



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/MAG/4
6 April 1987
ENGLISH
ORIGINAL: FRENCH

Thirty-fourth session
26 May-19 June 1987, New York
Item 5 (b) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR MADAGASCAR*

<u>Programme period</u>	<u>Actual resources programmed</u>	\$
1987-1991	IPF for 1987-1991	33 902 000
	Third cycle balance	<u>3 680 000</u>
	Total	37 582 000

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; and (d) distribution of new country programmes by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. The deterioration in the fabric of Madagascar's economy during the 1970s, except for a brief recovery in 1979-1980, gave rise to a profound crisis at the beginning of the eighties. Several unfavourable factors have contributed to that crisis: the two oil price crises, population growth, the decline in agricultural productivity, particularly rice, the staple of the Malagasy people, the growing preponderance of the public sector in industry, trade and transport, the decline in terms of trade thus increasing the balance-of-payments deficit, the reduction in public revenues, and the ever-increasing external debt.
2. The four-year period of stabilization which began in 1982, with the co-operation of the World Bank and the International Monetary Fund (IMF), checked excessive Government spending through a progressive deregulation of the prices of agricultural products and the beginning of a process of reprivatization in industry and transport, including a new investment code, and laid the foundations for a vigorous fresh start of economic activity, as provided for in the National Development Plan 1986-1990. The agricultural sector experienced real growth rates of 4 per cent in 1982, 2.4 per cent in 1983 and 5.8 per cent in 1984. On the other hand, the secondary and tertiary sectors did not recover as easily; they showed a minus or stagnant average growth during the same period.
3. The standard of living of the population as a whole declined sharply during the period of stabilization: increased unemployment, continued decline in wages and income and reduction of social services all contributed to the substantial and overall decline in the quality of life in both urban and rural areas. Indeed, the tentative findings of surveys taken indicate that between 1978 and 1983 consumer spending in the urban centres fell by 10 per cent for higher salaried staff and professionals, by 25 per cent for handicraft workers and small shopkeepers and more than 30 per cent for the working class. In the rural areas, the trends must be the same even though less accentuated because of the deregulation of prices for agricultural producers.
4. While the policy of austerity imposed by the budget stabilization programme succeeded in reducing inflation and narrowing the gap between public expenditure and revenue, it did not succeed in creating the dynamic climate necessary to give fresh impetus to economic activity. To achieve that, the economy will have to find a way out of the impasse created by too low a level of available resources and expenditures to meet the requirements and even the potential of the productive machinery. The National Development Plan 1986-1990 seems modest in its objectives of achieving an average growth of 3.1 per cent in gross domestic product (GDP), hardly sufficient to exceed population growth. Nevertheless, it will permit the country, in conjunction with a rescheduling of the external debt, to escape from the trap in which it found itself at the end of the stabilization period: inability to import what is necessary to stimulate production, particularly production of exports essential to obtain the foreign exchange needed to service the external debt and inability to import materials and spare parts essential for increasing production.

5. The support which the National Development Plan obtained from the international community at the most recent meeting of the Advisory Group in April 1986, together with the pledges of financial assistance which the Government was able to obtain for the first two years of its public investment programme, have strengthened the trends triggered by the Government's liberalization measures. These measures will be continued, as will the rehabilitation of the productive machinery with a view to making the economic policy-makers and the general public accountable so that they can be in a position to make their contribution to achieving the objectives of the Plan.

6. The establishment of sound public finances has been one of the priority objectives of the Government from the beginning of the economic and financial crisis. The global deficit was accordingly reduced from 18.4 per cent of GDP in 1980 to less than 5 per cent in 1984 and 1985. The social sector is the first to suffer from the need for continued austerity in Government spending. External financing will improve as exports rise and imports can be substituted by local products, following the initial relief provided by the rescheduling of debt servicing and by financial development assistance, particularly structural adjustment loans and other special facilities for the purchase of spare parts.

B. National development strategies

7. The three major objectives pursued by the National Development Plan 1986-1990 are food self-sufficiency, increase in exports and improvement in the standard of living of the population. The Plan provides for an average annual increase in GDP of 3 per cent, and an increase in the rate of real savings from 9.2 per cent (1984) to 11.5 per cent in 1990.

8. The strategies to be implemented are therefore aimed primarily at agricultural production, and are to be strengthened by the rehabilitation of and revitalization of the industrial and transport sectors at all levels. The principal measures envisaged are the following:

(a) Continuation and extension of the policy of liberalization of prices and tariffs for most agricultural and industrial products and for services, especially in the transport sector;

(b) Progressive dismantling of subsidies;

(c) Credit and fiscal incentive policies;

(d) Implementation of the Investment Code and promotion of private foreign investments;

(e) Vigorous promotion of agricultural and industrial exports, especially in traditional commodities such as coffee, vanilla, pepper and cloves; the International Development Association (IDA) and the European Economic Community (EEC) are already active in this sector;

(f) Rehabilitation and expansion of crops and industries whose products can serve for import substitution with a view to cost-effectiveness; to this end, a study on oilseeds, financed by UNDP under a project executed by the United Nations Industrial Development Organization (UNIDO) has just been completed;

(g) Rehabilitation of the road, railway, port, airport and telecommunications infrastructure network of a cost-effective basis by a phased programme with primary emphasis on the revival of the main channels of external and internal trade;

(h) Promotion of employment, including measures taken to organize a system of labour-intensive jobs according to the plan proposed by the International Labour Office (ILO);

(i) Promotion of small and medium-sized businesses and cottage industries and strengthening of vocational training;

(j) General improvement in the quality of life by a rational promotion and budgetary and organizational strengthening of local initiatives taken in connection with community projects such as rural water supply, primary health care centres and community centres.

