

1. CAS Data
Country: Madagascar
CAS Year: FY04
CAS Period: FY04–FY06
CASCR Review Period: FY04–FY06
Date of this review: March 2007
2. Executive Summary

- i. The FY04–06 CAS marked a turning point in the Bank's relationship with Madagascar. A new leadership, apparently favorable towards private sector-led development and a stated willingness to deal with corruption issues and listen to the Bank's advice, was in place. The Bank aligned its FY04–FY06 CAS assistance with the objectives of the PRSP (governance, broad-based growth, and human and material security), and responded with larger aid volumes. During this CAS period, IDA credits/grants amounted to US\$663 million, as compared to US\$421 million during FY00–02 CAS period. A third of these resources were transferred through PRSCs. The CAS was implemented in line with plans and was supported by good quality AAA.
- ii. The overall outcome has been rated as *moderately satisfactory* in this Review. Regarding governance (Objective 1), key laws, regulations and institutions have been put in place (see discussion of Objective 1 below), but their impact will take time to be felt, which is, in part, due to the long-term nature of the governance-related reforms. Despite ongoing public expenditure reforms, Madagascar ranks in the lower end of HIPC's in that regard. There has also been no significant change in domestic resource mobilization. There has been more progress with respect to Objective 2 (broad-based growth), as higher growth was achieved during the CAS period, but poverty has not declined appreciably. With regard to Objective 3 (human and material security), the results have been mixed. There has been a recent increase in expenditures for social services, but strong regional disparities still persist in the quality of services provided. In primary education, enrollments have increased, but retention rates and learning outcomes remain problematic. Most health outcomes have been improving, but some health problems are proving to be more resistant (see Objective 3, ix, below).
- iii. IEG concurs with most of the lessons of the CASCR, some of which were also included in the 2006 CAE. An additional finding is that when scaled up, aid volumes can exceed the country's absorptive capacity and move ahead of necessary institutional reforms. In such cases, aid effectiveness is greatly diminished, as has been demonstrated by the experience of the transport sector and PRSCs. Also, the integration of donor-financed projects, such as nutrition, into the budget has been problematic because of institutional weaknesses and lack of budgetary resources. Going forward, care will need to be exercised in scaling up successful programs as the CASCR recommends. It may be advisable to predicate implementation of such a strategy on specific achievements in domestic resource mobilization and improvements in public expenditure management.

CASCR Reviewed by:	Peer Reviewed by:	Group Manager
Zeynep Taymas Consultant, IEGCR	Helena Tang Lead Evaluation Officer, IEGCR	Ali Khadr, Senior Manager, IEGCR

3. CASCR Summary

Overview of CAS Relevance:

- iv. The FY04–06 CAS was developed after the political and economic crisis of 2002. A new Government headed by President Ravalomanana publically expressed a determination to embark on several reforms, including reforms aimed at restoring private sector confidence. The turnover in Government provided an opportunity for the CAS to take stock of critical issues, particularly how to reorient the Bank's assistance to help give growth a more pro-poor focus and broaden the impact of social sector programs across the country. This was all the more important because past growth had made little dent in overall poverty and regional inequalities.
- v. The FY04–06 CAS was the first one to be anchored in the PRSP, and its objectives were those adopted in the PRSP: (i) improving governance; (ii) promoting broad-based growth; and (iii) ensuring human security. These objectives were underpinned by five principles (impact on rural poverty, tackling governance and capacity building, environment improvement, and transitioning to programmatic lending) applicable to all Bank operations to enhance the impact of the Bank's assistance.
- vi. The strategy mapped out in the CAS was relevant and it was consistently reflected in the lending and non-lending assistance proposed (see next section). Arguably, however, it was not totally realistic regarding the country's implementation capacity. The CAS foresaw a transition to programmatic lending with agreed overall sector strategies, but such a transition proved somewhat premature. In several client countries insufficient preparatory work and capacity-building prior to PRSCs have been behind serious implementation problems that disrupted resource flows to beneficiaries, and the conversion of successful investment projects (such as nutrition) into programs to be financed through the budget has been more difficult and time consuming than originally envisaged. This pattern has been evident in Madagascar where the Bank may also have somewhat overestimated the country's capacity to absorb increased aid resources (see discussion of Objective 2).
- vii. The CAS selected 20 key monitoring indicators with corresponding targeted outcomes in 2006, in line with the PRSP. In general, these indicators were clearly defined and specific, and included baseline data. But the lack of reliable statistical information that is updated with sufficient frequency has made their monitoring difficult.

