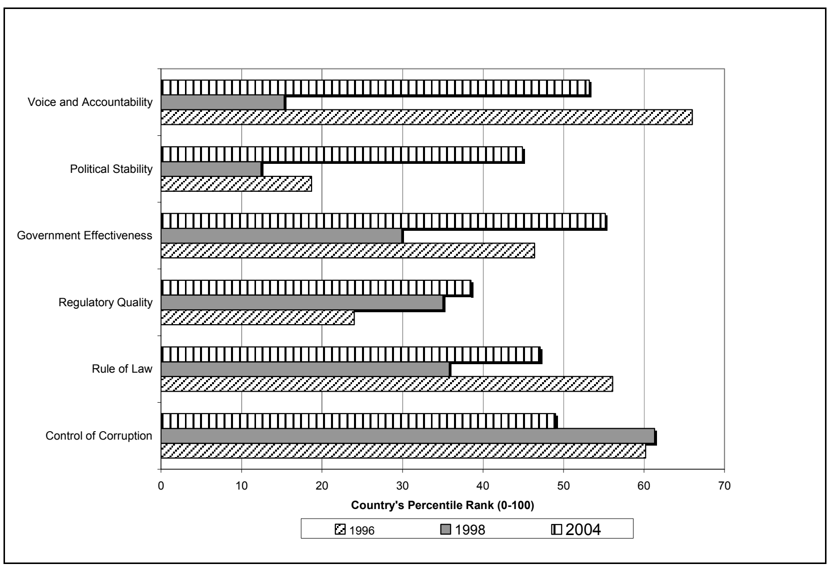
CORRUPTION AND TRANSPARENCY

4.2 **During the early part of the period under review (1995–2001) when corruption was not acknowledged as an issue by the government, the Bank aimed at reducing the sources of illicit gain and at increasing transparency.** The 1990s' liberalization of the foreign exchange markets, the reforms to the banking sector, the divestiture program, competitive licensing systems for fishing and mining, all supported by SACs, were important actions in that regard (par. 3.3).

4.3 **Since 2003, the Bank also started to focus on the institutions to fight corruption, and there has been significant progress in that regard.** There is an anti-corruption law, a Superior Counsel for the Struggle against Corruption, and an anti-corruption agency (BIANCO), which has investigative powers. But their independence is in question since they are attached to the Presidency. BIANCO (in operation since mid-2004) has already investigated several hundred cases, mainly related to petty corruption. In addition, implementation decrees require asset declaration by public servants (not required for the Head of State); a procurement oversight agency has been established; custom services have improved; measures have been taken to reduce corruption in the justice system, but the application of improved service standards has made little headway; laws have been passed to regulate commercial enterprises and court procedures, as well as to reduce the backlog of cases in Antananarivo. Also, there have been some reforms in the allocation of, and accountability for, public financial resources (see par. 4.7).

4.4 **These measures, important though they are, have thus far had only a limited impact on the prevalence of corruption.** Continued governance problems, notably in the judicial and mining sectors, but also more generally, remain major obstacles to investment and the carrying out of business activities. "Large-scale" corruption, for example in the mining sector, is not yet forcefully addressed by the government.[2] Governance in this sector does not meet the standards agreed by the Bank in the context of the Extractive Industries Review which, since 2004, would govern Bank's assistance to such activities. World Bank Institute's (WBI) Governance Research Indicators (Figure 1) show Madagascar in 2004 to be above most of the Sub-Saharan African countries' averages in the areas of control of corruption and regulatory quality. But these fall far short of the standards in countries such as South Africa and Mauritius, which Madagascar would like to emulate. At the same time, the country does not fare as well in voice and accountability, political stability, government effectiveness, and the rule of law. Madagascar's ranking in the Transparency International Index of Perceived Corruption worsened in 2004 after showing steady improvement in the two preceding years.

Figure 1. Governance Indicators (WBI)



Source: D. Kaufmann A. Kraay, and M. Mastruzzi (2005); Governance Matters IV: Governance Indicators for 1996–2005 (http://www.worldbank.org/wbi/governance/pubs/govmatters4.html). The higher the number, the higher the ranking of the country.

4.5 **The persistence of governance problems should certainly not be interpreted as a failure of the measures taken in the past three years.** These go in the right direction, and should be extended and deepened. The ingrained habits of several generations cannot be eradicated in so short a time. The credibility of the judiciary has, for example, been seriously undermined by decades of corruption and inefficiency.[3] Nonetheless, it is encouraging that governance is at the forefront of the government's private sector-led growth strategy, and that the issue is openly discussed. This is in sharp contrast to the period before the current government, when there was widespread denial.[4] But to be able to assess the progress in this difficult area, the Bank needs to set clear benchmarks/indicators, which are currently lacking.

PUBLIC SECTOR MANAGEMENT

4.6 **Until the start of the HIPC process, the Bank's involvement in public sector reform was relatively limited.** In particular, the Bank refused to engage itself in wide-ranging civil service reform in Madagascar. This was due in part to the unfortunate experiences with such reform programs elsewhere, especially in Sub-Saharan Africa. It was also due to the fact that such a program in Madagascar would have entailed confronting considerable political controversy and technical complexity. The need for wholesale change in the economy was so wide-ranging at the beginning of the review period that the Bank decided to concentrate on removing the obstacles to private sector-led investment rather than on attempting to reform Madagascar's public sector. Some public expenditure reforms were, nonetheless, included as conditions in Structural Adjustment Credits (SACs) that were accompanied by a technical assistance operation to support public sector reform. This was, however, an unsatisfactory experience.[5]

4.7 **During the HIPC process, public sector reform was transformed from a marginal area of focus to one of the major pillars of Bank assistance to Madagascar.** This was inevitable given the decision to move to programmatic lending. Madagascar was not yet ready for this shift,[6] and it thus became urgent to put in place the prerequisites for receiving PRSCs. Under the PRSCs, Madagascar began implementing a program of actions to strengthen budget formulation, execution, control, monitoring, and auditing[7] (underpinned by the recommendations of the CFAA and CPAR). In 2005, the government introduced a performance management system for all ministries. The medium-term expenditure framework (MTEF) has been established, against the Bank's recommendation, however (see par.6.10), and measures are underway to strengthen treasury management. Transitional financial management systems are functional in two sites; implementation regulations of the new Procurement Code are issued; and a new Procurement Oversight Agency is established.

4.8 **Nonetheless, Madagascar remains among the HIPC countries that require substantial upgrading of their public expenditure management (PEM) systems.** In 2004, the country met only 4 out of 16 HIPC Expenditure Tracking and Management benchmarks, compared to 7 benchmarks in 2002. Madagascar is the only country that showed deterioration in three benchmarks.[8] Of particular concern is the deterioration in the budget outturn indicator, according to which, actual expenditures in Madagascar are "not close" to the level and composition of the original budget allocations. The substantial gap between approved and executed budget has been a long-standing problem in Madagascar.[9]

4.9 **Accountability for the use of public resources is another area of weakness.** Auditing capacity nationally is weak. Within the government, responsibilities are divided between the Presidency and the new corps of financial inspectors being established in the Ministry of Finance. Internal auditing capacity in all ministries, with the exception of Economy and Finance, is either non-existent or very weak. A General Inspectorate of Finances was established in 2004, but suffers from the lack of qualified personnel. In an important advance, the backlog of budget implementation audits is being gradually cleared.

4.10 **The adoption of the programmatic approach (PRSCs) seems to be problematic in view of the relatively weak public management capacity.** The program to improve the PEM system is progressing, but during implementation it encountered widespread procedural difficulties and delays as a result of thin capacities in all ministries. These, coupled with overall revenue shortfalls, a weak cash management system, and the premature switch to program-budgeting, resulted in problems in getting resources in a timely fashion to "front-line" activities. (These difficulties were discussed in depth in the 2005 Country Program Review Seminar). PRSCs can permit more resources to be transferred rapidly, but do not yet provide assurance that public resources will either be allocated as planned or reach intended beneficiaries. In this vein, concerns were expressed by many interviewed in the field about the lack of transparency and results when aid is delivered through budget support.

4.11 **The poor domestic revenue collection effort has also been a major constraint on the provision of public services.** Madagascar's tax revenue hovered at or below 10 percent of GDP for much of the 1990s, and even in 2004 it was below 11 percent, compared with a Sub-Saharan Africa tax to GDP average of 19 percent. This has forced the Authorities to resort frequently to unplanned expenditure reductions to achieve their overall public deficit targets. The main cause of Madagascar's poor tax performance is a strong culture of tax exemptions in the most dynamic sectors of the economy (the EPZs, mining, and tourism), high tax rates combined with a narrow base, a complex tax code that encourages discretionary interpretations, and weak and corrupt customs and tax administration. The Bank did little to address the tax reform issue (except customs), both for revenue raising and reducing administrative burden on the private sector.[10]

4.12 **In Madagascar, the obstacles to decentralization are formidable**.[11] The public administration is highly centralized with nearly 90 percent of public expenditures allocated to the central authorities. Moreover, half the amount destined in principle for the communes is, in fact, managed at the central level. Financial capacities at the communal and regional levels are constrained by insufficient and poorly targeted transfers and a regulatory framework that leave the collection of most local revenues in the hands of inefficient de-concentrated state agents.[12] Cooperation and coordination between the communes, the central government, and de-concentrated officials are inadequate, especially in the social sectors. The Bank's earlier efforts for effective decentralization were not pursued because of lack of political will and a clear strategy.

4.13 **In 2004, the government put in place a new structure with the aim of facilitating communal development and strengthening the representation of central government at the communal level.** The Bank assisted in the preparation of the legal and regulatory framework. Twenty-two new regions were established, managed by competitively selected chiefs nominated by the President. All de-concentrated government officials working in the communes are to report to these chiefs and not, in the first place, to their central ministry. The Bank is supporting this reform through training of regional chiefs and their staffs, as well as through other interventions. The latter include reforming the transfer system and improving local revenue collection capacity (initially on a pilot basis); reinforcing the general management capabilities of the regions and communes; and establishing a local development fund that will provide block grants to communes for investment and capacity building. It is too early to assess the impact of these efforts.

SUMMARY OF OUTCOMES

4.14 **Overall, the outcome of Bank's support for achieving good governance is rated moderately unsatisfactory** (Table 10). The Bank has provided timely support for efforts undertaken by the current government to tackle long-standing governance problems. A number of key laws, regulations, and institutions are now operational. Their impact, however, is yet to be seen, which may, in part, be due to the long-term nature of the governance problem. But it should also be noted that the track record of such institutions in curbing corruption is yet to be observed in a number of countries where they have been in existence for a longer period of time. Corruption in Madagascar is still perceived to be widespread and endemic. There has been a recent deterioration in HIPC expenditure management benchmarks, and Madagascar ranks in the lower end of other HIPC countries, despite ongoing public expenditure reforms. Also, the Bank has failed to make a significant impact on domestic resource mobilization and decentralization.

Table 10. Summary of Outcome Ratings for Governance

Objective	Outcome
Reduce corruption, increase transparency, and strengthen judiciary	Moderately Unsatisfactory
Improve public sector management	Moderately Unsatisfactory
Overall	**Moderately Unsatisfactory**

NOTES

1. In this regard, some suggestions were made to the President of Republic himself, which have not been yet taken into consideration.

2. The Bank is supporting operational and financial audits of major public institutions in the mining sector.

3. Implementation of a reform strategy in the judiciary is being supported by several donors, including the Bank. However, it is hampered by lack of resources, as the already scant budgetary allocation to the Justice Ministry was reduced still further in 2005. This raises concerns about the sustainability of the government's reform efforts in this sector.

4. Several Bank staff interviewed pointed out that the Authorities even requested the Bank to remove the word "corruption" from all its official documents concerning Madagascar.

5. FY97 Public Capacity Building Project (PAIGEP) was overambitious and overdesigned. As there was no successful previous attempt to secure the necessary degree of political backing for deep-seated public sector reform, the project had a high risk of failure. In particular, both the Bank and the government failed to pay sufficient attention to the fact that the central ministries had fragmented and overlapping responsibilities. Reform in this area should have been a pre-requisite for further attempts at restructuring. A number of project components had to be closed during implementation. These included civil service reform and decentralization. The project failed to achieve almost all its objectives.

6. The PAD of the Governance and Institutional Development Project dated October 2003 (p. 10) stated that: "At the present stage, the weak framework for public financial management does not allow for a move toward increased budgetary assistance." Nonetheless, seven months later PRSC I went to the Board (June 2004).

7. For example, PRSC-I has 85 measures in its policy matrix, of which 45 are for PEM.

8. Update on the Assessments and Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reducing Public Spending, IMF, April 12, 2005, p.13.

9. "Madagascar Public Expenditure Review 2004," Report No. 30331-MG, p.37, World Bank, February 2005.

10. The tax component of PATESP, the key technical assistance instrument for PSD, was dropped to simplify the project.

11. These are thoroughly analyzed in "Madagascar Decentralization," Report No. 25793-MAG, November, 2003.

12. Contrary to their commitments under the first PRSC, the Authorities failed to increase budgetary commitments in 2005 to the communes from their 2004 levels.

5. Progress in Achieving Human and Material Security

5.1 **The human development sectors were in dire need of reform at the beginning of the CAE period, and the Bank was engaged from the start in education and health sector reforms.** Initially this took the form of project support. In 2000, the Enhanced HIPC Initiative helped sharpen the strategic and operational focus. The focus shifted toward increased public expenditures in favor of social sectors, more effective delivery of these services, as well as the formulation of sector strategies in health and education. The need for immediate action after the constitutional crisis of 2002 brought new challenges that sharpened the poverty focus further.

PRO-POOR PUBLIC EXPENDITURES

5.2 **Prior to the advent of HIPC and the PRSC instrument, the Bank made only modest efforts to direct public expenditure toward the needs of the poor.** These efforts consisted of support through social sector projects and the SACs. By and large, these efforts were ineffectual. There were several reasons. First, government failed to generate a buoyant domestic revenue base, with the consequence that resources were always at a premium. This did not provide much room for change by channeling incremental resources to the poor. Second, the sector strategies supported by the early health and education operations were not strongly enough defined to permit a serious reallocation of resources toward or within the sector. Third, there was insufficient focus on results, and actual expenditures were persistently below budgets.

5.3 **At the end of the 1990s, greater focus was brought to social sector policies and public expenditures.** This was triggered by a combination of factors. With the development of targets for the social sectors under HIPC and later under the PRSC, a clearer basis for allocating public expenditures was established. This process was carried forward with the reinforcement of education strategy under Education for All (EFA) and health strategy in the context of developing medium-term expenditure frameworks (MTEFs).

5.4 **During the last three years, the Bank's emphasis shifted to the effectiveness of budget resources for social sectors, in addition to increased public expenditures for these sectors.** Expenditure allocations for the education sector as a percentage of total public expenditures increased from an average of 12 percent in 1995–2000 to 15 percent during 2001–04, while the ratio of health expenditures remained constant at around 7 percent. During this period, the Bank's analytic work in health and education sectors helped sharpen understanding of the weaknesses in service delivery, and thus of sectoral priorities for public expenditure. The 2005 PER provided additional analysis in these (and other) sectors and reviewed progress and remaining issues in all aspects of the budgetary/expenditure cycle. In the context of the HIPC and PRSC process, operations targeted poverty from the start. These were reflected in action plans to: (i) track changes in service delivery on the basis of agreed indicators; and (ii) facilitate the budgetary and expenditure process to get a larger proportion of resources to the intended beneficiary. The Bank helped put in place a more functional process of monitoring outcomes through these operations. As a result of these actions, many of the lacunae of the first half of the period are now being addressed, but there is a long way to go to give the poor better access to public services, especially in rural areas.

5.5 **The move to PRSC support has created difficulties for social sectors.** PRSC implementation encountered many practical and procedural problems. In addition, the abrupt shift to program budgeting in 2005 caused considerable confusion and delays, as a result of which budget execution was slowed. While this situation was similar for all ministries, the social sector ministries experienced great difficulties in implementing decentralized budgets. A revenue shortfall in late 2004 and 2005 added to the problems. As a result, budgetary allocations were not met, and the expenditure shares of social sectors are still well below their needs. While these may be transitional difficulties, urgent attention is needed to improve financial management, and especially to accelerate resource flows to decentralized levels of service delivery where the poor are most directly affected.

EDUCATION SECTOR

5.6 **The underlying objective of Bank-assisted reforms was to achieve across-the-board efficiency gains in the sector.** The savings were to be ploughed back into investments in quality at all levels, while expanding access at the primary level. Increasing budgetary allocations were also envisaged. The approach had limited success, but some positive results were nonetheless achieved, mostly in the last five years when the government took clearer leadership and developed the EFA program. Some education indicators are presented in Table 11. Tracking progress in education is, however, made difficult by several shifts in the choice of indicators in recent years.[1]

Table 11. Selected Education Indicators Tracked Under Various Programs

	1995	2000	2001	2002	2003	2004	(CAS target) 2006	SSA Average (2003)
Primary gross enrollment rate (%)	92	103	105.9	123.1	141.9	147.7	-	94.7
Primary net enrollment rate (%)	60.6	66.9	70.1	82.2	96.8	-	-	63.7
Primary school completion rate (%)	30.1	35.8	-	39.5	47.0	-	58.0	59.2
Student teacher ratio in primary schools	37	50	52	59	57	60	-	44.7
Pass rate at CEPE (end-primary) exam (%)		63.5	49.1	62.2	59.7	72.7	-	-
Number of textbooks per primary school student	-	-	-	0.9	0.9	1.0	1.0	-
Textbooks distributed (million)	-	-	-	3.0	6.0	2.0	-	-

Source: World Bank EdStats, MENRS Statistical Yearbook 2004, World Bank CAS 2003.