9. The public investments provided for in the Plan are outlined in the Public Investment Programme 1986-1990, which will be adjusted annually for a three-year period on the basis of annual yield. The total amount of the Programme is 1,071 billion Malagasy francs (equivalent to about \$1.44 billion), 55 per cent of which will be in foreign currency. The distribution by sector will be the following: agriculture - 38.7 per cent; industry, mining and energy - 15.2 per cent; transport - 25 per cent; other sectors - 21.1 per cent. It is estimated that in addition the private sector will contribute about 400 billion francs, or about \$500 million.

10. It should be noted that nearly 40 per cent of the Public Investment Programme will be devoted to agriculture, shared equally between rehabilitation and new development or extensions. The projects aimed directly at increasing production, especially rice, for which a system of management and storage has been put in place because of its fundamental importance as a staple, will be accompanied by food security measures, reproduction of improved seeds, rural infrastructure, management of river basins and soil conservation and measures geared to long-term agricultural development. It is within the context of these measures that technical assistance will play a major role with a view to ensuring a better return on investments.

C. Technical co-operation priorities

11. In 1985, Madagascar received \$39,518,000 in external aid as technical assistance and \$140,857,000 as financial co-operation, representing increases of 13 per cent and 41.8 per cent respectively over 1984.

12. The priorities established in the 1986-1990 Public Investment Programme, in the development strategies under the National Development Plan made public in

July 1986, and in the various studies by the Government itself or its partners, are as follows:

- (a) To support public planning and administration in order to consolidate and accelerate economic recovery;
- (b) To support production systems in order to improve productivity and yield in the priority areas defined in the Plan;
- (c) To rebuild the existing infrastructures and make them cost-effective;
- (d) To improve living conditions while guaranteeing better job opportunities.

13. In pursuing these objectives, the Government will concentrate its technical co-operation with the United Nations Development Programme (UNDP) on:

- (a) Reinforcing the country's economic management structures, especially the Department of Planning;
- (b) Promoting agricultural production and productivity in order to achieve food self-sufficiency by 1990, expand exports, and help develop structures for more efficient and cost-effective production of agricultural commodities;
- (c) Revitalizing industrial and handicraft production and making it cost-effective;
- (d) Undertaking selective social action to create jobs and improve the quality of life generally.

14. The Government, with UNDP assistance, plans to make sectoral analyses of its technical assistance needs. The analyses will be made in close co-operation with the Malagasy Institute for Planning Techniques, the national agency that already has some experience in planning and socio-economic surveys and with the assistance of the Institute of Social Studies of the Netherlands and the participation of an international team of experts to be furnished by UNDP.

D. Aid co-ordination arrangements

15. The Department of Planning, reporting directly to the Office of the President of the Republic, is responsible for co-ordinating all external development assistance to Madagascar. In order to expand its capability in this area, the Department announced its intention, at the Consultative Group meeting held in Paris under the auspices of the World Bank in April 1986, to set up two units, one responsible for the project evaluation and the other for the co-ordination and monitoring of international aid. The establishment of these two units will be the subject of two projects prepared and implemented jointly by the Department and the World Bank, with UNDP funding.

16. The technical assistance projects and programmes of the various agencies of the United Nations system are actually co-ordinated in frequent working sessions convened and chaired by the UNDP Resident Representative in his capacity as Resident Co-ordinator of the operational activities for development of the United Nations system. It is also up to the Resident Co-ordinator to make ad hoc arrangements for co-ordination between United Nations agencies and other donors whose activities are complementary or who participate in the execution of specific projects.

II. THE COUNTRY PROGRAMME

A. Assessment of the previous programme

17. When the third programme for 1982-1986 was approved, the indicative planning figure (IPF) was set at \$49 million. Owing to financial constraints, this amount was reduced at the end of 1982 to \$26,950,000, to which was added the balance of \$1,413,000 carried forward from the second country programme, thus making available a total of \$28,363,000 for the period 1982-1986. This very sizeable reduction interfered significantly with the execution of the programme as originally conceived. In fact, the reduced budget for certain projects seriously hampered achievement of the goals.

18. A review of the programme in March 1985 found that some operational activities should be expanded by increasing their budgets, and also that a certain number of new projects not originally part of the programme should be added. It proved possible to finance the additional expenditures from available funds which had accumulated because only a very small proportion of the approved programme had been executed.

19. On the whole, the third country programme met with a series of obstacles, often stemming from the highly unfavourable overall economic situation. The fact that there were so many projects touching on virtually all sectors was complicated by the Government's frequent difficulty in arranging for national counterpart contributions on the scale estimated in the project documents, and also by the relatively low average rate of programme performance owing to delays in project approval by the three parties concerned, the difficulty in recruiting experts, and the slow pace of appointment and placement of grantees and placement of orders abroad for essential materials.

