Board Meeting of February 18, 1997
Statement by Juanita D. Amatong

Madagascar Country Assistance Strategy

1. We would like to commend the staff for this CAS which provides a comprehensive assessment of Madagascar’s development challenges, prospects and alternative scenarios for the future. In particular, we welcome the frank and candid discussion on the country’s economic vulnerability and the difficult choices that will have to be made to set the foundation for economic stability and sustained growth.

2. We support the CAS objectives of achieving broad-based growth led by private and foreign investment, and poverty reduction. We believe that the proposed Structural Adjustment Credit would be a key instrument in ushering the country back to economic stability and growth. However, as the CAS clearly articulates on para 29 page 9 “the task promises to be extremely difficult because of enormous physical constraints rooted in twenty-five years of neglect and decline. An equally formidable task is lack of credibility: after repeated policy reversals, doubts persist as to the government’s ability to sustain policies.”

3. We welcome the sectoral priorities on agriculture, health and education. The Poverty Assessment provided an excellent analysis of poverty, its causes and characteristics. The poverty figures are staggering: 7 out of every 10 Malagasy is poor. In this regard, effective partnerships and the Bank’s role in aid coordination should be pursued vigorously. Focused and well-coordinated donor support and technical assistance in the key sectors of agriculture, health and education are critical in providing effective project interventions to target the most important needs of the poor population.

4. The CAS’ emphasis on achieving rapid agricultural growth is a strategic one. Agriculture is a vital sector in Malagasy economy. It provides 30 percent of GNP, 65 percent of exports, and 80 percent of the country’s economically active population is dependent on it as primary income source. Eighty-five percent of the poor come from the rural areas. Majority are primarily farmers who are faced with serious problems of poor infrastructure, no access to credit and inputs, and land tenure security. From the growth and poverty reduction perspectives, the agriculture sector provides the underpinning for the development of the country. However, when we look at the disbursement ratios of the IDA portfolio (Annex A7), we noted high undisbursed ratios in agriculture. We would like to know from the staff why this is so.
5. We support the emphasis on human capital development and highly commend the Bank's commitment to this objective. The situation in Madagascar is indeed a disturbing picture of declines in education. An analysis of school performance indicates that the average Malagasy student takes 11 years to complete 5 years of primary schooling, a situation that is predicted to yield a future labor force with far less education than their parents.

6. On the health sector, we would like some clarification on the apparent lack of a population component. The country's population growth rate of 2.8 percent is high compared even to the region's low-income countries' average of 1.7 percent (page 33 Annex A4), thus contributing to a negative per capita income. Does the health sector strategy envisage the integration of family planning activities?

7. We would also like the staff to enlighten us on the proposed decentralization for primary education and public health. Does the staff see this as cost-effective and sustainable? Is there adequate local capacity to assume the responsibility? How will the decentralized functions be financed? We would appreciate staff's response to these.

8. Finally, we would like to commend the Malagasy authorities for their efforts in achieving modest economic performance and their commitment to poverty reduction. We wish them success in ensuring a steady and sustained path of reform to build investor confidence and stimulate private investment, both domestic and foreign.