5.7 **There were several achievements in the education sector.** In primary education, enrollments increased rapidly, especially in the last few years, and there were some modest improvements in student flows through the system. The number of children enrolled in the five-year primary cycle grew from 1.5 million in 1994 to 3.6 million by 2005.[2] Enrollments also grew rapidly in middle and high school. After the crisis of 2002, a safety net package of measures was implemented under EFA to lower the cost of education to the family and keep at-risk primary age children in school. This included the elimination of school fees and provision of free textbooks and *kits scolaires* (back-packs with basic school supplies). Teacher recruitment was increased, and a system of incentives was put in place to encourage teachers to accept posts in isolated areas. Teacher training was stepped up. Class-room construction, rehabilitation, and repair activities were expanded.

5.8 **Numerous inefficiencies and dysfunctions still beset the education system.** The student teacher ratio of 60 reflects a continuing shortage of teachers, which is exacerbated by their uneven geographic distribution to poorer and less accessible areas. Infrastructure is often overcrowded or in poor repair. Efficiency of learning is hampered by teachers' absenteeism; their insufficient mastery of the French language; and lack of textbooks, teaching materials, and school supplies. Most children do not complete even the primary cycle. Repetition and drop-out rates in primary education are high and completion rates (47 percent in 2003) remain unsatisfactory, against an average of 59 percent for Sub-Saharan Africa. The internal efficiency of other levels of the education system is comparably low. Whether learning outcomes have improved is unclear.[3] Not enough attention has been paid to secondary, tertiary, technical, and professional education. Access, quality, and relevance of all are inadequate.

5.9 **Bank support for primary education was ineffectual in the early years, but toward the end of the period, the Bank helped raise primary enrollments and lower the cost of education for the poor.** Throughout the CAE period, the Bank supported primary education, but this had limited impact in the early years due to recurring project implementation difficulties and delays and weak implementation of policy reforms. Construction and rehabilitation of classrooms were sometimes of poor quality and the Ministry of Education encountered widespread difficulties in supplying teachers. Inputs were provided to raise the quality of education, but an internal IEG assessment found resources not used efficiently, the monitoring of classroom level outcomes weak, and little evidence of progress. Government leadership improved after mid-2002, and the Bank established a good dialogue on education policies, and supported the formulation of the EFA program. The Bank was quick in providing support after the 2002 crisis, as mentioned above. These actions were effective in raising enrollments and in lowering the cost of education to the poor.[4]

5.10 **Several factors nevertheless reduced the effectiveness of Bank support in addressing the problem of poor primary education quality.** First, a major policy issue, namely the question of language of instruction, was not addressed. Second, policy measures agreed under the programmatic approach were not effective in addressing quality and retention issues. Teacher shortages and geographic imbalances persist. The student teacher ratio rose in 2000–04, yet only 50 percent of the targeted new teachers were recruited in 2004/05. Third, as mentioned above, the Bank moved too rapidly to PRSC lending without the government undertaking adequate implementation arrangements on the ground.

5.11 **Bank support for other parts of the education system was inadequate.** The Bank provided almost no support for ***secondary education***, which is now facing acute pressures as a result of rising primary enrollments. In 2005 the Bank started to support the government in preparing a strategy for post-primary education reform. The Bank supported an initial reform of ***technical education and vocational training*** (TVET), but this provided few lasting results. TVET still has high costs relative to its output, and is poorly attuned to labor market demands. Bank-supported reforms of ***higher education*** had some initial success in dealing with the issue of perpetual students, restoring normal functioning, and strengthening university management. However, these reforms did not lead to a broader revitalization of the higher education system, or free up resources for primary education as was expected. The Bank's operations did not include any focus on ***literacy***, an omission that risks standing in the way of the goal of poverty reduction.

HEALTH SECTOR

5.12 **Initially, the Bank's objective was broad sector reform, involving revitalization of basic services with an emphasis on preventive activities.** It was seeking to improve the sector policy framework, strengthen institutional coordination mechanisms, and increase the efficiency and sustainability of public expenditures for health. The main emphasis was on systemic reforms to upgrade overall health services, especially those that would be most beneficial to the poor. However, the program proved to be ambitious and complex, and lacked government ownership. As a result, it failed to deliver improvements in services at the local level.

5.13 **A simpler, more direct approach was adopted in 1996.** This was built around strengthening of priority disease control programs and epidemiological surveillance, greater availability of essential drugs, improving access to and quality of district health services, and reinforcing the management and planning capacities of Ministry of Health (MOH), especially with regard to decentralized management. This approach brought improvements in some priority programs such as infant mortality, malaria and tuberculosis treatment, and drug availability. Nonetheless, the impact on service delivery at the local health care centers was hampered by shortages of staff, their uneven deployment to poor and less accessible areas, poor equipment and maintenance, shortage of drug supplies, weak management and chronic under-funding. Service utilization rates remain low.[5]

5.14 **Fertility and population issues have not been an explicit focus of the Bank's operations.** The Bank supported important aspects of reproductive health in its health sector projects. It also supported lower fertility indirectly by the efforts to bring and retain girls in the education system. Today the population growth rate continues at over 2.7 percent annually, but a decline in fertility in recent years suggests the start of the last stage of a demographic transition. The total fertility rate (TFR) declined from 6 in 1997 to 5.2 by 2003/04. If the present trend continues, TFR would reach replacement level in around 20 years, easing pressures on resources and basic services, and facilitating a reduction in poverty.

5.15 **Most health outcomes have been improving, but some are proving more obstinate.** On the positive side, child and infant mortality rates were reduced notably in 1997–2004 (Table 12). Child vaccination rates rose. There is also evidence of declining hospital mortality from malaria. An increasing number of tuberculosis patients are being cured. As a result, life expectancy in Madagascar increased from 53.5 years in 1992 to 55.7 years in 2003/04, and is among the highest in Sub-Saharan Africa. These results are largely due to a limited number of vertical programs. Further progress can be made by continuing and extending these activities, but more sustainable and deeper progress will depend on systemic improvements in health care provision and funding as well as an expansion of complementary public health investments that are not yet assured. On the down side, maternal mortality barely moved over 1997–2004. HIV prevalence among pregnant women is rising rapidly, though Madagascar remains a low-prevalence country. Crucially, a wide gap has been observed between better-off and poor groups for all major health status and service indicators.[6]

Table 12. Selected Health Status and Nutrition Indicators

	1992	1997	2003/04	(CAS target) 2006	SSA average (2003/04)
Life expectancy	53.0	53.5	55.7	-	46.7
Total fertility rate	6.1	6.0	5.2	-	5.2
Infant mortality rate (per 1,000 live births)	93	96	58	-	101
Child mortality rate (per 1,000 live births)	163	159	94	120	171
Low height for age at age 3 (%)	51	48	45	40	-
Children underweight for age (%)	40.9	40	41.4	35	-
Children with all DPT3 vaccinations (%)	32	36	53	65	58.7
Maternal mortality	507	488	469	-	-
Assisted childbirths (%)	49	47	51	-	-
Contraceptive prevalence (%)	5	10	18	-	-

Source: Demographic Health Surveys, except life expectancy: UNDP Human Development Reports. DDP.

WATER SUPPLY AND SANITATION

5.16 **Inadequate access to safe drinking water and to sanitation services has been and remains a major health hazard.** Since the early 1990s, there has been no significant improvement in either the rate of access or in the quality of the services provided. Yet, in a Sector Strategy and Action Plan approved by the government in 1995, the overall objectives in the sector were quite ambitious: to increase by 2010, the access to safe drinking water from 29 percent to 79 percent, and to sanitation services from 16 percent to 51 percent.

5.17 **The Bank's initial intention was to support this ambitious agenda with a major presence in the sector, including a project covering both urban and rural water supply and sanitation, as well as ESW.** However, there was only a relatively small-scale "pilot", yet highly successful Rural Water and Sanitation Project, and a sector strategy note by Bank staff. No operation in the sector is planned at present. But the work begun under the Rural Water Supply Project will continue to be supported on a small scale under PRSCs. With current overall access rates to protected water estimated at 35 percent and 20 percent for sanitation (much less in rural areas and small urban centers), the government's 2010 global targets seem unattainable. This is due to three main longstanding constraints which the sector continues to face. First, investments, despite increasing since 2002, are still insufficient to keep pace with demographic growth.[7] Second, service quality has deteriorated due to inadequate management models and lack of an efficient cost recovery system, particularly for the water systems in small towns. Third, technical and operational capacity is limited in the Ministry at central and provincial levels, as well as in NGOs and the private sector.

5.18 **Bank's involvement in the sector was hindered by uncertainty about the future legal status, structure, and degree and nature of private sector participation in JIRAMA (the electricity and water company).** This delayed the implementation of the Water Law, a prerequisite for the reforms in the sector. It was not until late 2004 that the institutional problems of JIRAMA began to be addressed. In addition, there were disagreements among Bank staff in the water and electricity sectors concerning the best way to solve the problems at JIRAMA.[8] As a result of all these factors, the Bank lacked a major lending instrument to support reform in the water and sanitation sector in Madagascar. The sector remains mired in the problems of 10 years ago, and lack of access to safe drinking water and adequate sanitation services continue to undermine country's social development.

TARGETED POVERTY REDUCTION ACTIVITIES AND SUPPORT FOR VULNERABLE GROUPS

5.19 **In Madagascar, the Bank has supported an array of targeted activities to address key areas of vulnerability of the poor.** These have included the creation of a social fund to carry out labor-intensive public works and improve public service delivery, and food security/nutrition operations. Support for safety nets for vulnerable groups became a particular priority for the Bank in the aftermath of the 2002 crisis and a dominant feature of health, education, and other lending (see par. 5.7 and 5.24).

5.20 **Food insecurity and malnutrition are long-standing and widespread problems in Madagascar.** Broad trends in malnutrition usually track the poverty rate. The proportion of children with low height for age at age 3 (stunting) was 51 percent in 1992, and 45 percent in 2004, against a CAS target of 40 percent in 2006. The proportion of children underweight for their age showed no decisive trend

(Table 12). Against this difficult overall nutrition picture, there were marked improvements in specific problem areas, including a reduction in anemia, more widespread vitamin A supplementation, reduction of iodine deficiency, and de-worming.

5.21 **The Bank has been a consistent long-term supporter of targeted food security and nutrition activities.** The Bank's projects[9] in this area grew from small pilot actions to a successful national program. An in-depth impact evaluation of the Community Nutrition II Project (SEECALINE) conducted in 2004—whose provisional results were shared with the mission—found greater declines in the rate of transitional malnutrition (weight for height) in project sites than elsewhere, even though SEECALINE targets the most problematic zones. Importantly, these projects were instrumental in raising the profile of nutrition as a key development issue, including under the PRSP.

5.22 **Improvements in basic nutrition indicators could have been more pronounced.** There are several reasons for the relatively slow progress. First, a nutrition project cannot compensate for a broader poverty picture. Second, despite good ownership at the project level, there was weak inter-ministerial coordination.[10] Third, donors sometimes had differing views on priorities for the sector. The move to the PRSC approach for nutrition after 2004 was a calculated risk. The PRSC process is allowing the government to take a more active leadership role with respect to internal and donor coordination. On the other hand, the first year of PRSC was characterized by late release of funds, shortfalls in resources relative to needs, and irregular payments. If the PRSC approach is to be successful, it will need to overcome these problems quickly, allocate increased resources for nutrition, track results carefully, and assure high standards of transparency.

5.23 **During 1994–2005, the Bank supported three social fund projects with good results.** Operationally, the creation of a social fund was a logical choice for Madagascar in the early 1990s, in view of the administration's weak capacity to manage small development projects on a decentralized basis. The social fund provided an operational mechanism for such programs. The project outcomes were generally satisfactory, particularly with respect to physical outputs. This approach also contributed to the creation of a class of contractors able to carry out smaller public works. The Social Fund also proved to be a flexible tool for delivering emergency assistance in the wake of natural and other disasters. On the other hand, targeting resources to the poorest communes ran into capacity difficulties, and as a result, the better-off communes benefited disproportionately. The creation of social infrastructure was not well coordinated with the Ministries of Health and Education, and subsequent staffing or supply problems were common. In the absence of a clear decentralization framework, the institutional impact was limited.[11]

5.24 **When emergencies arose, the Bank was a responsive partner, willing to reorganize all or parts of the ongoing project portfolio to accelerate or add critical activities.** Several events since 2000 required urgent programs of emergency assistance: cyclones in 2000, the constitutional crisis of 2002 and more cyclones in 2004. The Bank made supplemental credits available as needed. Also, the Bank was flexible in restructuring and accelerating ongoing projects to meet emergency needs arising from the crises. For example, as mentioned above, after the 2002 political crisis, the Bank financed not just the rehabilitation of schools but also the cost of waiving school fees and emergency books and school supplies. Similarly, in the health sector, the Bank showed great flexibility by restructuring its assistance to support a more poverty-targeted approach: temporary waiver of user fees, recapitalization of the Central Drug Procurement Agency (SALAMA) to assure essential drug distribution, urgent rehabilitation works (outsourced to Social Fund), distribution of subsidized mosquito nets and anti-malarial drugs, and scaling up of HIV/AIDS prevention activities.

5.25 **Bank-financed targeted activities or emergency interventions were not, however, supported by a systematic social protection strategy.** Support for vulnerable groups was a component of the strategy proposed in the 1996 Poverty Assessment. However, further analysis of the areas of vulnerability of the poor and an appropriate strategy to manage social risks did not begin until well after the 2002 political crisis. At that time, the Bank, like government, became caught up in a crisis-driven approach because a longer-term strategy was missing. While a short-term response was necessary and justified in the crisis environment of 2002, the need for a clearer and more cost-effective strategy became increasingly apparent. There is still insufficient knowledge of the costs of programs, too much reliance on emergency response instead of prevention, poor targeting, and an absence of overall monitoring and evaluation of effectiveness.

PROGRESS TOWARD THE MDGS

5.26 **Most of the MDGs are likely to be missed.** Progress toward achieving the MDGs was reviewed by the Malagasy authorities in collaboration with the UNDP in September 2004.[12] A joint Bank/Fund staff view on progress was presented to the IMF Board for the Fifth Review under the PRGF (December 2004). After a review of the available evidence and analysis, IEG finds that if current policies and trends are sustained through 2015, Madagascar will achieve its MDGs for gender equality and 100 percent enrollment in primary education, could under certain conditions slow the spread of HIV/AIDS, could reduce child mortality further, and could reduce mortality linked to malaria. However, there is little likelihood of reaching the core goals of halving extreme poverty and malnutrition, attaining a 100 percent completion rate in primary education, and reducing maternal mortality by three quarters. Although the Bank has committed its support to the MDGs at the global level, it would be helpful if Bank staff working on Madagascar were to integrate the MDGs more fully into the country strategy and operations and report more explicitly on progress. At present the MDGs get little attention in Bank documents. [13]

SUMMARY OF OUTCOMES

5.27 **The Bank's assistance provided moderately satisfactory outcomes in human and material security** (Table 13). The shift in public expenditures toward basic services has been modest so far, and further progress is constrained by the low fiscal revenues. In primary education, enrollments have increased, but retention and completion rates and learning outcomes remain problematic. Indicators in the health sector are mixed. Health indicators for the poor are lagging, and service delivery is inefficient, incomplete, and unequal. Bank's social protection activities have been relatively successful and responsive, but better targeting to the poorest areas and an earlier focus on social risk management could have increased their effectiveness.

Table 13. Summary of Outcomes in Human and Material Security

Objective	Outcome
Increase pro-poor expenditures	Moderately Satisfactory
Improve access to and quality of education	Moderately Satisfactory
Provide affordable basic health care and access to clean water	Moderately Satisfactory
Protect vulnerable groups through targeted activities	Satisfactory
Overall	**Moderately Satisfactory**

NOTES

1. The indicators of CRESED II were replaced by the HIPC indicators, which, in turn were replaced by those of the PRSC operations. The EFA program has other similarly intended indicators, and there is a gradual convergence with those used by the EU in its budget support operations. The Ministry of Education also produces annual statistics with a selection of sector indicators, including for other levels of education. The consequence of this situation is that time series are not available in easily accessible form for a consistent set of indicators.

2. The latest official statistics claim a net primary enrollment rate of 98.2 percent. This figure is subject to caution: given that the last population census took place in 1993, the current school-age population is uncertain; enrollment data are collected administratively and may in some instances be inaccurate or subject to bias. The high net enrollment rate does not correspond with visual impressions that many children are not in school. A new population census is urgently needed, as well as a technical review of the reliability of education statistics.

3. CEPE (end-primary examination) pass rates rose in 2001-05, but the absolute number of children succeeding at the CEPE (around 207, 000 in 2005) is still only about a third of the relevant age cohort. The absolute number of children passing the BEPC (end-middle school examination) was stagnant over the period.