20. Nevertheless, one distinctly positive element of the third cycle was the utilization whenever possible of national human resources either directly or through sub-contracts that sometimes involved rather large sums. One example is the project "Pre-investment studies" (MAG/82/010), for which most of the funds spent so far have been used to pay salaries for national experts and planning units. The same applies to the project "Panqalanes Canal" (MAG/80/012) to the National Institute of Geodesy and Cartography, and the project "Barges and Pusher-craft" (MAG/80/011) executed directly by the Malagasy Innovation Institute.

21. Other examples of positive results are the following:

(a) UNDP helped to set up the Malagasy Institute for Planning Techniques, a project with a total budget of \$2 million, the most expensive in the entire programme, which has already helped to train competent national planners;

(b) The project "Increased production of selected high-yield seeds" (MAG/82/016), with a budget of \$1.6 million, has helped to rehabilitate seed reproduction centres;

(c) The training programme connected with the projects enabled hundreds of Malagasy nationals to complete their training either in specialized institutions abroad or in seminars in the country led by national technicians assisted by experts from various agencies of the United Nations system.

22. The lessons learned during the third programme were applied in a fourth programme that focuses on a smaller number of projects designed for better integration into their respective sectors while profiting from the complementarity of activities in the other sectors. New projects are conceived and prepared on the basis of the criteria of effectiveness developed after the many assessments made during the last two years of the third cycle.

B. New programme proposal

23. The 1987-1991 programming period appears more promising because of several positive factors, namely:

(a) A better analysis of the third programme, resulting from more in-depth evaluations of the main ongoing projects made in 1985 and 1986;

(b) A more favourable economic situation, as a result of recovery measures put into effect by the Government;

(c) The recent diagnosis of the economic and financial situation made during the consultative group meeting held in Paris in April 1986 under the auspices of the World Bank;

(d) The National Development Plan for 1986-1990, which defines the Government's priorities and medium-term strategies;

(e) The Public Investment Programme, which offers guidelines for donors in selecting the assistance they wish to propose to Madagascar.

24. A sum of \$33,902,000 has been approved as the IPF for the fourth programme. Augmented by an unspent balance of \$3,680,000 from the previous cycle, total available IPF funds amount to \$37,582,000. Within this financial package, a compact programme concentrating on key sectors which best further the objectives of the Plan is one of the main features of the fourth programme for Madagascar.

25. UNDP-assisted activities will be organized with a view to the functional integration of projects within each sector as well as to intersectoral

integration. Close co-ordination will also be maintained with projects financed by other organizations of the United Nations system. The Government and UNDP are also planning to combine IPF funds with funds from other contributors. Furthermore, some projects cannot be carried out without a large contribution in local currency; the counterpart funds generated by the sale of food products largely from the World Food Programme (WFP) will be used for that purpose. Integration will therefore be another feature of the programme.

26. Special care will be taken in formulating new projects, with particular attention to the ability of the three parties to fulfil their mutually agreed commitments to carry out the activities specified in the project documents. Quality and realism are therefore two more features of the programme.

27. The Government holds to the principle of rolling programming. Indeed, even though the basic agreed orientation must be respected, it must be to review the objectives and priorities in order to reroute a project or resolve emergency problems or crises. Flexibility therefore is another feature of the programme. With this in mind, part of the IPF will be set aside for projects which may not fall into the key sectors discussed in paragraph 13. The key sectors and the projects planned are described in the following paragraphs.

Reinforcing economic management capabilities

28. The Government has taken significant steps to strengthen and consolidate the economic recovery already under way: it has begun to make structural readjustments reorienting the economy towards a liberalization involving increased participation by the private sector. UNDP is being asked to assist national institutions in their efforts to enhance and improve their economic management capabilities, especially during this period of transition from a policy of stabilization to a policy of growth. A sum of \$5 million, or 13.3 per cent of the resources, has been set aside to finance the activities earmarked for this purpose, under projects carried forward from the third programme (\$1.7 million) or new projects (\$1.6 million), the remainder being part of the programmed reserve of this sector.

Ongoing projects

Malagasy Institute for Planning Techniques (MAG/82/001)

29. With a UNDP contribution of more than \$2.4 million, this is the largest project in the programme. After a rather difficult start, the Institute is now functioning satisfactorily. The first series of graduates from the Institute have already been appointed to posts in the State administration. The approved budget of nearly \$1 million covers activities up until the end of 1988. An extension until 1989 is possible.

Agricultural statistics (MAG/82/002)

30. This project is of special importance for the agricultural development of the country. The lack of valid statistics has always been a major obstacle to realistic planning of agricultural production. For this reason, it is proposed

with this project to take stock of the current situation by means of a national census of agriculture throughout the territory and to institute ongoing data-gathering in each region. Total UNDP assistance to the fourth programme is \$450,000. This project will be broadened and strengthened by the incorporation of a new series of activities, specifically in the area of food security, which the Government regards as a corollary to the liberalization measures already taken in the context of the structural changes it is introducing (see project MAG/86/001, para. 37).

Management of the external debt (MAG/82/004)

31. In spite of its modest budget, this project has been very helpful to the Treasury and the Central Bank. It should have been completed in 1986 but since debt servicing remains the major handicap to expanding the economy, an extension may be envisaged. Approximately \$100,000 will be available for the fourth cycle.

Promotion of international exchanges (MAG/84/018)

32. This project will carry over approximately \$40,000 into the fourth cycle. Starting in April 1987, a new project will be implemented (see MAG/86/008, para. 38).

Telecommunications planning (MAG/85/007)

33. This project will be completed in June 1987. An amount of \$139,000 has been set aside to finance this extension of the project.

New projects

34. The new activities consist thus far of four new projects, two of which are intended to strengthen the Department of Planning so that it can play its role fully as the central planning body, co-ordinating and managing domestic and foreign investment resources.

Strengthening of the Department of Planning in project evaluation (MAG/86/002)

35. This project, which began with a preparatory formulation phase in September 1986, will become operative in March/April 1987 with a UNDP contribution of \$375,000.

Co-ordination and management of external aid (MAG/87/006)

36. This project - which is expected to be approved in March 1987 - will also be implemented in the near future. An amount of \$350,000 has been set aside for this purpose.

Strengthening of food security (MAG/86/001)

37. This project will benefit from the results produced by project MAG/82/002 in the area of agricultural statistics. It will reinforce the agricultural census

system, which is designed to help monitor the availability of food supplies in the medium and long term, for the purpose of improving food security, the Government's priority concern. The activities planned in connection with this project will be undertaken over a period of approximately two years, from 1987 to 1989, and the estimated UNDP contribution will be in the region of \$500,000.

Promotion of international trade (MAG/86/008)

38. This project is the direct follow-up to project MAG/84/018, with the same title, which will be completed in March 1987 (see para. 32). The new project will continue to provide the technical assistance requested by the Government to support its policy of promoting exports and progressively liberalizing imports. An amount of \$400,000 has been set aside from the IPF for activities to be undertaken in 1987 and in 1988.

Programmed reserve

39. An amount of \$700,000 will be set aside as a programmed reserve to meet assistance requirements in this area other than those already identified above.

Promotion of rural development and increase and strengthening of agricultural production and productivity

40. During the last decade, the agricultural sector, which represents approximately 35 per cent of the GDP and provides 80 per cent of export income has been stagnating. The 70 per cent growth rate in 1979 indicated some measure of recovery but the rates have been lower in the years since then. In spite of the new policy initiated in 1982, the 1982 and 1983 results were lower than the real potential of this sector because at that time agricultural production was suffering from the unfavourable climatic conditions, lack of agricultural inputs and spare parts and deterioration of the irrigation and road networks, which led to a marked decrease in real income for the peasant farmer.

41. It took some time for the liberalization measures to have an effect at the production level; this applies even more to the other factors mentioned above which blocked any perceptible increase in agricultural output, especially rice and export crops. However, there are encouraging signs, in particular for sugar cane and cotton crops, which increased by 6.4 per cent and 31 per cent respectively in 1985. As regards rice, the staple food of the entire population, the reforms implemented under the new agricultural policy in force since 1983, especially in the area of marketing, stimulated national production to such an extent that imports were reduced from 350,000 tonnes in 1982 to 100,000 tonnes in 1985. Consequently, self-sufficiency by the end of the Plan in 1990 is not an unrealistic goal. Moreover, the Government is in the process of implementing a system for administering a buffer stock of rice in order to cope with unduly violent fluctuations in the market during this transitional period. This scheme, which will be of particular benefit to the most deprived sectors of the population, will receive considerable outside assistance, co-ordinated mainly by WFP.

42. At a more global level, the priority attached by the Government to agriculture calls for a new rural development strategy granting a greater role in increasing production to the peasant farmer. The deregulation of prices, intended to stimulate production and increase the income of producers, has provided a more favourable outlook for all agricultural products.

43. In the fourth programme the major portion of the IPF will be devoted to activities intended to increase agricultural production, either through projects specifically linked to a production system, such as combined rice- and fish-farming or oilseed crops, or through pilot projects, such as integrated rural development or agro-forestry. The largest proportion of fourth programme funds (44 per cent) is allocated to this sector, including \$2 million (5.4 per cent) for six projects carried over from the third cycle and \$14.5 million (38.6 per cent) for new projects, 10 of which, amounting to more than \$7 million, have already been formulated or are in the formulation stage.

Ongoing projects

Reclamation and development of the Savokas (MAG/82/015)

44. The main objective of this project is to establish two pilot zones (Vavatenina and Kianjavato). These pilot zones have been set up with a view to encouraging the people living in the forest region to settle and become agricultural producers capable of satisfying their own needs in staple foods, protecting the environment by preventing the slash-burning of forest areas, and improving their living conditions by providing such services as education and primary health care. The project will be completed by the end of 1987; the IPF contribution now allocated is \$223,255.

Strengthening of plant quarantine (MAG/84/015)

45. This project, under way since 1986, was originally planned as a form of preparatory assistance for a much broader project intended to help the Government restructure plant quarantine services and thus implement the legislation in force more efficiently. By extending the project until the end of 1990 the necessary assistance can be provided to implement a plant quarantine service which will encourage rather than slow down the development of agricultural production. An IPF amount of \$1.1 million is allocated for this project in the fourth cycle.