4. Payments were made to school districts to permit the waiving/elimination of school fees. Under EFA, the Bank also insisted on accompanying actions to address systemic dysfunctions: the target for annual teacher recruitment was set at around 2,000 and teacher training was improved; regulations related to school management were passed to increase student learning time and to improve learning outcomes; a system of automatic promotions from grade 1 to 2 and from 3 to 4 was put in place to reduce repetition rates; and guidelines were prepared for the district education authorities (CISCO) to reduce repetition and drop-out rates.

5. The failure to lower maternal mortality appreciably between 1993 and 2003/2004 is a stark indicator of the poor quality and low utilization of health services.

6. For example, the infant mortality rate in 1997 for the poorest quintile of households was 119 while it was 57 for the richest quintile. See Gwatkin, Davidson R., S Rustein, K Johnson, R Pande and A. Wagstaff, *Socio-Economic Differences in Health, Nutrition and Population in Madagascar*, HNP/Poverty Thematic Group of the World Bank, May 2000. The study was based on the 1997 Demographic Health Survey (DHS). As the DHS did not collect household income data, an income proxy was constructed on the basis of household asset ownership. For all 8 HNP status indicators analyzed and for 22 of 23 HNP service indicators, there were marked gaps between the poorest and richest quintiles. A follow-up analysis of the 2003/04 DHS is recommended to examine how this situation evolved in the intervening years. The 2004 DHS shows wide gaps between urban and rural households, confirming that sharp disparities persist.

7. In 2003, for example, sector investments, which amounted to US$12 million, provided 150,000 additional people with safe water, whereas the population increased by more than 400,000 in the same year.

8. Even within the water sector staff, there were different views concerning the application of the cost recovery principle. Cost recovery would have implied a much higher water tariff in provincial towns than in the capital city, where unit production costs are substantially lower. This was considered unacceptable to some water sector staff, and also to country management within the Bank, which was concerned about the difficulty of getting such a politically sensitive principle acknowledged in Madagascar.

9. Food Security and Nutrition Project (SECALINE) and Community Nutrition II Project (SEECALINE).

10. A National Council for Nutrition (CNN) and its executive secretariat National Nutrition Office (ONN) have been created to lead the implementation of nutrition policy and coordinate actions. ONN now oversees SEECALINE and assures its continued funding under the government budget (including through PRSC lending).

11. This is consistent with the general findings of IEG's evaluation entitled *The Effectiveness of World Bank Support for Community-Based and-Driven Development*, which found that "much more success has been achieved in CBD/CDD projects on quantitative goals, such as the construction of infrastructure, than on quantitative goals, such as capacity enhancement or quality of training."

12. See UNDP, *Madagascar: Rapport sur les Objectifs du Millénaire pour le Développement 2004*, prepared under the auspices of the Malagasy authorities with the support of the UN system, dated September 2004.

13. Five major poverty related documents were presented to the Board in late FY04 and FY05, none of which reported explicitly or meaningfully on the MDGs.

6. Overall Outcome and Contributions

6.1 **The overall outcome of Bank's assistance to Madagascar during 1995–2005 is rated as moderately unsatisfactory.** The Bank strategy was relevant for Madagascar and the Bank assistance had some success, particularly the recent increase in growth, but the outcome was less than satisfactory in many areas, as reviewed in the previous parts of this CAE (Table 14). At the same time, it should be noted that the outcome of Bank's assistance has been to a large extent adversely affected by factors outside its control such as political crises and the poor performance of non-reformist governments prior to 2003. This chapter assesses the resilience to risk of Bank's assistance, and reviews the contributions of the Bank, the government, other development partners, as well as external factors.

Table 14. Overall Outcome Ratings

Objective	Outcomes
Overall	Moderately Unsatisfactory
Broad-based growth	Moderately Unsatisfactory
Good governance	Moderately Unsatisfactory
Human and material security	Moderately Satisfactory

RESILIENCE TO RISK

6.2 **The resilience to risk of the Bank's assistance program is rated likely, but several caveats are needed to be expressed in that regard.** In its dialogue and operational support for economic and sectoral policy changes, the Bank has generally sought to implement changes that are unlikely to be reversed once in place. The responsiveness of growth performance has further implanted the view that reforms can bring long-term benefits, not just adjustment costs. In contrast with earlier regimes, the current administration (at the highest levels) is decisive and unusually reform minded, and this gives some confidence that policies and outcomes will be sustained. On the other hand, it is unclear how much the commitment and dynamism of the upper echelons of the current administration have filtered down to the staff responsible for the implementation of the reform agenda.

6.3 **Overall resilience to risk will also depend on the extent to which the Bank's assistance is able to address structural poverty.** In that regard, the Bank's regional development approach through the Integrated Growth Poles project is a high-risk and complex undertaking, whose success will depend on the government's continued commitment, and close supervision by the Bank. To address rural poverty, the Bank will need to develop innovative approaches to agricultural sector issues. At the same time, good governance is critical to Madagascar's future, and requires a sustained approach led from the top, with visible and consistently applied sanctions against those who abuse their position. While a good start has been made on the institutional front, it is important that measures be taken to address conflict of interest issues and hence enhance the emphasis on good governance advocated by national leadership. Moreover, unjustified interference by the highest level of government in project implementation and staff hiring and firing, need to be stopped.

6.4 **Capacity limitations in the middle and lower echelons of the Malagasy administration severely limit Madagascar's absorptive capacity.** This can be seen, for example, in the road transport sector, where the large infusion of financial resources was not matched by the ability of either the public or the private sectors to implement the program in a sustainable manner. The program in Madagascar requires an intensive supervision effort, as well as more systematic and careful oversight from Bank central services, notably procurement.

6.5 **The sustainability of projects has often been impaired by the creation of Project Management Units (PMUs), other new institutions, and too much reliance on NGOs for implementation.** PMUs disband at projects' closure or struggle financially to survive for a short while hoping for other aid. Environmental, as well as Social Fund projects have been implemented too often by NGOs or donors without enough links with or involvement of the communes, precluding an eventual continuation of the activities upon sponsors' departure. While the Bank has made a commendable effort at developing national institutions and strengthening local capacity, at times it was instrumental in creating too many institutions with overlapping responsibilities. For instance, this has been the case for environmental activities. Also, it has proven especially difficult to create autonomous agencies that function soundly and are financially sustainable.

6.6 **In the social sectors, achievements are still fragile, thus resilience to risk relatively low.** The gains in primary school enrollment were in part achieved by lowering the cost of access, but larger budget allocations will be needed to continue in this positive direction, improve the quality and relevance of education, and raise learning outcomes. In addition, capacities at the base are weak and will require sustained attention. In health, the programs that contributed to positive health outcomes such as lower child mortality are largely vertical, while the broader task of improving service delivery at the base is progressing only slowly. In health too, enough budget resources have not yet been made available to meet needs. Sustained action is needed to reinforce monitoring and evaluation, planning, and implementation capacities at the level of the health and school districts, accompanied by a keen focus on constraints to service quality and a marked increase in the flow of resources to the front line of service delivery. The policies promulgated at the center should in each case be supportive of decentralized development activities and should seek to put in place supportive institutional structures. Among the main constraints is the difficulty of attracting and retaining qualified teachers and health workers to poor and less-accessible locations. Without progress on this key issue, the aim of reaching the poor will remain elusive. All these are long term challenges, and the rate of progress at this level is likely to be a key long-term determinant of how effectively services can be delivered to the poor. With the accelerated move to program budgeting and budgetary support, many decentralization issues have not yet worked out, let alone implemented.

The Bank

6.7 **The Bank's objectives in Madagascar were relevant, and the focus of its assistance improved over time.** The Bank has had a robust agenda of basic reforms that were necessary for Madagascar to resume growth, even when successive governments were reluctant to undertake such reforms. Bank assistance contributed in a significant way to this turnaround in economic growth. The partnership with the IMF and donors was generally robust, despite occasional tensions (see par. 6.13). Without the Bank's presence, it is possible that Malagasy reformers would have made progress, engaging with the IMF and/or major donors. However, the Bank's presence gave crucial momentum to structural reforms. With the FY04 CAS, the Bank made a genuine effort to reorganize, redefine, and anchor its assistance in the PRSP. The Bank helped sharpen the focus on systemic issues and service delivery in health and education. It played a prominent role in catalyzing the HIV/AIDS program. At the same time, it developed successful interventions to channel resources into small-scale infrastructure rehabilitation and other activities, such as nutrition, that targeted vulnerable groups. The Bank made a major contribution to the environment by helping develop the first NEAP, and following up with a 15-year APL to implement the actions envisaged. The Bank was a responsive partner and contributed effectively to the economic recovery and the revitalization of social and economic services after the 2002 crisis.

6.8 **The Bank's assistance had some shortcomings as well.** The principal one was the relatively small involvement in agricultural development, both in terms of knowledge transfer and investment, given the extent of rural poverty. "Stroke of the pen" measures, such as elimination of subsidies and liberalization of markets, did little to revive the sector. The Bank focused more on sectors with high growth potential where the payoffs were quicker and higher but the impact on poverty limited. The Bank spent an inordinate amount of effort on privatizing a few major public enterprises. But because this process required a lot of political capital on the part of the government, the Bank chose to neglect in relative terms, until very recently, other important areas—such as public sector reform, energy sector reform, and the land issue—which were also considered to be politically very difficult. The Bank's approach in the electricity sector has been one of the factors in the current electricity crisis. In the health sector, Bank's support has not yet been effective in addressing issues such as the availability and management of medical personnel in poor or less-accessible areas, reinforcement of the management capacities of the health districts, increasing budget allocations for the sector in line with reasonable needs, and establishing stable cost recovery policies. In education, the Bank focused on primary education, but secondary education, which is now feeling the pressure of increased primary school enrollments, was sidelined.

6.9 **The Bank deserves credit for learning from past experience and becoming more flexible and willing to innovate in some areas, sometimes against its own tenets.** An example of this is the Integrated Growth Poles Project, through which the Bank is "picking winners" to emulate the success of EPZs on a wider regional basis. The conclusion of the recent Rural and Environmental study is that the enabling environment for the rural sector should include an acceptable ratio of price of fertilizers to price of paddy (both at farmgate). [1] Once removed at Bank's advice, a subsidy on fertilizer use is now thought to be justified, in view of environmental externalities. It remains to be seen, however, how this will translate into practice. The recent PER advises against the introduction of sectoral MTEFs—an approach strongly advised for other countries—mainly because "such an initiative bears the risk of diverting scarce resources at the level of line ministries at a time where government is implementing significant public sector reforms."

The Government

6.10 **Until very recently, successive governments were reluctant partners in the implementation of Bank-supported programs.** Against the background of periodic political upheavals, this has been an important reason for Madagascar's relatively slow progress in development. Misguided government policies put a serious brake on the country's ability to reach its economic potential. The overall effectiveness of the Bank's assistance was much less than it might have been, mostly because of lack of government ownership, poor governance, weak capacity, and the recurring problem of periodic policy reversals. For example, much more progress could have been achieved in alleviating rural isolation, if there had been an agreement on the strategy and institutional framework for road transport early on.

6.11 **The government's commitment to reform and its performance have improved significantly since 2002.** There is a strong ownership of the PRSP program, and determination to follow through with related actions. At the same time, the new government's deep distrust of what has been put in place by the previous administration (including in the context of donor-financed projects) has resulted in interference and staff changes with negative consequences on project implementation and results. Overall, government performance needs to improve considerably if Madagascar is to attain the levels of growth and development of which it is capable. Many long-standing issues require urgent attention, including rural isolation, decentralization, governance (particularly in judicial and mining sectors), and inefficiency and lack of transparency in the power sector. The leadership and signals provided from the top in favor of private sector-led growth are admirable; however, for these to be enhanced, conflicts of interest issues need to be addressed in earnest.

Other Development Partners

6.12 **Donor cooperation is generally strong and productive**. Overall, the donor community expressed satisfaction with the consultation process and cooperation with the Bank. This is, in general, made easier by the fact that there are relatively few donors in Madagascar. There was consensus that the cooperation with the Bank improved considerably with the establishment of the local office and the posting of the task managers in the field. Throughout the review period, the Bank has worked closely with the IMF in sustaining the governments' reform programs. While the IMF has taken the lead in macroeconomic policy dialogue, the Bank has focused on structural reforms. The relationship has been mutually self-supporting. There was, however, a major disagreement in 2003 when the Bank advocated suspension of import duties on capital goods against the advice of the IMF. [2] There has been close collaboration among Madagascar's partners in the context of the PRSP process and support to PRSCs, particularly in the areas of public expenditure management, decentralization, and governance. In the transport sector, the Bank works closely with the other partners, mainly the EU and the Agence Française de Développement (AFD). Overall, different approaches, timetables, and procedures continue to add to the uncertainty and administrative burden faced by the Authorities, although efforts are underway for their harmonization.

6.13 **Donor coordination could be further enhanced by well-formulated, government-owned strategies and plans.** For much of the CAE period, coordination activities were largely neglected by the governments, and it was left to the donors themselves to ensure that their programs were adequately coordinated. Donors were better in some sectors than others in ensuring this coordination. For example, while donor coordination is exemplary in the area of environment, it is much less so in rural development. In this area, the Bank's program of small grants was perceived by some donors as undermining their efforts to develop a successful micro-credit scheme. In the agricultural sector, for example, there is not yet a clear view among donors as to how the extension services should be organized. This, in part, reflects the lack of a strong government program in this area, which is being currently developed. Overall, the shift to PRSC lending is putting the burden of aid coordination more squarely on the government, for which the capacity is rather weak.

External Factors

6.14 **The external environment has been relatively unfavorable to Madagascar during the review period.** While the prices of several of its most important exports—vanilla, graphite, tourism services, shrimp—have remained stagnant or even fallen in real terms, the cost of imported petroleum, on which the economy is wholly dependent, has risen sharply, notably since 2002. Although textile exports from the EPZs have continued to grow, the international outlook is much less promising following termination of the Multi-fiber Agreement and given the impending changes in the terms of AGOA.

6.15 **Due to its geographic location, Madagascar is frequently hit by natural disasters.** Natural disasters (cyclones, tropical storms, crop pests) brought occasional setbacks to living conditions in terms of food insecurity (harvest losses), and damaged road infrastructure and social infrastructure. Most of the cyclones cause minimal damage, but during the period reviewed, cyclones caused severe damage in 2002 and again in 2004.

NOTES

1." Madagascar, Rural and Environment Sector Review," Report No.26106-MG, December 2003, Volume I, p. 17.

2. Immediately after the political crisis of 2002, a key component of Bank's recommended recovery package was a zero tax rate on imported capital goods. This was strongly opposed by the IMF. In the event, the tax exemption was extended to cover a wide range of electrical and electronic goods; the Authorities fell substantially short of their revenue targets; and the coincidence of the tax shortfall and sharply increased imports with external and internal shocks (rising imported fuel prices, cyclones, and the need to import substantial quantities of rice) led to serious macroeconomic instability, accompanied by a sharp exchange rate devaluation, in the first six months of 2004.

7. Findings and Recommendations

From the CAE period under review, the following findings can be distilled and recommendations made:

Findings

- It is difficult to monitor donor-supported program outcomes in Madagascar, as the country suffers from an overload of indicators, most of which are neither closely monitored nor reliable, and, at times, inconsistent.
- Unless links between the dynamic sectors and the rural areas—where the great majority of the poor are located—can be improved, growth in Madagascar will not be pro-poor.
- An increase in aid flows to assist a committed government is consistent with the need to scale up aid to meet the Millennium Development Goals. But when it exceeds the country's absorptive capacity and runs ahead of the institutional reforms necessary for their sustainability, it can have limited effectiveness as the experience in Malagasy transport sector demonstrates.
- In general, PRSCs seem to be good instruments for bringing coherence to a government's plans, for prioritizing budget allocations in line with agreed targets, and for accelerating and coordinating policy and financial support from the Bank and other donors. But in Madagascar inadequate preparatory work and capacity building prior to PRSCs have been behind serious implementation problems that have disrupted resource flows to beneficiaries. Whether or not this is only a transitional problem remains to be seen.
- Targeted activities addressing specific constraints of the poor can be effective in protecting vulnerable groups. The return to this investment could have been increased if set in the context of a social risk management strategy designed to lower vulnerability rather than respond to repeated crises in Madagascar.
- Staff presence in the field has been critical for ensuring stronger donor coordination and improved implementation.

Recommendations

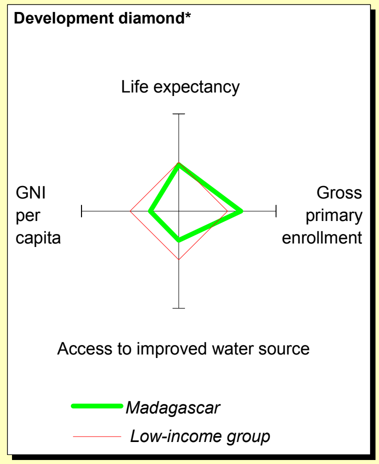
- **Develop CAS Scenarios**: While the impetus for reform in Madagascar appears to be strong, the Bank needs to develop a low case scenario in the CAS, in the event of renewed political instability and/or a weakening of the Authorities' commitment to reform. Since natural disasters are highly prevalent and recurrent events in Madagascar, the CAS should also treat this phenomenon as a risk integral to its program, with focus on mitigation and vulnerability reduction measures.