Development of sericulture in the High Plateaus (MAG/85/006)

46. Silk plays a fairly important role in the traditions of Madagascar and therefore calls for foreign currency expenditure. The second phase of UNDP/United Nations Food and Agriculture Organization (FAO) assistance is intended to encourage the expansion of silkworm breeding, long practised in the country. The activities involved offer job opportunities and the additional income often welcomed by rural women, while at the same time helping to stabilize the balance of payments. The current phase of the project, which began in 1986 and chiefly involves training and equipment, is planned to last until 1988, with an IPF of \$433,000.

Extension services for fish breeding and development of inland fish-farming
(MAG/82/014)

47. This project, which has been under way since the end of 1984, owes its existence to the Government's recognition of the advantage of combining fish-farming and rice-growing, which has been widely demonstrated to be viable in other rice-producing countries. The project, already fully operational, will continue until the end of 1987, with an IPF contribution of \$299,133.

Training of fisheries specialists (MAG/84/002)

48. This project has set up a training programme for fisheries specialists in order to remedy the shortage of such cadres, which has been a major handicap to the development of the fishing sector in Madagascar. A first group of 16 engineers to be trained will constitute the nucleus of a corps of specialists at the central and provincial levels responsible for implementing a new fisheries development strategy. This project was started in 1984, but will only be assigned a full-time international expert in 1987. It will have an IPF allocation of \$293,000 for 1987 and 1988.

Strengthening of the Fisheries Administration (MAG/85/014)

49. As a follow-up to support projects for fish-farming and offshore fishing and for fish breeding, the redevelopment of this sector calls for strengthening the areas of planning and management. A two-year project along these lines was started at the end of 1986 in the Department of Fisheries. It is part of a wider programme being executed with the assistance of the World Bank. Expenditure totalling \$109,940 has been budgeted for 1987 and 1988.

New projects

50. In this priority sector 10 new projects are planned to be added during the fourth programme to activities carried over from the third cycle. Three of these new projects (seed, irrigation and agro-forestry) will be the direct continuation of current activities. Most of the others, in particular integrated rural development (one project), food security (one project) and fisheries (two projects), have been designed to make optimum use of the activities and results of ongoing or completed projects in their respective areas. They can thus benefit from linkages between projects in the same sector purposely introduced when the current programme was being prepared.

Strengthening of seed supply services: organization, promotion and co-ordination of national seed production (MAG/86/003)

51. This project will play a very important role in the agricultural strategy for achieving food self-sufficiency. It is the direct continuation of project MAG/82/016, after reformulation of its objectives. In view of the tasks still outstanding, the Government and UNDP recognize that this new phase, planned to last four years, is necessary not only to complete ongoing activities but also to work out a seed supply strategy setting targets and methods in this sub-sector. Financing for this project amounts to \$1,565,440.

Assistance to the Office for Rural Infrastructure in the areas of irrigation and training (MAG/86/004)

52. This project is the continuation of the project "Assistance for extending the small-scale hydraulic engineering operation - training of staff" (MAG/84/001), which for two years (1985 and 1986) was concerned with training of intermediate-level professional staff in rice irrigation. The new phase (1987-1990) will be concerned with training at the level of the Office for Rural Infrastructure itself and with starting up two branches of the Small-Scale Hydraulic Engineering Office at Jhosy and Betroka. An amount of \$1,846,950 has been allocated for this purpose in the fourth programme.

Integrated agricultural development of the Lake Itasy region (MAG/86/005)

53. On the basis of the recommendations of missions which assessed the development of agricultural production and of talks held by UNDP and FAO with the Ministry of Agricultural Production and Agrarian Reform, it was agreed to carry out an integrated development project in the Fivondronana of Miarinarivo, near Lake Itasy. This four-year project, intended to increase agricultural production in general and rice production in particular, is to be complemented by other activities covered by existing, UNDP-assisted projects, *inter alia*, in the areas of combined rice- and fish-farming (MAG/82/014, see para. 47); increased use of improved seed (MAG/86/003, see para. 51); rural handicrafts (MAG/82/005, see para. 65); and rural building, emphasizing the use of local building materials (MAG/82/009, see para. 66). This integrated development will also serve as the framework for an extension services programme among the leaders of the peasant farmers, so that the experience gained may be put to use elsewhere. The fourth programme allocation to this project is \$1.3 million.

Development of drainage basins (MAG/84/003)

54. The priority objective of rural development is to ensure national self-sufficiency in rice. In the long term this will also lead to measures to protect the environment, safeguard forests, and practise soil conservation and restoration. The Government intends to allocate considerable funds to these objectives, since they will help to improve food production. In this context, the planning and developing of drainage basins is a major concern. UNDP will support the Government's efforts with a conceptual project having a limited duration of 18 months. The amount of \$355,000 has been allocated for this purpose.

Agricultural inputs

55. For several years Norway has been assisting Madagascar in executing a programme of extension services to encourage the use of fertilizers. Under a new agreement for the period 1987-1989 \$1.2 million worth of fertilizers will be provided. UNDP has already agreed to become associated with this programme by financing the technical assistance component in 1987 and 1988. For the related project, "Promotion of the Use of Fertilizers in Madagascar" (MAG/85/018) an amount of \$315,000 has been allocated under this programme.

Contribution of agro-forestry to environmental protection on the High Plateaus

56. The main goals of this project will be to select promising leguminous species and introduce experimental plants in order to study their capacity to restore soil fertility; to perfect forestry and agricultural techniques suitable for agro-forestry; to study the effects of agro-forestry systems on soil fertility; and to identify the physical and social obstacles to introducing tree species into traditional agricultural systems. Projects relating to those questions will be formulated later in 1987; the UNDP contribution has yet to be determined.

Revival of oilseed production (MAG/87/001)

57. In the past, Madagascar was able to satisfy its own needs in oils and even exported its surplus to neighbouring countries. As a result of the deterioration in agricultural production during the past decade, there has been a shortage of edible oils. To remedy this situation, the Government has made the revival of oilseed production a priority in its Development Plan. A study on the possibilities of producing marketing and processing oilseeds financed under the project "Study on the Industrial Sector" (MAG/81/018) is almost completed. On the basis of this study, UNDP will participate in financing a technical assistance project of approximately three years duration to provide support in restarting oilseed production. An amount of \$1 million has been set aside for this purpose.

Revival of income-producing coffee-bean crops (MAG/87/003)

58. The all-out export policy announced by the President of the Republic calls for an increase in cash crops, especially by small farmers, and the diversification of exportable commodities. UNDP will assist the Government to set up a project to boost output of such crops, especially coffee, the traditional export crop, and pepper which, according to international trade experts, could be a very viable crop. An amount of \$800,000 has been reserved in the programme to support these efforts.

Shrimp aquaculture (MAG/86/006)

59. The project "Strengthening of the National Oceanographic Research Centre" (MAG/81/T01) now in operation and financed by the United Nations Fund for Science and Technology for Development, has collected considerable scientific evidence that aquaculture linked to shrimp fishing might rationally be developed on the island of Nosy Bé and on the northwest coast. It is therefore proposed to start up a shrimp-fishing project of approximately two years duration, which will also include the collection and use of scientific data. Studies on the reef crawfish of the continental shelf and on mangrove crabs could also be undertaken in the framework of this project, for which \$300,000 is programmed.

Development of fish-breeding in weirs and enclosures

60. The project will seek to master the techniques of raising a group of fish from small fry to marketable size in an area enclosed on all sides, including the bottom, but allowing free circulation of water through the weirs. The principal

objective will be annual yield of 2 to 2.5 tonnes of fish per hectare, thus making up the deficits accumulated by certain embryonic fish-farming projects. The project should be formulated in 1987. The financial packaging is still to be decided.

Programmed reserve

61. Over and above the 11 projects formulated so far or in the process of being formulated, other projects will be developed in this sector during the fourth programme. For this purpose and in order to have the necessary financial means available for possible strengthening or extension of projects in the first group awaiting approval, the Government has allocated approximately \$6.5 million to the programmed reserve for this sector.

Rehabilitating industrial production and making it cost-effective

62. The three major characteristics of the Malagasy industrial sector are: the preponderance of small and medium-scale enterprises; the size of the public sector; and the poor state of industrial integration. The plan of action for industrial development is based on one of the principal objectives of the new development policy, namely, to meet the needs of the population. The aim is to create an efficient and competitive industrial sector with new projects which will result in diversification of exports and the progressive integration of the industrial network.

63. The fundamental principles of the development strategy will be:

(a) To revitalize industry by applying a rational and coherent policy of rehabilitation and modernization of existing activities, a gradual deregulation of prices and the introduction of an effective fiscal policy;

(b) To strengthen and improve the industrial network by encouraging inter-industry relations through a credit policy that gives more incentives to small and medium-scale industries and handicraft industries; by promoting the application of technological options adapted to economic and social development problems; and by the coherent utilization of available resources in the context of better co-ordination of investment decisions;

(c) To promote activities geared to exports by improving the quality and the price/quality ratio of traditional exports; to diversify the range of manufactures for export and to improve the competitiveness of industrial products to be offered on regional and/or international markets;

(d) To continue to strive for independence in energy.

64. Those activities will be strengthened by developing more rational linkages between agriculture and industry which will be reflected in the selection and design of projects in the two sectors. That programme will allocate 17.3 per cent of available IPF resources or \$6.5 million to the industrial sector, \$2.7 million of which will go for seven projects in progress since the last cycle and \$2.7 million for four new projects, leaving \$1.1 million as a programmed reserve to cover the requirements of various proposals not yet costed.

Ongoing projects

Development of the handicrafts industry (MAG/82/005)

65. This project will be extended until the beginning of 1988. Its continuation beyond that date, primarily with the object of creating skilled jobs and small cottage industries in urban and rural areas, will be subject to an assessment to be made in the second half of 1987. Thus far, \$539,000 has been committed to complete the project.

Promotion of local building materials (MAG/82/009)

66. This project, which has been in operation for two years, will continue for another two years to provide crucial support for the Government's efforts to create opportunities for the poorest population groups to become owners of their own homes by elaborating prototypes of low-cost housing using local materials. A sum of \$578,000 has been allocated to finance the 1987 and 1988 operations.