- **Monitoring Indicators:** As the Bank and other donors jointly adopt results-oriented programs, there is an urgent need to define a few critical indicators and strengthen support to statistics for their reliable monitoring. Until this is satisfactorily addressed, it will remain difficult to assess the effectiveness of donor-supported programs.
- **Strengthen the Growth and Governance Aspects of the Strategy:** The growth strategy needs to be refocused on reaching the rural poor, by working jointly with the Government and other donors to develop an innovative vision and implementation program to raise rural incomes and address structural poverty. The Bank also needs to intensify its support for good governance, by focusing more sharply on: (a) key sectors (especially the judiciary and extractive industries); (b) resolving the land question; (c) strengthening decentralized institutions (d) tackling higher-level corruption more effectively; and (e) enhancing evaluation and auditing capacity.
- **Limit the Role of Budget Support:** Consideration should be given to limit programmatic budget support until there is a credible and sustained improvement in revenue collection and public expenditure management system. Projects designed to address specific sectoral issues, bottlenecks, and capacity constraints, will be critical for increasing Madagascar's absorptive capacity and the effectiveness of programmatic instruments.

Annexes A: Statistical Tables

Annex Table 1. Madagascar – At a Glance

POVERTY and SOCIAL	**Madagascar**	**Sub-Saharan Africa**	**Low-income**
2004			
Population, mid-year *(millions)*	17.3	719	2,338
GNI per capita *(Atlas method, US$)*	300	600	510
GNI *(Atlas method, US$ billions)*	5.2	432	1,184
Average annual growth, 1998-04			
Population *(%)*	2.9	2.2	1.8
Labor force *(%)*	2.9	1.0	2.1
Most recent estimate (latest year available, 1998-04)			
Poverty *(% of population below national poverty line)*	71	..	..
Urban population *(% of total population)*	27	37	31
Life expectancy at birth *(years)*	56	46	58
Infant mortality *(per 1,000 live births)*	78	101	79
Child malnutrition *(% of children under 5)*	33	..	44
Access to an improved water source *(% of population)*	45	58	75
Literacy *(% of population age 15+)*	71	65	61
Gross primary enrollment *(% of school-age population)*	120	95	94
Male	122	102	101
Female	117	88	88

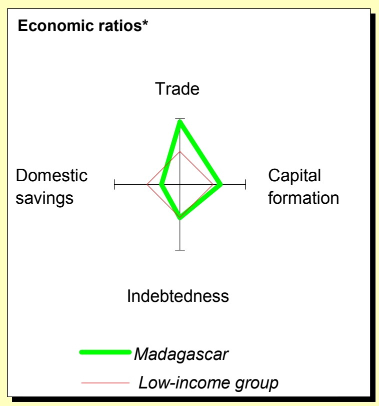


Development diamond*

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1984	**1994**	**2003**	**2004**
GDP *(US$ billions)*	2.9	3.0	5.5	4.4
Gross capital formation/GDP	8.6	10.9	17.9	27.5
Exports of goods and services/GDP	13.3	22.0	23.1	31.7
Gross domestic savings/GDP	4.0	3.3	8.9	11.1
Gross national savings/GDP	2.1	1.4	13.0	17.3
Current account balance/GDP	-6.0	-9.4	-4.9	-9.4
Interest payments/GDP	2.1	0.7	0.6	0.7
Total debt/GDP	72.8	137.6	90.5	79.8
Total debt service/exports	30.2	9.3	5.4	6.2
Present value of debt/GDP	..	..	26.8	..
Present value of debt/exports	..	..	114.8	..

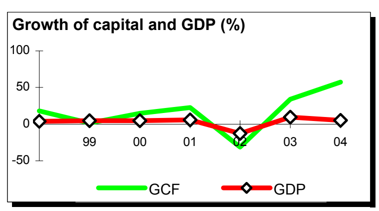
	1984-94	**1994-04**	**2003**	**2004**	**2004-08**
(average annual growth)					
GDP	1.2	2.7	9.8	5.3	6.5
GDP per capita	-1.5	-0.3	6.8	2.6	3.9
Exports of goods and services	4.0	0.7	45.4	-5.6	6.4



Economic ratios*

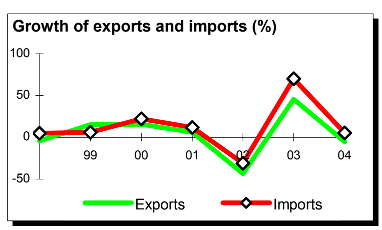
STRUCTURE of the ECONOMY

	1984	**1994**	**2003**	**2004**
(% of GDP)				
Agriculture	35.3	23.8	29.2	28.8
Industry	13.0	9.7	15.3	16.0
Manufacturing	11.2	8.0	13.7	14.2
Services	51.7	66.5	55.5	55.2
Household final consumption expenditure	86.2	89.8	81.9	79.7
General gov't final consumption expenditure	9.8	6.9	9.2	9.2
Imports of goods and services	17.9	29.6	32.1	48.0



Growth of capital and GDP (%)

	1984-94	**1994-04**	**2003**	**2004**
(average annual growth)				
Agriculture	2.3	1.9	1.3	3.1
Industry	1.2	2.5	14.5	6.6
Manufacturing	0.6	3.2	15.3	6.1
Services	1.1	3.0	10.4	6.0
Household final consumption expenditure	0.4	3.2	12.5	-0.7
General gov't final consumption expenditure	-0.8	2.9	24.2	-6.6
Gross capital formation	3.4	9.2	33.8	57.6
Imports of goods and services	0.1	7.6	69.9	5.3



Growth of exports and imports (%)

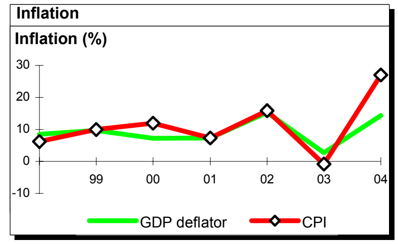
Note: 2004 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Madagascar

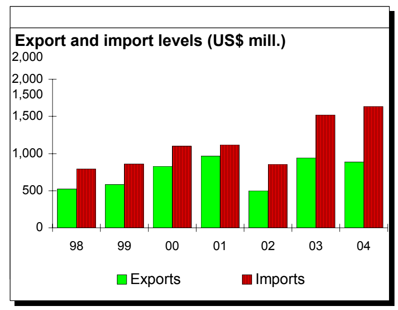
PRICES and GOVERNMENT FINANCE

	1984	1994	2003	2004
Domestic prices				
(% change)				
Consumer prices	..	39.1	-0.8	27.0
Implicit GDP deflator	10.3	41.7	2.8	14.3
Government finance				
(% of GDP, includes current grants)				
Current revenue	15.1	9.1	12.8	16.0
Current budget balance	8.1	-4.3	1.5	3.4
Overall surplus/deficit	1.7	-11.2	-6.7	-9.1



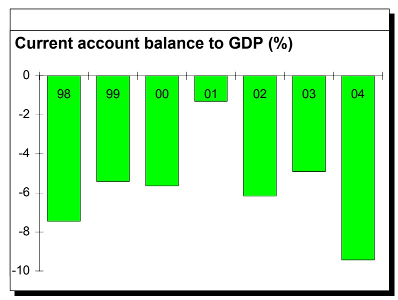
TRADE

	1984	1994	2003	2004
(US$ millions)				
Total exports (fob)	337	447	941	884
Shrimp	22	58	54	62
Vanilla	53	63	195	108
Manufactures	42	191	640	653
Total imports (cif)	411	642	1,521	1,634
Food	48	79	96	83
Fuel and energy	98	72	213	204
Capital goods	68	143	208	300
Export price index *(2000=100)*	118	108	158	176
Import price index *(2000=100)*	75	100	97	103
Terms of trade *(2000=100)*	156	109	164	170



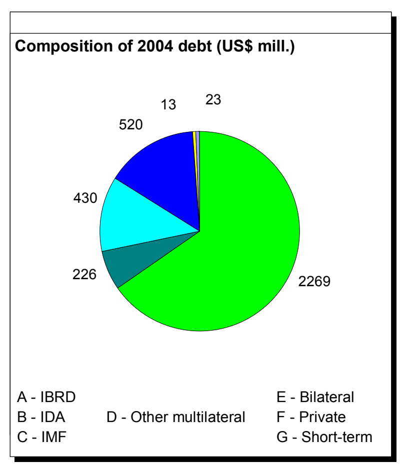
BALANCE of PAYMENTS

	1984	1994	2003	2004
(US$ millions)				
Exports of goods and services	390	653	1,261	1,264
Imports of goods and services	513	874	1,752	1,944
Resource balance	-122	-221	-491	-680
Net income	-132	-146	-80	-72
Net current transfers	77	90	303	340
Current account balance	-177	-277	-268	-411
Financing items (net)	184	269	285	431
Changes in net reserves	-7	8	-17	-20
Memo:				
Reserves including gold *(US$ millions)*	68	62	397	467
Conversion rate *(DEC, local/US$)*	115.3	616.5	1,238.3	1,868.9



EXTERNAL DEBT and RESOURCE FLOWS

	1984	1994	2003	2004
(US$ millions)				
Total debt outstanding and disbursed	2,139	4,076	4,952	3,481
IBRD	25	14	0	0
IDA	251	1,021	1,975	2,269
Total debt service	122	65	69	80
IBRD	3	5	0	0
IDA	3	13	20	27
Composition of net resource flows				
Official grants	68	116	186	251
Official creditors	160	56	182	433
Private creditors	3	-5	0	-3
Foreign direct investment (net inflows)	9	6	13	..
Portfolio equity (net inflows)	0	0	0	0
World Bank program				
Commitments	45	53	222	260
Disbursements	30	60	195	318
Principal repayments	2	9	9	11
Net flows	29	50	186	307
Interest payments	4	8	12	16
Net transfers	24	42	174	291



Annex Table 2: Madagascar—Economic & Social Indicators (1994–2004)

												Average 1994-2004						
Series name	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Madagascar	Low income	SSA	Burkina Faso	Senegal	Tanzania	Uganda
Growth																		
GDP growth (annual %)	-0.1	1.7	2.1	3.7	3.9	4.7	4.8	6.0	-12.7	9.8	5.3	2.7	5.2	3.5	4.4	4.9	4.8	6.7
GDP per capita growth (annual %)	-3.0	-1.2	-1.0	0.5	0.8	1.5	1.6	3.0	-15.2	6.8	2.6	-0.3	3.2	1.0	1.9	2.2	2.2	3.8
GDP per capita, PPP (current international $)	750.0	756.4	755.0	760.9	770.5	786.3	821.8	862.1	744.6	809.1	850.8	788.0	1776.4	1666.4	1005.7	1431.6	519.9	1221.8
GNI per capita, Atlas method (current US$)	240.0	240.0	250.0	250.0	260.0	250.0	250.0	260.0	230.0	290.0	300.0	256.4	384.5	513.6	265.5	531.8	255.5	259.1
Agriculture, value added (% of GDP)	23.8	26.7	27.2	31.5	30.6	30.0	29.1	28.6	31.7	29.2	28.9	28.8	27.9	18.4	32.6	18.5	45.6	39.7
Industry, value added (% of GDP)	9.7	9.2	11.4	13.4	13.6	13.8	14.5	14.7	14.4	15.4	16.4	13.3	26.2	30.1	17.3	20.6	15.3	18.6
Services, etc., value added (% of GDP)	66.5	64.1	61.4	55.0	55.8	56.2	56.4	56.7	53.9	55.4	54.8	57.8	45.9	51.5	50.1	60.9	39.1	41.8
External Balance																		
Exports of goods and services (% of GDP)	22.0	24.1	20.5	21.9	21.5	24.5	30.7	29.1	16.0	21.5	28.4	23.7	18.3	30.7	10.2	30.5	16.9	11.7
Imports of goods and services (% of GDP)	29.6	31.7	26.0	30.0	29.3	32.2	38.0	32.3	22.6	31.6	43.3	31.5	21.0	31.7	24.9	38.8	29.3	23.4
Current account balance (% of GDP)	-9.3	-8.7	-3.8	-5.7	-7.7	-6.0	-6.7	-3.1	-6.1	-5.6	..	-6.3	..	..	-8.5	-5.9	-8.1	-5.3
Total debt service (% of GNI)	2.3	1.9	2.2	6.1	3.4	4.3	3.1	1.5	1.5	1.3	1.9	2.7	3.5	4.4	1.9	5.6	2.6	2.1
External debt (% of GNI)	144.7	144.0	108.0	119.0	119.9	129.4	123.5	93.1	104.4	91.9	80.8	114.4	50.7	69.2	52.7	85.8	101.1	66.3
Total reserves in months of imports	0.8	1.1	2.5	2.8	1.7	2.2	2.2	3.0	4.0	2.8	3.1	2.4	6.5	7.6	5.0	2.5	4.8	5.2
Public Finances																		
Govern. revenues, excl. all grants (% of GDP) 1/	8.8	8.8	9.4	9.7	10.6	11.4	11.7	10.1	8.0	10.3	12.1	10.1		22.8	11.9	17.4	11.6	11.1
Total expend. and net lending, (% of GDP) 1/	20.4	16.9	21.7	17.4	19.9	17.8	18.1	18.4	15.7	19.5	21.4	18.8		27.0	21.8	21.0	16.7	20.7
Overall surplus/deficit, excl. all grants, (% of GDP) 1/	-11.7	-8.2	-12.3	-7.7	-9.3	-6.4	-6.4	-8.2	-7.7	-9.3	-13.1	-9.1		-4.2	-9.9	-3.5	-5.2	-9.7

Macroeconomic indicators																		
Gross domestic savings (% of GDP)	3.3	3.4	6.1	4.7	7.0	7.2	7.7	15.3	7.7	7.8	8.8	7.2	19.0	17.1	7.1	10.6	5.3	6.6
Gross capital formation (% of GDP)	10.9	10.9	11.6	12.8	14.8	14.9	15.0	18.5	14.3	17.9	24.4	15.1	21.7	18.1	21.8	18.9	17.9	18.2
Inflation, consumer prices (annual %)	38.9	49.1	19.8	4.5	6.2	9.9	12.0	6.9	15.9	-1.2	13.8	16.0	..	..	4.9	4.8	12.6	4.9
Social Indicators																		
Immunization, DPT (% of children ages 12–23 months)	66.0	57.0	49.0	49.0	49.0	55.0	55.0	55.0	55.0	55.0	..	54.5	61.2	52.0	49.9	61.3	82.9	61.2
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..	..	..	33.0	..	..	33.0	35.6	36.0	12.0	52.0	46.0	41.0
Improved water source (% of population with access)	..	..	..	..	..	..	..	..	45.0	..	..	45.0	75.1	58.2	51.0	72.0	73.0	56.0
Life expectancy at birth, total (years)	..	..	..	53.5	..	..	..	..	55.5	55.7	..	54.9	58.3	46.7	44.0	52.3	44.7	42.7
Mortality rate, infant (per 1,000 live births)	..	95.0	..	..	..	..	84.0	..	..	78.0	..	85.7	79.1	101.0	108.0	80.7	103.7	86.0
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	..	..	70.6	..	..	..	..	70.6	61.0	59.3	12.8	39.3	69.4	68.9
Population growth (annual %)	2.9	3.0	3.1	3.1	3.1	3.1	3.1	2.9	2.8	2.7	2.6	2.9	2.0	2.4	2.4	2.6	2.4	2.7
Population, total	12.9	13.3	13.7	14.1	14.6	15.1	15.5	16.0	16.4	16.9	17.3	15.1	2133.4	642.8	11.0	9.3	32.8	22.7
School enrollment, preprimary (% gross)	..	..	..	..	3.4	3.4	3.4	6.7	10.0	..	..	5.4	24.0	..	1.4	3.3	13.9	4.1
School enrollment, primary (% gross)	..	..	..	..	95.6	101.8	103.1	104.2	119.6	..	..	104.9	92.9	86.5	43.5	74.0	68.4	137.4
School enrollment, secondary (% gross)	..	..	..	..	14.3	..	..	..	..	..	..	14.3	40.9	26.2	10.3	17.8	5.7	14.6
Urban population (% of total)	25.1	25.5	25.6	25.7	25.8	25.9	26.0	26.2	26.4	26.6	26.8	26.0	28.9	33.6	16.5	46.7	31.2	11.9

1/ WB Africa Regional database.

Source: WB World Development Indicators (August 2005 update) for all indicators excluding those noted.

Annex Table 3: Madagascar— Development Assistance and World Bank Lending

Table 3a. Net Receipts of Official Development Assistance*, 1995–2004 (US$ million)

	1995	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*1995-2003*	*1995-2004*
DAC Countries	**195**	**230**	**549**	**334**	**192**	**139**	**146**	**126**	**225**	**685**	**2,135**	**2,820**
o/w France	91	102	311	69	79	46	42	46	128	485	915	1,400
o/w United States	26	33	33	30	29	32	37	42	43	41	305	346
o/w Japan	27	50	29	52	49	26	25	8	10	28	277	305
o/w Germany	18	16	48	29	17	14	10	9	16	8	176	184
o/w Italy	2	1	1	134	1	1	1	0	0	43	140	184
EU Members	116	125	471	241	104	71	75	64	159	576	1,426	2,002
Multilateral	106	127	284	148	166	185	229	248	314	552	1,807	2,359
IDA	69	69	120	65	69	77	93	159	188	308	907	1,215
EC	26	41	77	67	51	20	55	48	87	129	471	600
AfDF	1	1	71	8	17	19	18	5	8	47	148	195
ALL Donors, Total	**301**	**357**	**834**	**481**	**359**	**322**	**374**	**373**	**539**	**1,236**	**3,939**	**5,175**
IDA Share of Multilateral Assistance, %	**65%**	**54%**	**42%**	**44%**	**41%**	**42%**	**40%**	**64%**	**60%**	**56%**	**50%**	**52%**
IDA Share of Total Assistance, %	**23%**	**19%**	**14%**	**13%**	**19%**	**24%**	**25%**	**43%**	**35%**	**25%**	**23%**	**23%**

Source: OECD International Development Statistics (IDS) Online. http://www.oecd.org/dataoecd/50/17/5037721.htm as of December 15, 2005.

*ODA: Official Development Assistance: Grants or loans to countries and territories on Part 1 of the DAC List of Aid Recipients (developing countries) that are:

1- Undertaken by the Official Sector; 2- Have promotion of economic development and welfare as their main objective, 3- Are granted at concessional terms (the loan has a grant element of at least 25%)

** DAC: Development Assistance Committee. The committee of the OECD which deals with development cooperation matters.

Table 3b: World Bank Commitments by Sector Board, 1994–2005

Sector Board\ Fiscal year	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*FY94-2006*
Education					65.0								65.0
Energy and Mining	51.9		46.0		5.0					32.0			135
Environment				30.0							40.0		70
Economic Policy				70.6		100.0		50.5					221
Financial Sector						16.4							16
Health, Nutrition and Population					27.6		40.0		20.0		10.0	18.0	115.6
Public Sector Governance				13.8			4.6			50.0	30.0		98
Private Sector Development	13.1			23.8					23.8				61
Rural Sector		46.4						89.1					135
Social Protection	18.3		40.0			15.0		128.1				175.0	376
Transport							65.0			80.0	150.0		295
Urban Development				35.0									35.0
Water Supply and Sanitation					17.3								17
Overall Result	83.3	46.4	86.0	173.2	114.9	131.4	109.6	267.7	43.8	162.0	230.0	193.0	1,641.3

Source: World Bank internal database as of February15, 2006.

Annex Table 3c: List of IBRD/IDA Projects, 1995–2005 (By Exit Year)

Proj ID	Proj Name	Approval FY	Sector Board	IBRD/IDA Amt.	Latest DO	Latest IP	Latest Risk Rating	Project Status	Date, Rev. Closing	Outcome	Sustainability	Institutional Development
P001533	MG-Energy Sec Dev Prj (FY05)	1996	Energy and Mining	46	MU	MU	#	Active	12/31/2005			
P001568	2nd Community Nutrition	1998	Health, Nutrition and Population	28	S	S	#	Active	12/31/2005			
P052186	MICRO FINANCE	1999	Financial Sector	16	S	S	#	Active	12/31/2005			
P051741	2nd Health Sector Support	2000	Health, Nutrition and Population	40	S	S	#	Active	12/31/2006			
P051922	MG-Rural Development Support SIL (FY01)	2001	Rural Sector	89	S	S	#	Active	06/30/2007			
P055166	MG-Community Development Fund SIL (FY01)	2001	Social Protection	110	S	S	#	Active	06/30/2007			
P072160	MG - PSD 2	2002	Private Sector Development	24	S	S	#	Active	06/30/2006			
P072987	MG-MultiSec STI/HIV/AIDS Prev APL (FY02)	2002	Health, Nutrition and Population	20	S	S	#	Active	12/31/2006			
P073689	MG-Rural Transport APL 2 (FY03)	2003	Transport	80	U	U	#	Active	06/30/2009			
P076245	MINERAL RESOURCES GOVERNANCE PROJECT	2003	Energy and Mining	32	S	S	#	Active	12/31/2008			
P074235	MG-Environment Program 3 (FY04)	2004	Environment	40	S	MS	#	Active	12/31/2009			
P074448	MG-Governance & Inst Dev TAL (FY04)	2004	Public Sector Governance	30	S	S	#	Active	06/30/2009			
P082806	MG-Transport Infrastr Invest Prj (FY04)	2004	Transport	150	MS	MU	#	Active	06/30/2008			
P084601	MG:Nutrition II - Supplemental	2004	Health, Nutrition and Population	10	#	#	#	Active	#			
P088978	MG-Community Dev Fund Sup Crd (FY05)	2005	Social Protection	50	#	#	#	Active	#			
P088729	Health Sector Support II (Spl)	2005	Health, Nutrition and Population	18	#	#	#	Active	#			
P001506	ACC. AUD. II	1986	Education	10	HS	S	#	Closed	12/31/1994	SATISFACTORY	HIGHLY LIKELY	SUBSTANTIAL
P001507	PORTS	1987	Transport	16	S	S	#	Closed	12/31/1994	MODERATELY SATISFACTORY	LIKELY	MODEST
P001523	ENERGY I	1987	Energy and Mining	25	S	S	#	Closed	12/31/1994	SATISFACTORY	UNCERTAIN	MODEST
P001526	AGRI.CR.II(BTM)	1987	Rural Sector	10	S	S	#	Closed	#	UNSATISFACTORY	UNLIKELY	NEGLIGIBLE
P001510	HIGHWAYS VII	1988	Transport	40	S	S	#	Closed	06/30/1995	MODERATELY UNSATISFACTORY	UNCERTAIN	MODEST
P001518	FOREST MGT	1988	Rural Sector	7	U	S	#	Closed	#	UNSATISFACTORY	UNLIKELY	MODEST
P001527	PUBLIC SEC.ADJ	1988	Public Sector Governance	125	U	HU	#	Closed	01/21/1994	UNSATISFACTORY	UNCERTAIN	NEGLIGIBLE
P001544	MACRO EMSAP/TA	1989	Financial Sector	22	HS	HS	#	Closed	06/30/1996	SATISFACTORY	LIKELY	SUBSTANTIAL
P001546	AGRIC RES	1989	Rural Sector	24	S	S	M	Closed	04/30/1998	SATISFACTORY	LIKELY	SUBSTANTIAL
P001512	TANA PLAIN DEV	1990	Water Supply and Sanitation	31	U	S	S	Closed	09/30/1999	MODERATELY UNSATISFACTORY	UNLIKELY	NEGLIGIBLE
P001515	EDUC SECT REINF	1990	Education	39	S	S	M	Closed	06/30/1998	UNSATISFACTORY	UNLIKELY	NEGLIGIBLE
P001521	PILOT EXTENSION	1990	Rural Sector	4	HS	S	#	Closed	06/30/1995	SATISFACTORY	LIKELY	SUBSTANTIAL
P001540	FIN SECTOR/APEX	1990	Financial Sector	48	S	S	M	Closed	06/30/2000	HIGHLY SATISFACTORY	LIKELY	HIGH
P001556	ENVIRONMENT	1990	Environment	26	S	S	#	Closed	06/30/1997	MODERATELY UNSATISFACTORY	UNLIKELY	MODEST
P001520	MG-National Health Sector SII (FY91)	1991	Health, Nutrition and Population	31	S	S	M	Closed	12/31/1999	MODERATELY SATISFACTORY	LIKELY	MODEST
P001549	LIVESTOCK	1991	Rural Sector	20	S	S	S	Closed	06/30/1999	SATISFACTORY	UNCERTAIN	MODEST
P001552	VOC. EDUCATION	1992	Social Protection	23	S	S	M	Closed	06/30/1999	UNSATISFACTORY	UNLIKELY	NEGLIGIBLE
P001550	FINANCIAL INSTITUTION	1993	Financial Sector	6	S	S	S	Closed	09/30/1999	SATISFACTORY	LIKELY	SUBSTANTIAL
P001553	FOOD SECURITY & NUTR	1993	Social Protection	21	S	S	M	Closed	12/31/1998	SATISFACTORY	LIKELY	SUBSTANTIAL
P001571	RURAL FIN	1993	Rural Sector	4	S	S	H	Closed	12/31/1997	SATISFACTORY	LIKELY	MODEST
P001558	PET SEC REFORM	1994	Energy and Mining	52	U	U	S	Closed	12/31/1998	UNSATISFACTORY	UNCERTAIN	MODEST
P001583	URBAN WORKS PILOT	1994	Social Protection	18	S	S	N	Closed	12/31/1998	SATISFACTORY	LIKELY	SUBSTANTIAL
P035914	CYCLONE REHABILITATI	1994	Private Sector Development	13	S	S	N	Closed	04/30/1998	SATISFACTORY	UNCERTAIN	MODEST
P001522	IRRIGATION II	1995	Rural Sector	21	S	S	M	Closed	09/30/2000	MODERATELY SATISFACTORY	UNLIKELY	MODEST
P001563	Ag. Extension Program Support Project	1995	Rural Sector	25	S	S	S	Closed	12/31/2000	MODERATELY SATISFACTORY	HIGHLY UNLIKELY	MODEST
P035669	SOCIAL FUND 2	1996	Social Protection	40	S	S	S	Closed	12/31/2000	SATISFACTORY	UNLIKELY	MODEST
P001537	ENVIRONMENT PROGRAM PHASE II	1997	Environment	30	S	S	S	Closed	06/30/2003	SATISFACTORY	LIKELY	SUBSTANTIAL
P001555	PRIV SECT DEV & C.B.	1997	Private Sector Development	24	S	S	S	Closed	12/31/2002	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
P001582	SAC I	1997	Economic Policy	70	S	S	S	Closed	12/31/1997	SATISFACTORY	UNCERTAIN	MODEST
P040019	LKD CAPACITY BUILDING	1997	Public Sector Governance	14	S	S	S	Closed	12/31/2002	UNSATISFACTORY	LIKELY	SUBSTANTIAL
P048697	MG - URBAN INFRASTRUCTURE	1997	Urban Development	35	S	S	#	Closed	06/30/2005			
P056487	MINING PROJECT	1998	Energy and Mining	5	S	S	M	Closed	12/31/2002	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
P001559	Educ. Sector Dev.	1998	Education	65	S	HS	S	Closed	03/31/2005			
P001564	MG - RURAL WATER SEC.PILO	1998	Water Supply and Sanitation	17	S	S	#	Closed	06/30/2005			
P057378	SAC II	1999	Economic Policy	100	S	S	M	Closed	12/31/2002	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
P064305	MG-Third Social Fund Prj (FY99)	1999	Social Protection	15	S	S	M	Closed	06/30/2003	MODERATELY UNSATISFACTORY	NON-EVALUABLE	MODEST
P062628	Regional Development	2000	Public Sector Governance	5	HU	HU	H	Closed	02/28/2003	HIGHLY UNSATISFACTORY	HIGHLY UNLIKELY	NEGLIGIBLE
P052208	MG Transp Sector Reform & Rehab	2000	Transport	65	MS	MS	#	Closed	07/31/2005			
P080345	MG-Emerg Econ Recovery Crdt (FY03)	2003	Public Sector Governance	50	S	S	S	Closed	12/31/2003	SATISFACTORY	LIKELY	MODEST
P070999	MG-PRSC (SAC 3)	2005	Social Protection	125	S	S	#	Closed	06/30/2005			

Source: Table 4a.6 Key IEG Ratings and Table 2a.1 IBRD/IDA No. and Commitments as of December 18, 2005.

Annex Table 4: Madagascar— Selected AAA, Research and Publications, 1995–2005

Document Title	Date	Report No.	Document Type
Country Assistance Strategy			
Madagascar—Interim country assistance strategy (Vol. 1) Madagascar—Interim country assistance strategy (English)	10/23/2002	25001	Country Assistance Strategy Document
Madagascar—Country assistance strategy (English)	10/20/2003	27063	Country Assistance Strategy Document
Poverty Reduction Strategy Paper			
Madagascar—Interim poverty reduction strategy paper and joint assessment (Vol. 1) Madagascar—Interim poverty reduction strategy paper and joint assessment (English)	11/28/2000	21423	Poverty Reduction Strategy Paper (PRSP)
Madagascar—Poverty Reduction Strategy Paper (PRSP) and joint IDA, IMF staff assessment (English)	10/22/2003	27017	Poverty Reduction Strategy Paper (PRSP)
Madagascar—Poverty Reduction Strategy Paper (PRSP) First Annual Progress Report and joint assessment (English)	09/03/2004	30036	Poverty Reduction Strategy Paper (PRSP)
Country Assessments			
Madagascar—Etude de la gestion des dépenses publiques (French)	06/30/2003	27432	Country Financial Accountability Assessment
Economic and Sector Reports			
Madagascar—A strategy for high growth and poverty alleviation : an economic strategy note (English)	07/29/1994	13274	Economic Report
Madagascar—An agenda for growth and poverty reduction : country economic memorandum	10/14/1998	18473	Economic Report
Madagascar—Education and training in Madagascar : towards a policy agenda for economic growth and poverty reduction (Vol. 1 and 2) Vers une politique nouvelle pour la croissance economique et la reduction de la pauvrete: un resume des principaux defis (French/ English)	06/22/2001	22389	Economic Report
Madagascar—Public Expenditure Review (PER) 2004 - The challenge of poverty reduction (English)	02/25/2005	30331	Economic Report
Madagascar—Towards a school-based strategy for improving primary and secondary education (English)	08/26/1994	13450	Sector Report
Madagascar—New horizons : building a strategy for private-sector, export-led growth - a private sector assessment (English)	05/31/1995	14385	Sector Report
Madagascar—Poverty assessment (English)	06/28/1996	14044	Sector Report
Madagascar—Decentralization (English)	11/05/2003	25793	Sector Report
Madagascar—Rural and environnemental sector review (Vol 1–2), Madagascar—Revue du secteur rural et environnemental - rapport principal (French)	12/18/2003	26106	Sector Report
Madagascar—Development policy review - sustaining growth for enhanced poverty reduction (Vol. 1–2)	05/16/2005	32167	Sector Report

Document Title	Date	Report No.	Document Type
Working Papers			
Participation in education (English)	02/28/1995	18182	Departmental Working Paper
Participation in poverty assessments (English)	06/30/1995	18178	Departmental Working Paper
Education and training in Madagascar : towards a policy agenda for economic growth and poverty reduction - a summary (Vol. 1) Education and training in Madagascar : towards a policy agenda for economic growth and poverty reduction - a summary (English)	09/30/2001	22984	Departmental Working Paper
Le partenariat Madagascar-Banque Mondiale 1997 (Vol 1) Le partenariat Madagascar-Banque Mondiale 1997 (French)	01/01/1997	17295	Working Paper
Le partenariat Madagascar-Banque mondiale 1998 (Vol 1) Le partenariat Madagascar-Banque mondiale 1998 (French)	01/01/1998	19734	Working Paper
Le partenariat Madagascar-Banque Mondiale 1999 (Vol 1) Le partenariat Madagascar-Banque Mondiale 1999 (French)	01/01/1999	20930	Working Paper
Le partenariat Madagascar - Banque Mondiale 2000 (Vol 1) Le partenariat Madagascar—Banque Mondiale 2000 (French)	01/01/2000	22624	Working Paper
Socio-economic differences in health, nutrition, and population in Madgascar (English)	05/01/2000	30575	Working Paper
Changes in poverty in Madagascar : 1993 - 1999 (Vol. 1) Changes in poverty in Madagascar : 1993 - 1999 (English)	07/31/2001	22710	Working Paper (Numbered Series)
Incentives and obstacles to growth : lessons from manufacturing case studies in Madagascar (English)	11/01/2001	28427	Working Paper (Numbered Series)
Republic of Madagascar : tourism sector study (English)	11/01/2003	27676	Working Paper (Numbered Series)
Madagascar—Impact des combustibles ligneux sur l'environnement (French)	10/31/1995	ESM176	ESMAP Paper
Madagascar—Financial policies for diversified growth (English)	07/31/1993	12242	Publication
Population growth, shifting cultivation, and unsustainable agricultural development : a case study in Madagascar (English)	03/31/1994	WDP234	Publication
Valuing tropical forests : methodology and case study of Madagascar (English)	08/31/1995	14980	Publication
Madagascar—An agenda for growth and poverty reduction (Vol. 1) Madagascar—An agenda for growth and poverty reduction (English)	08/31/1999	19605	Publication
Education and training in Madagascar : toward a policy agenda for economic growth and poverty reduction (French)	01/01/2002	24328	Publication
Education and training in Madagascar : toward a policy agenda for economic growth and poverty reduction (Vol. 1) Education and training in Madagascar - toward a policy agenda for economic growth and poverty reduction (English)	01/01/2002	24328	Publication

Source: World Bank database as of December 15, 2005.