Pre-investment studies (MAG/82/010)

67. This project has enabled the Planning Department to conduct or arrange for the conduct by competent officials of feasibility studies for industrial projects and it will continue this work until 1988. An amount of \$863,000 has been approved for the 1987 and 1988 operations. This project, "Studies on the industrial sector" (MAG/81/018) has been extended until 1987 in order to complete an extensive study on reviving oilseed production (see para. 57).

Development of renewable energy sources (MAG/84/007)

68. This small project is designed to promote the introduction of solar energy, hydroelectric micro-plants and wood- and industrial waste-based energy in rural areas. It has been operational since 1985 and will be completed in principle by mid-1987. However, its activities may be absorbed in a new project.

Support for the agencies responsible for improving vocational training (MAG/85/011)

69. This project has been operational since 1985 and will continue until mid-1988. Its aim is to improve the quality of industrial and handicraft workers. An amount of \$556,000 has been allocated for these activities in the fourth cycle.

New projects

70. In addition to the above-mentioned projects, which are frequently sectoral in scope and originate in the third cycle, the fourth programme calls for 10 new projects, two of which (small and medium-scale industries and maintenance) are revised extensions of the third programme. The eight others will deal with specific problems (packing, packaging of products, standardization and quality), the development of products not yet manufactured in Madagascar (pharmaceutical bottles, basic vaccines, wood-processing and utilization of wood shavings and sawdust) and technological research and development.

Promotion of small and medium-scale industry (MAG/86/007)

71. This is the successor to project MAG/82/007 and its aim is to continue to assist small and medium-scale industry in solving problems of organization, management, keeping financial records, market studies and purchase of materials required for the new structures such as those recommended by the assessment made of the previous project in December 1985. An amount of \$1,204,000 has been set aside in the fourth programme for these activities.

Industrial maintenance (MAG/87/004)

72. This is a continuation of the project with the same title (MAG/82/008). It will continue to assist small and medium-scale industries to solve maintenance problems, primarily by introducing preventive maintenance systems. Special attention will be given in the extended project to the manufacture of a range of spare parts in national workshops, with particular emphasis on parts which are not readily available on the world market. An amount of \$700,000 has been allocated for this purpose.

The Institute for quality standardization and control (MAG/87/005)

73. The absence of such an institute seriously handicaps efforts to increase exports. UNDP/UNIDO assistance will be provided to restructure the various bodies which have been active in this field. A sum of \$400,000 has been set aside to finance this project.

Promotion of the packing and packaging industry (MAG/87/008)

74. This project deals with a field of activity heretofore neglected in Madagascar. Yet, the packing and packaging of certain agricultural products is of prime importance to an industry determined to increase sales of locally-produced products, particularly abroad. A project dealing with the identified needs in this field will be part of the programme. Required funding has been set at \$400,000.

75. In support of the pharmaceutical companies which have been established in Madagascar, UNDP will assist the Government in developing the project, "Production of bottles for pharmaceutical products", as a branch of the existing glass industry. The Government will also try to secure assistance from the fourth programme for a project designed to achieve national self-sufficiency in the production of common vaccines (diphtheria, tetanus, whooping cough, etc.).

76. A project for the wood industry will assist existing enterprises in the construction - out of layers of laminated wood - of prototypes of the DORIS and FAO boats for use in offshore fishing. Another project will deal with the seasoning of heavy lumber and wood planking on an industrial scale and the third will help in the manufacture of panels made of layered sawdust and wood shavings.

77. In addition, the Government will use programme funds to strengthen the Centre for Industrial and Technological Research in its effort to promote research and development for heavy industry and processing industries, to help in the research

and development of technologies for handicraft industries and small and medium-scale enterprises and to adapt technological research and the modalities for conducting it to the realities of the country.

Programmed reserve

78. Over and above the funds allocated for ongoing projects and projects in the formulation and approval stages, a programme reserve of \$1,104,000 will be maintained for purposes of financing projects which have been identified but have not yet been formulated and of extending certain ongoing projects, particularly those relating to handicraft industries.

Rehabilitation of social services and promotion of community public works

79. Bearing in mind that the quality of life of its people depends as much on their having enough income to meet day-to-day essential needs as on the general level of social services (education, health, housing, communications, etc.), the Government has allocated a substantial part of fourth programme resources to the promotion of job-generating projects by organizing labour-intensive public works in urban as well as rural areas and by rehabilitating and developing certain social services. A sum of \$4 million (10 per cent of available resources) has been set aside thus far for those purposes, including \$700,000 for projects from the third programme and \$3.3 million for new programme proposals.

Ongoing projects

Training of sanitation personnel and restructuring of the sanitation and sanitary engineering services (MAG/76/007)

80. This institutional support project, which has been operational since 1979, will be completed by mid-1987. It has been restructured on the basis of new targets and will be focused on rural water supply (see para. 86). A sum of \$86,000 has been budgeted for 1987.

Development of health systems (MAG/84/005)

81. This project, which has been operational since 1985, has very broad objectives designed to (a) improve medical care, particularly through preventive measures like vaccination and elementary hygiene; and (b) mount a better organized campaign to eradicate the major endemic diseases: malaria and schistosomiasis. The institutional support to be provided by the project will be of key importance in strengthening provincial and local health centres. It will continue its activities until the end of 1987, but may be extended. Thus far, the budget for the year amounts to \$632,000.