Annex Table 5: Ratings for Madagascar and Comparator Countries

Annex Table 5a. Key IEG Ratings (by Project Approval Year) FY94–05

	Total Evaluated ($M)	***Total Evaluated (No)***	***Outcome % Sat ($)***	***Outcome % Sat (No)***	***Inst Dev Impact % Subst ($)***	***Inst Dev Impact % Subst (No)***	***Sustainability % Likely ($)***	***Sustainability % Likely (No)***
Madagascar	478.4	15	89.6	73.3	48.4	40.0	63.6	50.0
Burkina Faso	338.2	11	80.6	81.8	43.6	45.5	80.1	81.8
Senegal	588.1	18	77.7	83.3	66.4	61.1	67.7	71.4
Tanzania	858.9	13	100.0	100.0	100.0	100.0	100.0	100.0
Uganda	1,214.7	21	92.6	89.5	36.7	57.9	78.5	87.5
Africa	**14,111**	**361**	**78.4**	**70.7**	**39.3**	**42.8**	**69.2**	**62.5**
World Bank	**124,343**	**1,605**	**81.0**	**78.2**	**51.2**	**50.4**	**80.5**	**74.6**

Key IEG Ratings (by Project Exit Year) FY94–05

	Total Evaluated ($M)	**Total Evaluated (No)**	**Outcome % Sat ($)**	**Outcome % Sat (No)**	**Inst. Dev. Impact % Subst ($)**	**Inst. Dev. Impact % Subst (No)**	**Sustainability % Likely ($)**	**Sustainability % Likely (No)**
Madagascar	961.6	36	68.2	66.7	37.8	38.9	50.1	51.4
Burkina Faso	778.9	26	86.5	80.8	35.6	38.5	64.7	68.0
Senegal	988.5	31	78.2	77.4	49.4	45.2	56.7	52.0
Tanzania	2,353.0	34	71.7	85.3	62.0	76.5	69.0	81.8
Uganda	2,340.6	47	82.6	75.6	36.1	44.4	54.9	52.4
Africa	**32,725.5**	**891**	**68.6**	**61.0**	**33.3**	**33.3**	**48.8**	**43.5**
World Bank	**232,108.5**	**3,135**	**78.6**	**73.1**	**46.1**	**42.5**	**70.8**	**61.8**

Source: World Bank internal database. IEG Rating Aggregates- By Net Commitments and Number as of February 14, 2006.

Annex Table 5b: Madagascar —Projects at Risk 1994–2005

Fiscal year	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*Apr. 2006*
No. of projects	21	18	18	21	21	19	18	17	18	15	17	14	14
Net comm. amount	464.9	415.7	474.7	551.3	587.1	590.5	590.9	772.2	782.9	717.2	897.2	847.9	896.7
No. of projects at risk	4	6	7	9	6	3	2	1	14	0	1	4	1
% at risk	19.0	33.3	38.9	42.9	28.6	15.8	11.1	5.9	77.8	0.0	5.9	28.6	7.1
Comm. at risk	88.3	117.4	278.7	264.3	176.7	93.3	100.0	65.0	683.0	0.0	16.4	341.0	89.1
% Commit at risk	19.0	28.2	58.7	47.9	30.1	15.8	16.9	8.4	87.2	0.0	1.8	40.2	9.9

Source: World Bank internal database as of April 25, 2006.

Annex Table 6: Madagascar— Comparative Bank Budget by Cost Category (in USD thousands) 1994–2005 (Direct Costs)

Country/Regions	Cost Category	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	1994-2005	%
Madagascar															
	ESW	645.7	337.4	344.6	298.5	545.4	142.1	671.0	302.1	435.8	851.9	1,127.6	1,171.4	6,873.5	15%
	Lending	1,707.2	1,571.7	1,988.1	1,354.3	1,057.9	1,084.1	1,375.1	1,197.5	484.4	773.9	1,401.9	1,518.7	15,514.8	33%
	Project Supervision	1,807.1	2,008.7	1,257.5	1,240.1	1,541.9	1,601.3	2,094.6	1,852.0	1,272.5	1,771.3	1,942.2	2,350.1	20,739.3	44%
	Other	115.6	22.7	70.2	129.0	75.0	0.0	404.9	676.4	332.7	600.2	678.7	426.2	3,531.7	8%
	Total [1/]	4,275.6	3,940.5	3,660.4	3,022.0	3,220.1	2,827.5	4,545.6	4,027.9	2,525.4	3,997.3	5,150.4	5,466.4	46,659.2	100%
Burkina Faso															
	ESW	152.9	79.8	252.8	218.6	320.6	356.9	674.2	326.6	426.2	522.5	503.2	409.9	4,244.2	13%
	Lending	801.0	875.3	1,005.5	658.4	730.1	640.5	958.7	1,383.5	1,264.9	1,068.4	1,047.6	777.3	11,211.3	36%
	Project Supervision	1,336.9	1,284.8	1,079.4	1,143.3	1,228.6	915.2	1,428.0	803.2	987.7	1,090.3	1,063.6	1,399.3	13,760.2	44%
	Other	155.2	99.4	148.9	67.5	24.3	183.5	463.5	251.3	105.4	175.3	243.1	349.7	2,267.1	7%
	Total	2,446.1	2,339.2	2,486.6	2,087.9	2,303.5	2,096.1	3,524.4	2,764.6	2,784.1	2,856.5	2,857.5	2,936.1	31,482.7	100%
Senegal															
	ESW	230.0	200.9	272.5	259.4	486.7	148.3	273.1	694.8	568.4	772.6	963.0	675.1	5,544.7	14%
	Lending	722.4	1,892.6	1,218.3	1,516.0	1,694.6	1,397.5	1,705.1	745.3	737.2	641.2	1,229.6	1,367.5	14,867.4	38%
	Project Supervision	1,102.6	845.1	1,225.2	1,035.7	1,168.4	1,015.5	1,391.8	1,761.8	1,812.4	1,908.4	1,893.0	1,902.7	17,062.7	43%
	Other	76.5	64.7	60.6	150.9	158.1	34.2	332.1	195.9	203.6	274.1	88.3	190.9	1,829.9	5%
	Total	2,131.4	3,003.3	2,776.7	2,962.0	3,507.8	2,595.4	3,702.1	3,397.8	3,321.7	3,596.3	4,173.9	4,136.2	39,304.6	100%
Tanzania															
	ESW	784.8	811.0	677.0	358.5	675.0	483.8	760.0	1,236.9	783.5	1,252.1	1,009.0	1,432.3	10,264.0	16%
	Lending	1,705.9	1,963.1	1,657.2	1,121.0	954.4	1,445.2	1,758.4	1,616.3	1,768.9	1,828.5	2,651.6	2,965.4	21,435.8	33%
	Project Supervision	1,665.6	1,722.1	1,831.9	2,282.1	2,593.6	2,164.0	2,812.3	2,400.4	2,231.7	2,585.9	2,809.4	3,072.5	28,171.5	44%
	Other	120.6	500.9	144.1	392.4	83.5	110.5	1,116.0	470.1	364.8	170.0	431.7	361.2	4,265.7	7%
	Total	4,276.8	4,997.1	4,310.1	4,154.0	4,306.6	4,203.5	6,446.7	5,723.6	5,148.8	5,836.5	6,901.8	7,831.5	64,137.0	100%
Uganda															
	ESW	262.1	573.2	409.8	491.3	1,141.1	643.6	1,238.4	891.4	422.3	616.4	781.6	1,135.9	8,607.0	14%
	Lending	1,856.7	1,670.2	1,408.0	1,237.2	1,299.3	1,437.0	2,131.5	2,300.0	2,187.2	1,511.0	1,606.7	1,704.5	20,349.2	32%
	Project Supervision	2,016.1	2,219.4	2,542.0	2,322.4	2,195.7	2,244.3	3,143.2	2,568.5	2,392.3	2,714.7	2,852.3	2,952.1	30,163.2	47%
	Other	68.2	186.9	122.3	484.4	168.9	367.4	1,139.0	691.3	415.6	193.4	385.5	325.0	4,547.9	7%
	Total	4,203.1	4,649.8	4,482.2	4,535.3	4,805.0	4,692.3	7,652.0	6,451.2	5,417.3	5,035.5	5,626.1	6,117.6	63,667.3	100%
Africa															
	ESW	27,949.4	19,743.3	17,869.7	16,343.6	22,039.8	22,550.2	34,190.0	23,993.9	30,840.1	32,590.4	36,071.5	35,951.1	320,133.1	23%
	Lending	34,319.3	37,285.1	32,064.3	26,772.0	27,584.6	23,604.8	33,386.6	31,203.7	30,933.6	31,085.7	43,547.7	38,291.4	390,078.9	28%
	Project Supervision	39,500.4	35,423.0	35,904.0	35,752.5	36,101.6	32,609.8	44,030.0	38,583.4	36,329.0	39,779.5	42,192.9	49,765.0	465,971.0	34%
	Other	5,110.6	5,730.1	5,345.5	6,652.8	7,238.6	5,753.7	21,480.9	25,870.8	23,729.4	26,279.7	30,193.1	34,930.3	198,315.5	14%
	Total	106,879.7	98,181.4	91,183.6	85,520.9	92,964.5	84,518.5	133,087.5	119,651.9	121,832.2	129,735.3	152,005.2	158,937.9	1,374,498.6	100%
World Bank															
	ESW	86,464.2	70,927.0	60,744.0	53,384.3	70,860.9	83,375.9	128,349.1	105,417.3	130,261.5	151,942.3	156,201.4	160,283.0	1,258,210.9	24%
	Lending	146,142.9	146,979.3	134,200.2	113,536.4	118,996.1	110,416.0	141,419.6	118,329.4	119,798.9	116,408.4	151,809.7	145,285.3	1,563,322.0	30%
	Project Supervision	110,582.3	106,128.5	109,173.9	118,679.2	124,268.9	127,587.7	191,214.4	165,308.8	152,504.6	161,274.2	168,242.2	179,068.2	1,714,032.9	33%
	Other	13,615.7	17,188.4	16,863.5	28,222.2	31,442.6	42,597.3	80,212.1	101,077.5	86,160.8	92,418.6	109,679.3	104,906.3	724,384.2	14%
	Total	356,805.1	341,223.2	320,981.7	313,822.1	345,568.4	363,977.0	541,195.1	490,132.9	488,725.7	522,043.4	585,932.5	589,542.8	5,259,950.0	100%

Source: World Bank internal database as of February 15, 2006. Note: [1/] Country Services.

Annex Table 7: Madagascar—World Bank's Senior Management 1994—2005

Year	Vice-President	Div. Chief/ Country Director	Resident Representative
1994	Edward V. K. Jaycox	Francisco Aguirre-Sacasa	Michel Palein
1995	Edward V. K. Jaycox	Francisco Aguirre-Sacasa	Michel Palein
1996	Callisto Madavo	Andrew. P. Rogerson	Philippe Le Houerou
1997	Callisto Madavo	Michael N. Sarris	Philippe Le Houerou
1998	Callisto Madavo	Michael N. Sarris	Philippe Le Houerou
1999	Callisto Madavo	Michael N. Sarris	Philippe Le Houerou
2000	Callisto Madavo	Hafez M. H. Ghanem	Hafez M. H. Ghanem
2001	Callisto Madavo	Hafez M. H. Ghanem	Hafez M. H. Ghanem
2002	Callisto Madavo	Hafez M. H. Ghanem	Hafez M. H. Ghanem
2003	Callisto Madavo	Hafez M. H. Ghanem	Hafez M. H. Ghanem
2004	Callisto Madavo	Hafez M. H. Ghanem	Hafez M. H. Ghanem
2005	Gobind Nankani	James Bond	James Bond

Source: WB Directories 1994–2005.

Annex Table 8: Madagascar—Millennium Development Goals

	1990	*1994*	*1997*	*2000*	*2003*	*2004*
Goal 1: Eradicate extreme poverty and hunger						
Percentage share of income or consumption held by poorest 20%	..	..	..	*4.9*	..	..
Population below $1 a day (%)	..	*46.3*	58.2	*61*	..	..
Population below minimum level of dietary energy consumption (%)	..	..	40	..	*37*	..
Poverty gap ratio at $1 a day (incidence x depth of poverty)	..	*17.6*	23.5	*27.9*	..	..
Poverty headcount, national (% of population)	..	..	73.3	*71.3*	..	..
Prevalence of underweight in children (under five years of age)	..	45.2	40	..	*33.1*	..
Goal 2: Achieve universal primary education						
Net primary enrollment ratio (% of relevant age group)	64.8	..	*64.5*	67.7	*78.6*	..
Primary completion rate, total (% of relevant age group)	34.7	29.5	*33.1*	*35.8*	46.8	*46.8*
Proportion of pupils starting grade 1 who reach grade 5	21.1	..	*51.1*	33.6	..	..
Youth literacy rate (% ages 1524)	..	..	..	70.1	..	..
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliament (%)	7	..	4	8	4	4
Ratio of girls to boys in primary and secondary education (%)	97.6	..	*96.6*	..	..	..
Ratio of young literate females to males (% ages 1524)	..	..	..	94.1	..	..
Share of women employed in the nonagricultural sector (%)	24.2	..	..	..	..	..
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12–23 months)	47	63	46	55	55	*55*
Infant mortality rate (per 1,000 live births)	103	*95*	..	84	78	*78*
Under 5 mortality rate (per 1,000)	168	*156*	..	137	126	*126*
Goal 5: Improve maternal health						
Births attended by skilled health staff (% of total)	..	..	47.3	46.2	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	550	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Contraceptive prevalence rate (% of women ages 15–49)	..	..	19.4	19	*16.9*	..
Incidence of tuberculosis (per 100,000 people)	191.8	199	204.5	210.2	216.1	*216.1*
Number of children orphaned by HIV/AIDS	..	..	..	*18000*	30000	*30000*
Prevalence of HIV, total (% of population aged 15–49)	..	..	..	*1.3*	1.7	*1.7*
Tuberculosis cases detected under DOTS (%)	..	*52*	*69.8*	*71.6*	77.2	*77.2*
Goal 7: Ensure environmental sustainability						
Access to an improved water source (% of population)	40	..	..	..	*45*	..
Access to improved sanitation (% of population)	12	..	..	..	*33*	..
Access to secure tenure (% of population)	..	..	..	..	..	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	0.1	..	..
Forest area (% of total land area)	22.2	..	..	20.2	..	..
GDP per unit of energy use (2000 PPP $ per kg oil equivalent)	..	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..	4.3	*4.3*
Goal 8: Develop a global partnership for development						
Aid per capita (current US$)	34.3	22.4	58.9	20.8	31.9	*31.9*
Debt service (% of exports)	44	10	26	5	5	*5*
Fixed line and mobile phone subscribers (per 1,000 people)	2.8	2.7	3.5	7.8	21	*21*
Internet users (per 1,000 people)	..	..	0.1	2	4.3	*4.3*
Personal computers (per 1,000 people)	..	..	1.5	2.3	4.9	*4.9*
Unemployment, youth female (% of female labor force ages 15–24)	..	..	..	..	..	..
Unemployment, youth male (% of male labor force ages 15–24)	..	..	..	..	..	..
Unemployment, youth total (% of total labor force ages 15–24)	..	..	..	..	..	..
Other						
Fertility rate, total (births per woman)	6.2	..	5.8	..	5.2	*5.2*
GNI per capita, Atlas method (current US$)	240	240	250	250	290	300
GNI, Atlas method (current US$) (billions)	2.8	3.1	3.6	3.9	4.9	5.2
Gross capital formation (% of GDP)	17	10.9	12.8	15	17.9	24.4
Life expectancy at birth, total (years)	52.8	..	53.5	..	55.7	*55.7*
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	70.6	..	..
Population, total (millions)	11.6	12.9	14.1	15.5	16.9	17.3
Trade (% of GDP)	44.6	51.6	51.8	68.7	53.1	71.7

Source: World Development Indicators database, April 2005.. Note: Figures in italics refer to periods other than those specified.

Annex B: List of People Met

GOVERNMENT OF MADAGASCAR AND AGENCIES/PARASTATALS

ANDRIAMAROLOHY, Gregoire	Expert, Fonds Routier, Ministère de Transport et Travaux Publics
ANDRIAMAMPIANINI, Lala	Directeur Exécutif, Fonds d'Appui au Développement de l'Enseignement Supérieur – CRESED II
ANDRIAMANANTSOA, Josué Lala	Directeur des Etudes et de la Planification, Ministère de la Santé et du Planning Familial (MSPF)
ANDRIAMPARANY, Blanchard	Directeur National, Projet de Surveillance et Education des Ecoles et des Communautés en Matière d'Alimentation et de Nutrition Elargie (SEECALINE)
ANDRIANANTENAINA, Jaono	Conseiller du Secrétaire Général, STA
ANDRIANARIVELONA, Paul	Adjoint Pédagogique, Circonscription Scolaire d'Arivonimamo, MENRS
ANDRIANIIRINA, Gilbert	Directeur Général, OMERT
HACHE, Rodrigue	Directeur Général, JIRAMA
HARISON, Victor	Directeur Général, Institut National des Sciences Comptables et de l'Administration d'Entreprises
HERIMINO, Rabodoholivololonirina	Chef de Service de la Participation Communautaire, MSFP
LALASOA RANDRIANASOLO, Brigitte	Directeur Général, Ministère de la Population, de la Protection Sociale et des Loisirs
MASO, Bruno Michel	Chef de la Circonscription Scolaire (CISCO) de Mahajanga I, MENRS
NIRINA ADRIANDRAZAINA, Rakotoarijaona Seth	Chef de la Circonscription Scolaire (CISCO) d'Antananarivo Avaradrano, MENRS
NIRINARISON, Rabezanahary	Médecin Inspecteur, Chef de Service de Santé de District Ambatolampy, Région Antsirabe, MSPF
POIRIER, Guy	Conseiller Technique, Fond Routier, Ministère de Transports et Travaux Publics
RABARIMANDIMBY, Berojo	Research Assistant, FOFIFA, Alaotra
RABEMANANJARA, Tsiparina	Chef de Service Communication, CSLCC
RABESAHALO, Henri	Directeur, Programme de Bonne Gouvernance, Présidence
RABETOKOTANY, Josiane	Coordinatrice de l'Unité d'Appui Technique du Programme Education Pour Tous (EPT), Ministère de l'Education Nationale et de la Recherche Scientifique (MENRS)
RADAVIDSON, Benjamin Andriamparany	Ministre d'Économie et Finances
RADIHARISOA , Monique	Directrice Générale des Eaux et Forets, Ministere de l' Environment and des Forets
RAFALIMANANA, Fanja	Aviation Civile de Madagascar
RAJAON, Davida	Directeur Général, Fonds d'Intervention pour le Développement
RAFOLISY, Patrick	Secrétaire Exécutif, CSLCC
RAJAONA, Rolland	Directeur, Electricité, JIRAMA
RAJERISONA, Henri	Consultant, Autorité Routière
RAKOTOARIANA, Claude	Macroéconomiste, STA

ANNEX B
LIST OF PEOPLE MET

RAKOTOARISOA, Jacqueline	Directrice Général de l'Environnement, Ministere de l' Environment et des Forets
RAKOTOBE, Pascal	Président, Université d'Antananarivo
RAKOTOMALALA, Rémi	Responsable, Suivi et Evaluation, Projet CRESAN-2, MSPF
RAKOTONDRAMBOA. Noël	Secrétaire Général, Présidence
RAKOTONDRANAIVO, Alphonse	Infirmier, CSB II Behenjy, MSPF
RAKOTONDRINIBE, Hery Zo	Communication Specialist, PSDR
RAKOTONIRINA, Jacqueline	Médecin, Centre de Santé de Base II (CSB) Behenjy, District de Santé Ambatolampy, Région Antsirabe, MSPF
RAKOTONIRINA, Victor Solo	Coordinateur National, Protection et Gestion Durable des Ressources Naturelles, Ministere de l' Environment et des Forets (GTZ project)
RAKOTONORADRAZANANY, Martin	Chef Zone d' Pédagogique, Arivonimamo, MENRS
RAKOTOSOA, Herivola	Chef Service Suivi Evaluation, CSLCC
RAKOTOVAO, Jean-Marie	Director, Information Systems, MAEP
RALAINIRINA, Paul Richard	Coordinateur National, Projet CRESAN-2, MSPF
RAMAMPANJAKA, Jose Richard	Directeur, Eau, JIRAMA
RAMANAMISATA, Jean Pascal	Directeur, CGGT, Ministère de Transports et Travaux Publics
RAMANANDRAIBE RANAIVOHARIVONY, Bakolalao	Magistrat Président, CSLCC
RAMANANTSOA, Rodolphe	Coordinator, Energy Project
RAMANDIMBIARISON, Zaza	Former Vice Prime Minister
RAMANGASON, Guy Suzon	General Director, ANGAP
RAMAROSON, Lantonirina	Director, Regional Alaotra, MAEP
RAMAROZATOVO, Rene	Directeur Général, BIANCO
RANAIVOSON, Daniel	Directeur des Investissements, Ministère de Transports et Travaux Publics
RANARIVELO, Valencia	Responsable Information, Education et Communications, SEECALINE
RANDRIAMAHANDRY, Francois	Directeur Général, Aviation Civile de Madagascar
RANDRIAMALANDY, Venant	Conseiller du Directeur Général, Aviation Civile de Madagascar
RANDRIAMAMPIONONA, Roland	Ministre de Transports et Travaux Publics
RANDRIANASOLO, Jose Bertin	Secrétaire Général, FISEMA
RANDRIANASOLO, Rado	Directeur Administratif et Financier, CSLCC
RANDRIANONIMANDIMBY, Oliva	Project Auditor, Ministère de Transports et Travaux Publics
RANDRIARIMANANA, Harison	Ministre de l'Agriculture, de l'Elevage et de la Pêche
RANIRINARISON, Samuel	Adjoint de la Planification, Circonscription Scolaire d'Arivonimamo, MENRS
RASAMIMANANA, Olga	Secrétaire Général Ministère de Transport et Travaux Publics
RASOAFARARI, Martine	Directeur, STA
RASOAMANANA, Albert	Chef de Service des Affaires Générales, MENRS
RASOLO, Francois	Director General, FOFIFA
RATOHIARJAONA, Suzelin	Director Help to Producers, MAEP
RATOLOJANAHARY, Marius	General Secretary, MAEP
RATOMAHARO, Malalenirina	Responsable Suivi-évaluation, SEECALINE
RATSIMBARISON, Rivo	Director National, PSDR
RATSIMBAZAFY, Philibert	Directeur General Internal Audit, Ministère d'Economie et Finances
RAVELOHARISON, Ambinintsoa	Coordinateur National, Office National de Nutrition

RAVELOJAONA, Josephine Angele	Project Director, Rural water, MEM, Direction Water and Sanitation
RAVOARAHARISON, Erick	Chef de Service Système. National d'Intégrité, CSLCC
RAZAFIARISOA, Marie Blandine	Directrice de l'Ecole Publique Primaire, Mangatany, Arivonimamo, MENRS
RAZAFIMAHEFA, Ivohasino Fizara	Economic Adviser to the Chief of Staff at the Presidency
RAZAFIMANANTENA, Tiaray	Directeur des Statistiques des Ménages, INSTAT
RAZAFIMANANTSOA, Georges	Directeur Général Adjoint, Prévention, BIANCO
RAZAFINDRAKOTO, Arsène	CSB II Behenjy, Commune de Behenjy
RAZAFINDRALAMBO, Guy	Coordinator PE3, CELCO, Ministry of the Environment and Forestry
RAZAFINDRAVONONA, Jean	Directeur Général, Institut National de la Statistique INSTAT
RAZAFIMANDIMBY, Eric	Directeur des Transports, Ministère de Transports et Travaux Publics
RAZAFIMANDIMBY, Mirama	Chef de Service Système d'Information, CSLCC
RAZAFINDRABE, Franck	Directeur Suivi Evaluation, CSLCC
RAZAFINJATOVO, Hajanirina	Ministre de l'Education Nationale et de la Recherche Scientifique
RAZAFINJATOVO, Honore Parfait	Magistrat, Ministère de la Justice,
RAZAFINONY, Guy Gabriel	Secrétaire Général, Secrétaire Technique D'Ajustement
ROBINSON, Eugene A.	Chef, Service Navigation Aérienne
ROBINSON, Jean Louis	Ministre de la Santé et du Planning Familial
ROLAND, Guy	Directeur des Routes, Ministère de Transports et Travaux Publics
SALAME, Abdou	Directeur du Suivi-Evaluation et de la Communication, Ministère de la Décentralisation et de l'Aménagement du Territoire
TAHINARINORO, Razafindramary	Directeur de la Planification de l'Education Fondamentale, Secondaire et Technique, MENRS
TSIKEL'IANKINA, Ernest	Directeur de la Formation Technique et Professionnelle, MENRS

PRIVATE SECTOR AND NON-GOVERNMENTAL ORGANIZATIONS

ANDRIAMAMONJIARISON, Noro	Secretaire Technique, Comite d'Appui au Pilotage de la relance de l'Entreprise
ANDRIANAIVOJAONA, Charles	Fisheries Consultant
ANDRIANTSITOHAINA, Naina	Président, Groupement des Entreprise de Madagascar
BESSEY, Christopher	Country Representative, Catholic Relief Services, Madagascar
BRUNS, Berend	Chief Executive Officer, Air Madagascar
CLAES, Patrick	Administrateur, Directeur Général, MADARAIL
CLERC, Pierre-Aime	Directeur Général, Total
ESTIME, Jean Robert	Director, BAMEX
GAUDIN, Thierry	Director, Land Resources
GIBLAIN, Charles	Directeur Général, BIONENEX
HABERSTROH, Max	Ecotourism Adviser to the President
HARGREAVES, Jonathan	Businessman
HIRIDJEE, Azad	Businessman
ISMAIL, Salim	Businessman
KASPRZZYK, Zbigniew	Manager, Ocean Consultant
MINTEN, Bart	Principal Researcher, Ilo Program, Cornell University
PADDACK, Jean-Paul	Regional Representative, WWF
PEACH, Frank	Consultant to Minister of Education

PEZAT, Patrice	Directeur Général, Orange Mobile
RAHAINGOSON, Iharizaka	Manager, Ibonia Glumad Telecommunications
RAJAOBELINA, Leon M.	Regional Vice President, Conservation International
RAJAONARIVELO, Heretina	Président, Association pour la Gestion et la Valorisation des Ressources Naturelles de Madagascar et Développement.
RAJAONARIVELO, Noro	Commercial Director, HASYMA
RAKOTONDRAINIBE, Charles	Directeur Général Adjoint, ANGAP
RAKOTONDRALAMBO, Andrianntahina	Director General, ANAE
RAKOTONDRAMBOA. Yveline	President of Chapter, Transparency International
RAKOTONDRAZAKA, Romuald	Président+ Directeur Général, AGRICO
RAKOTONIRAINY, Zaka Harison	Directeur Général, SIRAMA
RAMAROSAONA, Faraniaina Pierre Bernard	Vice Présidente de la Société Civile Contre la Corruption a Madagascar
RAMBELO, Michel	Directeur, Programme d'action social et économique pour la réinsertion professionnelle
RANDRIANASOLO, Bertin Jose	Secretary General of the Labor Confederation,
RANDRIANONIMANDIMBY, Oliva	Cabinet Mpanazaoa
RASOLO, Francois	Directeur General, FOFIFA
RAZAFINJATO, Gerald	Directeur, Sandandrano
RICHARD, Andréas	Directeur Général, SALFA - Département de la Santé de l'Eglise Luthérienne Malgache
RODAVIDA, Jacky	Businessman
SALAM, Herint	Businessman
SKJORTNES, Marianne	Researcher, Center for Intercultural Communication, Norway
TOTOBESOLA, Euloge	National Coordinator, PDSP II
VAILLANT, Gilles	Former Directeur Général, Orange Mobile
VINCENT, Xavier	Adviser, GAPCM

DONOR ORGANIZATIONS

AUNE, Jens, B.	Associate Professor, Noragric, Norway
BASILI, Francisco	Program Coordinator, UNICEF
BENAZERGA, Wendy	Social Sectors, USAID
BENTEIN, Barbara	Resident Representative, UNICEF
BOEDTS Bruno	African Development Fund, Charge Des Opérations Madagascar
BOSMAN, Rene	Conseiller, Infrastructure et Transports, Union Européenne
CASTAING, Denis	Directeur, Agence Française de Développement
DANEVAD Andreas	Premier Secrétaire, Ambassade Royale de Norvège
DROMARD, Philippe	Chargé de Programmes Développement Rural, Union Européenne
FREUDENBERGER, Karen	Southern Railway Project Coordinator, USAID
GAYLORD, Lisa	Rural Sector and Environment, USAID
GIRARDIN, Benoit	Chargé d'Affaires, Embassy of Switzerland
GRANJEAN, Philippe	Project Director, Watershed Management Project, CIRAD
HENDERSON Patrick	Director General, USAID

JAHJAH, Samir	Résident Représentative, International Monetary Fund
KOMENAN, Andre	Division Chief, Human Development, African Development Bank
KOURIEH-RANARIVELO, Randa	Director, Gesellschaft für Technische Zusammenarbeit
LANGSETH, Petter	Norwegian Adviser, Good Governance Program, Presidency
LAROCHE,Claude	Adviser to MAEP, Franco-Malagasy Cooperation
LEHNE Hans Fredrik	Norvegian Ambassador
LEGROS, Jacques	Chargé de Programmes, Infrastructures, Union Européenne
MALCIOLN, Yvette N.	Development Officer, USAID
METCALF, Christopher Peter	Former Resident Representative, UNDP.
MONTAGNE, Pierre	Forets and Biodiversity, CIRAD
NDIKUYEZE, André	Representative, World Health Organization
PARTIOT, Michel	Regional Director, CIRAD
PIETRELLI-CHECCUCCI, Marzia	Deuxième Secrétaire, Union Européenne
RABEMANANJARA, Fidele G.	Economist, USAID
RAFAELL, Corinne	Democracy & Governance Program, USAID
RAJAOBELINA Haja	Assistant Charge de Programme, Agence Japonaise de Coopération Internationale
RANDRIAMIHARISOA, Delphin	Environment Officer, EU Delegation
RAZAFIMBELO, Honore	Fishery specialist and assistant to the resident representative
RANDRIATAVY, Aubert	Expert Genie Rural, CIRAD
RHODES, Robert S.	Office Chief, Program Development, USAID
SABO Isiyaka	Senior Economist, PNUD
SANHOUIDI, Jean Victor Bouri	Représentant Résident, Programme des Nations Unies pour le Développement (PNUD)
SARROCA, Oscar	Representative and Country Director, World Food Program
SIEGE Ludwig	Directeur de Programme, Protection et Gestion Durable des Ressources Naturelles, Gesellschaft für Technische Zusammenarbeit
SMITH Martin	FAO Representative in Madagascar
THIERRY Benoit	Country Program Manager, IFAD
TOGAWA Toru	Représentant Résident, Agence Japonaise de Coopération Internationale

NATIONAL ASSEMBLY

FANJAVA Defevo,	Député, Président de la Commission de Finances et de l'Economie
MANANJARA Arthur	Député
RASOLOALINORO, Antsaseheno	Economiste-Plannificateur, Responsable de Suivi des Marches Publics
TATAGERA, Jeannot Celestin	Député, Rapporteur Général de la Commission de Finances et de l'Economie

WORLD BANK STAFF AND CONSULTANTS[1] INTERVIEWED IN MADAGASCAR

BESANÇON, Laurent	Telecommuications
BETTENCOURT, Sophia	Rural Sector and Fisheries

[1] Including Bank-financed consultants.

ANNEX B
LIST OF PEOPLE MET

BIDANI, Benu	Lead Economist
BOND, James P.	Country Director
CUSHMAN, Tom	Adviser, Gemstones
FENO, Paul-Jean	Safeguards Officer
FOURNET, Bernard	Highways Engineer
GARNIER, Stephan	Power Engineer
HEIDENHOF, Günter	Governance
HOLSTE, Susanne	Transport Specialist
ITH, Vichit	Change Management Adviser, Private Sector
OHLER, Frits	FAO, Investemnt Center, Watershed Management Project
PFEIFFER, Hermann	Consultant, Watershed Management Project
PORTEUS, Paul	Change Management Adviser, Infrastructure
PREVOT, Christophe	Water and Sanitation Specialist
RABARIJHON, Henry	Regional Manager, IFC
RABEFANIRAKA, Noroarisoa	Transport Specialist
RAFIDINARIVO, Jocelyn	Communications Adviser
RAJAONSON, Bienvenu	Senior Environmental Specialist
RANDRIAMANAMPISOA, Dieudonné	Senior Economist
RANDRIANJOHARY, Alain Pierre	Program Officer, Secretariat Multibailleur
RASAGAM, Ganesh	Private Sector Development (Growth Poles)
RAVELOARISON, Josiane	Private Sector Development
RAZAFIARISON, Laza	Statistics
RAZAFIARISON, Ziva	Rural Development Specialist
RENNIE, Anne	Financial Sector
RKOTONIAINA Patrice	Municipal Engineer
STANLEY, Michael	Mining Specialist

Annex C: Guide to IEG's Country Assistance Evaluation Methodology

1. This methodological note describes the key elements of IEG's country assistance evaluation (CAE) methodology.[1]

CAEs rate the outcomes of Bank assistance programs, not the Clients' overall development progress

2. A Bank assistance program needs to be assessed on how well it met its particular objectives, which are typically a sub-set of the Client's development objectives. If a Bank assistance program is large in relation to the Client's total development effort, the program outcome will be similar to the Client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a Client's development by donors, stakeholders, and the government itself. In CAEs, IEG rates only the outcome of the Bank's program, not the Client's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

3. The experience gained in CAEs confirms that Bank program outcomes sometimes diverge significantly from the Client's overall development progress. CAEs have identified Bank assistance programs which had:

- satisfactory outcomes matched by good Client development;
- unsatisfactory outcomes in Clients which achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients which did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank performance are not the same

4. By the same token, an unsatisfactory Bank assistance program outcome does not always mean that Bank performance was also unsatisfactory, and *vice-versa*. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (a) the Client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (e.g., events of nature, international economic shocks, etc.). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three, and lead to an unsatisfactory outcome.

5. IEG measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank's lending interventions, the scope, quality and follow-up of diagnostic work and other AAA activities, the consistency of the Bank's lending with its non-lending work and with its safeguard policies, and the Bank's partnership activities.

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[1] In this note, *assistance program* refers to products and services generated in support of the economic development of a Client country over a specified period of time, and *client* refers to the country that receives the benefits of that program.