New projects

82. Four new projects are planned so far in this sector in the areas of job creation, education and rural water supply.

Educational reform (MAG/84/013)

83. This 12-month institutional support project is intended to strengthen the capacity of the Ministry of Secondary and Basic Education to analyse basic data, conduct feasibility studies and provide training in technology. It will also support the University of Madagascar in the advanced training of teachers and the publication of certain teaching materials. The budget amounts to \$500.

Promotion of labour-intensive public works (MAG/85/010)

84. This project was approved in 1986, but the project activities will be carried out in 1987 in public works in rural areas: development of secondary roads, bridge-building using simple prototypes, water works, etc. This is a pilot project whose impact on the rural population will be felt not just through the work carried out, but mainly through promotion and support of self-financing local initiatives. The 1986-1990 Development Plan specifically refers to introducing the labour-intensive public works formula in Madagascar. An amount of \$400,000 has been allocated to this project.

Direct support for grass-roots initiatives (MAG/85/012)

85. The goal of this project is to promote local initiatives, especially in rural areas, in order to help construct works for the common benefit such as tracks, bridges, wells and sewerage facilities. The project, part of the policy of mobilizing individual and group initiatives, is part of the programme until the end of 1988, with a contribution of \$398,000.

Rural water supply (MAG/87/002)

86. A very large programme to bring water to rural areas will be carried out as part of the fourth programme, developing the institutional structures established in the framework of project MAG/76/007 (see para. 80). The project is in the process of being formulated. It is expected to become operational in the second half of 1987, and will provide important support for the rural development programmes, and in particular project MAG/86/005 (see para. 52). The financing required is expected to be \$2 million.

Linkages

87. The fourth programme will be especially concerned with the intra-sectoral and intersectoral effects of its projects, as evidenced by the rural development programme (see para. 53). More generally speaking, on the basis of the formulation of a project document, of close monitoring of its progress and, especially, of the tripartite in-depth evaluations, advantage will be taken of the interdependency and interrelationship between projects to achieve a more integrated programme. Once that internal process has been thoroughly tested and has produced good results, it can also be applied to projects financed by other sources.

Projects outside the main sectors of concern

88. These consist of eight projects from the third programme. Except in one case they will be completed in 1987. None of them will be carried over into the fourth programme. These projects are the following:

<u>Title</u>	<u>No.</u>	<u>Duration</u>	<u>Expenditure envisaged in 1987-1988 (\$)</u>
Assistance to the Cartographic Institute of Madagascar	MAG/78/006	1979-1987	4 295
Feasibility study for the forest-industrial complex at Haut-Mangoro	MAG/84/001	1986-1987	202 316
Strengthening of the intervention structure of the National Relief Council	MAG/84/014	1986-1987	12 400
Multi-disciplinary fellowships programme	MAG/84/016	1985-1987	186 901
Assistance to the Pharmaceutical Research Centre for the manufacture of pharmaceutical products from medicinal plants	MAG/84/017	1985-1988	119 932
Vocational retraining and reintegration of disabled persons	MAG/85/001	1986-1988	953 242
Promotion of local materials for road repair (costs shared with Switzerland/IDA)	MAG/85/004	1985-1987	22 810
Assistance to the postal services	MAG/85/008	1985-1987	<u>64 406</u>
		Total	1 566 302

C. Unprogrammed reserve

89. To enable the fourth programme to meet financial needs that may arise as and when adjustments prove necessary as the plan evolves and to respond to important requests outside the main sectors of concern, an unprogrammed reserve of \$4 million, equal to 10.6 per cent of the total IPF resources available has been allocated to the fourth programme.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

	\$	\$
A. <u>UNDP-administered sources</u>		
Third cycle IPF balance	3 680 000	
Fourth cycle IPF	33 902 000	
Special Measures Fund for the Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	-	
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds	-	-
Subtotal IPF		37 582 000
B. <u>Other sources</u>		
Funds from other United Nations agencies or organizations committed as a result of the programme exercise a/	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		-
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u>37 582 000</u>

II. USE OF RESOURCES

Ongoing projects	9 696 000	
New project proposals	15 109 000	
Programmed reserve	8 777 000	
Subtotal, programmed resources		33 582 000
Unprogrammed reserve		<u>4 000 000</u>
TOTAL USE OF RESOURCES		<u>37 582 000</u>

(Footnote on following page)

/...

a/ The execution of certain projects such as that for small-scale hydraulic engineering works, increased seed production, plant quarantine, the renewal of oilseed production, the repair of runway infrastructure (labour-intensive works) and the grass-roots initiatives, require very large inputs in local currencies from counterpart funds, in addition to the UNDP contributions. Since the sale of 100,000 tonnes of rice intended to constitute the buffer stock/price regulator for rice will generate approximately \$20 million, WFP and the Government are in the process of negotiating the allocation of the equivalent in Malagasy francs of some \$10 million to the above projects. This amount has not been inserted under the heading "Other sources" because, on the one hand, no final decision has been taken and, on the other, the modalities for its use have not yet been established.