Rating Assistance Program Outcome

6. In rating the outcome (expected development impact) of an assistance program, IEG gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The country assistance strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEG's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

7. For each of the main objectives, the CAE evaluates the relevance of the objective, the relevance of the Bank's strategy towards meeting the objective, including the balance between lending and non-lending instruments, the efficacy with which the strategy was implemented and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank's program achieved a particular Bank objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank, other donors, the Government and exogenous factors.

8. Evaluators also assess the degree of Client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key Client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of Client ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

9. IEG utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

Highly Satisfactory:	The assistance program achieved at least acceptable progress toward all major relevant objectives, and had best practice development impact on one or more of them. No major shortcomings were identified.
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
Moderately Satisfactory:	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
Moderately Unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, and either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Highly Unsatisfactory:	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

10. The **institutional development impact (IDI)** can be rated as: *high*, *substantial*, *modest*, or *negligible*. IDI measures the extent to which the program bolstered the Client's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- the soundness of economic management;
- the structure of the public sector, and, in particular, the civil service;
- the institutional soundness of the financial sector;
- the soundness of legal, regulatory, and judicial systems;
- the extent of monitoring and evaluation systems;
- the effectiveness of aid coordination;
- the degree of financial accountability;
- the extent of building NGO capacity; and,
- the level of social and environmental capital.

11. **Sustainability** can be rated as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country assistance program over time, taking into account eight factors:

- technical resilience;
- financial resilience (including policies on cost recovery);
- economic resilience;
- social support (including conditions subject to safeguard policies);
- environmental resilience;
- ownership by governments and other key stakeholders;
- institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness); and,
- resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

Annex D: Management Action Record

Major Monitorable IEG Recommendations Requiring a Response	*Management Response*
• **Develop CAS Scenarios**: While the impetus for reform in Madagascar appears to be strong, the Bank needs to develop a low case scenario in the CAS, in the event of renewed political instability and/or a weakening of the Authorities' commitment to reform. Since natural disasters are highly prevalent and recurrent events in Madagascar, the CAS should also treat this phenomenon as a risk integral to its program, with focus on mitigation and vulnerability reduction measures.	• The Country Team concurs, particularly that the CAS needs to integrate natural disasters or crises as a risk inherent to the program and present mitigation measures to the extent possible. The team will develop the CAS, including scenarios if necessary, in consultation with FRM and OPCS.
• **Monitoring Indicators:** As the Bank and other donors jointly adopt results-oriented programs, there is an urgent need to define a few critical indicators and strengthen support to statistics for their reliable monitoring. Until this is satisfactorily addressed, it will remain difficult to assess the effectiveness of donor-supported programs.	• The Country Team agrees with this recommendation, and is currently working with the Government to define a few results oriented indicators in the development of Government's program (Madagascar Action Plan). The new CAS will also pay increased attention to M&E.
• **Strengthen the Growth and Governance Aspects of the Strategy:** The growth strategy needs to be refocused on reaching the rural poor, by working jointly with the Government and other donors to develop an innovative vision and implementation program to raise rural incomes and address structural poverty. The Bank also needs to intensify its support for good governance, by focusing more sharply on: (a) key sectors (especially the judiciary and extractive industries); (b) resolving the land question; (c) strengthening decentralized institutions (d) tackling higher-level corruption more effectively; and (e) enhancing evaluation and auditing capacity.	• The Government and Country Team agree with the primary importance of growth and governance, and the need for growth to reach the rural poor. The Government Program (MAP) and the CAS is currently being developed, together with other donors to determine the most efficient use of resources and division of labor to move forward on this agenda. Current thinking is that Governance work will be focused on key sectors with special attention paid to areas where the Bank has programs. A CEM on Growth is also planned for FY08.
• **Limit the Role of Budget Support:** Consideration should be given to limit programmatic budget support until there is a credible and sustained improvement in revenue collection and public expenditure management system. Projects designed to address specific sectoral issues, bottlenecks, and capacity constraints, will be critical for increasing Madagascar's absorptive capacity and the effectiveness of programmatic instruments.	• The Country Team agrees that at this stage it should limit its programmatic budget support, and have done so for FY07 (reducing the PRSC amount to 50% of the FY06 amount). We will continue to weigh these considerations carefully when moving forward on the PRSC program, and are exploring greater use of SWAPs which provide greater financial controls and a concerted sector reform effort.

Attachment 1: Comments from the Government

MINISTERE DE L'ECONOMIE
DES FINANCES ET DU BUDGET

Antananarivo, le 16 OCT 2006

Le Ministre de l'Economie, des Finances et du Budget

à

Monsieur l'Administrateur pour Madagascar
BANQUE MONDIALE
WASHINGTON
ETATS – UNIS D'AMERIQUE

N° 236 - MEFB/Mi

Un projet de rapport sur l'évaluation rétrospective de l'aide de la Banque Mondiale à Madagascar nous a été transmis pour observations.

Je vous transmets en annexe nos commentaires en vue d'appuyer la présentation que vous comptez réaliser auprès des instances concernées.

Le Ministre de l'Economie des Finances et du Budget

Benjamin Andriamparany RADAVIDSON

Comments on Madagascar CAE

The Government would like to emphasize the significant break from the pre-2002 era to the current one. Since we took over in 2002, we finalized our Poverty Reduction Stategy and the implementation of the PRSP has resulted in many positive outcomes as shown in our Annual Progress Reports, which we have shared with you regularly.

- Economic growth rebounded rapidly after the 2002 crisis and has averaged around 5 percent since 2004.
- Our roads program has improved access of the rural population to reliable transport (increased from 45% in 2003 to 57% in 2005).
- As a result, progress has been made on reducing poverty, which declined to 68.7% from its peak level of 80% at the time of the 2002 crisis. Rural poverty declined to 73.5% in 2005 from 77.2% in 2001.
- More children are in school today – net primary enrolment rates exceed 90% up from 70% in 2002. And more of them complete primary school – the primary completion rate has increased from 38% in 2003 to 60% in 2005.
- Immunization rates improved from 62% in 2002 to 87% in 2005, and more women give birth in health centers than before. Infant and child mortality rates declined significantly between 1997 and 2003/04, with the child mortality rate declining from 164 to 94 per 1000 over this period. Chronic malnutrition decreased from 43% in 1997 to 35% in 2005.
- Access to safe drinking water in rural areas also improved increasing from 12% to 16% between 2003 and 2005.

However, the Government has recognized that additional efforts are needed to overcome some of the main development challenges and constraints and improve the conditions to meet the MDGs. This is why the Government has prepared the Madagascar Action Plan (our new PRSP) which is a more ambitious strategy and which targets scaling up of development efforts with the expectation of higher levels of financial assistance, both from the private sector, internal resource mobilization, and from donors. Indeed, the eight focus areas of the MAP specifically target those sectors highlighted in the report as needing critical attention – such as rural development and infrastructure.

Attachment 2: Chairman's Summary

CHAIRMAN'S SUMMARY

COMMITTEE ON DEVELOPMENT EFFECTIVENESS

(Meeting of October 16, 2006)

1. The Informal Subcommittee (SC) of the Committee on Development Effectiveness (CODE) met on October 16, 2006 to discuss the *Madagascar Country Assistance Evaluation (CAE)*, prepared by the Independent Evaluation Group (IEG).

2. **Background.** The Madagascar CAE covered the period of FY94-06. IEG rated the overall outcomes of the Bank's program as moderately unsatisfactory, noting that despite higher growth since 1998, it was not broad-based, poverty did not decrease appreciably and governance-related problems remain prevalent. The major lesson from the evaluation was that although an increase in aid flows to assist a committed government is consistent with the need to scale up aid to meet the Millennium Development Goals, poor absorptive capacity and unfinished institutional reforms are likely to seriously limit aid effectiveness. Among other findings of the evaluation were: (i) overload of monitoring indicators which are neither monitored nor consistent; (ii) need to link the dynamic sectors with rural areas to promote pro-poor growth; (iii) serious implementation problems of the Poverty Reduction Support Credits, mainly due to inadequate preparatory work and capacity building; (iv) need for a better social risk strategy; and (v) critical importance of staff presence in the field for stronger donor coordination and improved implementation. Looking forward, the CAE recommended: (a) developing a low case scenario in the next country assistance strategy to mitigate risks in the event of renewed political instability, weakening of the authorities' commitment to reform and occurrence of natural disasters; (b) defining a few critical performance indicators and strengthening statistical capacity to ensure proper monitoring; (c) strengthening the growth and governance aspects of the strategy, and refocusing the growth strategy on the rural poor; and (d) limiting programmatic budget support until there is credible improvement in revenue and expenditure management systems.

3. Management agreed with the recommendations of the CAE and noted that the new country assistance strategy will pay close attention to the lessons learned from the evaluation. At the same time, management felt that: (i) the CAE understated the impact of the political crisis of 2001/2002 on the outcome of the Bank's program; (ii) the Government's commitment to serious reform in 2002 made it difficult to compare economic policy and outcomes throughout the entire period of the evaluation and that the report would have benefited from greater distinction between the two periods – before and after 2002; and (iii) according to the preliminary results of the 2005 household survey, the incidence of poverty has declined.

4. The Malagasy authorities provided written comments, where they emphasized the significant changes and related positive outcomes after change in government in 2002, but also acknowledged the need for additional efforts to overcome development challenges and constraints. It was also stressed that the new and more ambitious Poverty Reduction Strategy Paper (PRSP), which targets scaling up of development efforts with the expectation of higher levels of aid flows, specifically targets sectors identified as priorities in the CAE.

5. **Main Conclusions and Next Steps**. The Subcommittee broadly agreed with the findings and recommendations of the CAE. Members stressed that lessons coming out of the IEG assessment need to be properly reflected in the next country assistance strategy document. They concurred with the need to re-focus the Bank's assistance program on the needs of the rural poor, as well as improving governance and human capacity. Among other issues that drew particular attention of Subcommittee members were: the importance of focusing on selected key areas, such as governance, basic infrastructure services, health and education in the environments of low absorptive capacity and weak institutions; the need to develop a low case scenario in the new country assistance strategy that will account for the risks of political instability, lack of reform ownership and natural disasters; and the importance of continuous efforts directed to private sector development in close cooperation with other members of the World Bank Group and donor partners. Management stressed that all priority sectors identified by the evaluation are also included in Madagascar's new PRSP and will be the focus of the upcoming country assistance strategy.

The following points were raised:

6. **The role of budget support.** Many members concurred with the IEG recommendation to focus on critical sectoral bottlenecks for development rather than providing across-the-board budget support. Among priority areas identified were governance, human capacity and infrastructure (especially electricity and roads). At the same time, a few members stressed that instead of scaling down budget support, the Bank needs to increase efforts in helping the authorities to improve their absorptive capacity and the use of country systems. Management acknowledged the need for more selectivity, but also underlined the importance of budget support for the overall scaling up of the impact of aid. Management noted that institutional and absorptive capacity varies by sector and that some sectors are able to absorb more resources than presently available. Management stressed that there are difficult trade-offs that will need to be made, given the modest size of International Development Association (IDA) envelope in Madagascar and the government's high expectations from the Bank's assistance.

7. **Country Assistance Strategy scenarios.** Several speakers agreed that country assistance strategy should include a low case scenario to account for the country's vulnerability to natural disasters and climate change and the possibility of renewed political instability and decline in reform ownership. A member was interested whether IEG recommendation to develop a low case scenario should be seen in a broader context of applying the new governance strategy in the exceptional risk countries and its link to IDA performance-based allocation (PBA) system. Management explained that it was trying to move away from "cases model" because it contradicts the IDA PBA system, which is based on Country Policy and Institutional Assessment. Management noted that the next country assistance strategy will proceed with presenting a base case scenario, but will also mention that the Bank's program will be revisited and re-adjusted in case of political instability or emergence of other exogenous factors. Regarding the link to new governance strategy, management stressed that at present Madagascar is not an obvious candidate for scaling down assistance based on poor governance performance. IEG clarified that its recommendation to develop a low case scenario was not driven by governance issues, but the need to send a clear signal that the Bank's support and cooperation are predicated on the continuation of reform process.

8. **Governance.** Several speakers noted with concern the persistent problems in the area of governance and high incidence of corruption. A member pointed that the country needs more time for building requisite institutional and human capacity to tackle corruption and improve governance. Management noted that despite persistent problems, compared to many other countries in the region, Madagascar does relatively well on many dimensions of governance. IEG agreed that significant progress had been made on governance since 2003, but added that institutional set-up for addressing corruption in many sectors very often does not meet the Bank standards (e.g. extractive industries). Several members were concerned that despite recent improvements in governance, there has been a visible deterioration in fiscal indicators (e.g. particular reference was made to Madagascar's low tax to GDP ratio), which needs to be addressed

in the next country assistance strategy – an issue especially important in light of Madagascar being Multilateral Debt Relief Initiative-recipient country. Management concurred with the members' concern, and noted that it will continue close cooperation with the Fund to help the government developing a comprehensive fiscal reform strategy.

9. A member asked for elaboration on the concern mentioned in the evaluation regarding association of the country's leadership with successful businesses and possible appearances of conflict of interest, and stressed that any mention of specific corruption concerns should be substantiated. IEG clarified that the example quoted was a perception that had been raised with them, and that it was sending wrong signals for private sector development and competition. IEG noted that the evaluation reported that the Bank has been engaged in dialogue with the authorities on that subject and recommended a few best practice solutions, on which no action has been taken as of today. Management added that in case of Madagascar, the small size of the country and its private sector might have been a factor that had further exacerbated the perceptions of possible conflict of interest. Management noted that the Bank has been closely engaged in improving procurement and business regulations.

10. **Environmental resource management**. A member was interested in the lessons learned from the relatively successful history of environmental resource management for the broader public sector governance agenda. Management replied that one of the major factors that contributed to successful outcomes in the sector was the Bank's continuous long term involvement and intensive dialogue with the authorities.

11. **Infrastructure**. Several members underlined that the case of Madagascar demonstrated the inability of the private sector alone to provide adequate infrastructure services, even when the government establishes an appropriate incentive system. In this context, they urged increased support for improving country's infrastructure, especially electricity and transport with an emphasis on the rural areas. A member noted that the repeating pattern of unsatisfactory ratings of the Bank's assistance outcomes in poor countries might be linked to deficiencies in the structural design of the Bank's strategies through the last decade, reflected in disregard for the real sector challenges in favor of macroeconomic stability and privatization – important, but not sufficient conditions for broader private sector-led growth and poverty reduction. Management agreed that lack of basic infrastructure and electricity supply in particular, imposes significant costs on private sector development in the country.

12. **Rural poverty.** Members broadly concurred with the IEG observation that poverty reduction in rural areas remains a major challenge, and urged stronger joint efforts for reorienting the policies towards more pro-poor growth. At the same time, they noted that reorientation towards agricultural and rural development should complement and not come at the expense of the momentum generated in other areas – e.g. investment climate and export-oriented activities. Management noted that some constraints to rural development/agriculture lie outside the agriculture sector, and that many issues affecting rural areas are being currently addressed through project work in other sectors: roads, community development investments, etc.

13. **Private sector development and the role of International Finance Corporation (IFC).** Several members noted that IFC activities in Madagascar amount to only a small fraction of the Bank's portfolio and encouraged more active participation in the areas of financial sector development, improving investment climate and small and medium enterprise (SME) development. Management replied that the next country assistance strategy is being developed jointly by IDA and IFC. IFC representative clarified that the volume of IFC activities in the country has sharply increased following the opening of IFC country office in 2003. He added that presently IFC is focusing its activities on the financial sector, provision of technical assistance and SME development – jointly with IDA. A speaker mentioned tourism as a

promising area for potential IFC involvement. IFC representative informed that IFC, in cooperation with other donors, is providing technical assistance to attract investors in the tourism sector. A speaker asked whether the IEG evaluation of the financial sector performance was accurate, given the significant growth in private credit. IEG clarified that despite growth, the total amount of credit as share of GDP remains extremely low, and that long-term credit is still unavailable.

14. **Coverage**. Some members felt that an overall assessment based on the country performance throughout the entire period of 1995-2005 did not do justice to the government's renewed commitment to reforms and positive trends after 2002. In this context, a few speakers suggested dividing the assessment into separate sub-periods to better reflect on the country developments. IEG clarified that the nature and purpose of CAEs involve a longer-term assessment of the outcomes of the Bank's assistance.

15. **Ownership and capacity.** Members welcomed the positive changes in country ownership of the reform process since 2002, but stressed that it needs to be further strengthened and consolidated. Management agreed with the importance of building capacity and added it will be featured in the new country assistance strategy as a cross-cutting issue along with governance.

16. **Monitoring.** Members concurred with IEG observation that the quantity of monitoring indicators should be reduced to a smaller and more manageable number allowing for proper monitoring of progress in implementation. Management noted that the Bank is working with the authorities to improve monitoring and statistical capacity.

17. **Emergency assistance.** A member was interested in the share of the Bank's emergency assistance in the overall portfolio, including projects restructured as a result of emergency response, and whether they had significant impact on the assistance outcomes. Management explained that the post-emergency reorientation and specific emergency response constituted only a small fraction in the Bank's portfolio.

18. **Staffing.** A member was interested in the impact of staff presence in the field. IEG replied that all indicators point to overall improvement in cooperation with donors and better understanding of country issues when Bank staff were based in the field.

Pietro Veglio, Chairman