Overview of CAS Implementation:

- Lending was delivered in line with the High Case, as triggers were considered to be met (Annex I). The Base Case proposed seven credits for an amount of US\$505 million. In the event, six credits/grants were approved during the CAS period, and one (the Watershed Management project) was slipped to FY07. In addition to these six projects, a Multi-sectoral HIV/AIDS project and three supplements were approved, bringing the total amount approved during the CAS period to US\$663 million, slightly in excess of the amount foreseen for the High Case in the CAS (US\$650 million). About a third of IDA commitments during the CAS period were delivered through PRSCs.
- Non-Lending services also followed the CAS program closely (Annex Table 2). With the exception of the Transport Study, all of the eight planned AAA products were delivered during the CAS period. Additional AAA work was carried out to underpin the lending program and dialogue in rural and private sector development. This included the Irrigation and Land Management Review, the Land Titling Study, the report on EPZ Supply Chain Management, the Investment Climate Assessment, and a Financial Sector Assessment. The Bank was also responsive in providing a

paper with clear recommendations to address critical rice policy issues that arose in 2004. The AAA products were generally of high quality, but could have benefited from wider dissemination (a remark heard by the CAE mission).

- Portfolio Outcome indicators were somewhat below SSA and Bank averages. Seventy four percent of the projects (in terms of commitments) that closed during FY04–06 had satisfactory outcomes and resilience to risk (the average for SSA is 78 and 74 percent, respectively). After starting the CAS period with only one project at risk, the portfolio rapidly eroded in FY05, with 40 percent of the portfolio being at risk. Concerted efforts by the Bank and Government teams have now improved the portfolio, with only 10 percent of commitments being at risk. Of the five projects under implementation during the CAS period, only one had marginal rating by QAG for the quality of supervision.
- Other factors affecting implementation included cyclones that caused severe damage in 2002 and again in 2004. When such emergencies arose, IDA proved to be a responsive partner, taking steps to restructure its ongoing portfolio and add supplements to its current programs to help the country address the negative impact of such events on social programs and economic activity.

Overview of Achievement by Objective:

Objective 1: Improving Governance—Moderately Unsatisfactory

- Corruption and Transparency: During the CAS period, the Bank started to focus on the institutions needed to deal with corruption, and there has been progress in that regard. There is an anti-corruption law, as well as a Superior Council for the Struggle against Corruption, and an anti-corruption agency (BIANCO) with investigative powers although the independence of these bodies is in question since they are attached to the Presidency. BIANCO has already investigated several hundred cases, mainly related to petty corruption. Asset declaration is required of all public servants (except for the Head of State). Customs services have improved somewhat but concerns remain, as revealed in surveys. The “state” of governance as captured in the composite WB and GRICS indicators on political stability, government effectiveness and the rule of law has posted improvements since 2000, although the inferences that one is able to draw from this are very limited. Meanwhile, the GRICS composite Control of Corruption indicator remained the same between 2003 and 2005. Again, however, the movement of these indicators over time can only provide a rough indication of how the prevalence of corruption is perceived to have evolved. It appears that the anti-corruption measures, important though they may be, have thus far had only limited impact on the perceived prevalence of corruption, mainly because long-ingrained poor governance habits cannot be changed overnight. Governance problems are perceived as major obstacles to investment and business activities, as indicated in the surveys and noted in the CASCR. At the same time, and subject to the caveats spelt out above, it should be noted that Madagascar’s governance indicators are considerably above SSA averages, although they fall short of those countries like Mauritius and South Africa, which Madagascar would like to emulate. (The CAS did not include specific monitoring indicators related to corruption).
- Public Sector Management: During the CAS period, in line with HIPC process, public sector reform became one of the major pillars of Bank assistance to Madagascar. (In the CAS, all monitoring indicators for the governance objective are in this area). This was due in part to the decision to move to programmatic lending. Under PRSCs, Madagascar began implementing a program of actions to strengthen budget formulation, execution, control, monitoring, and auditing (underpinned by the recommendations of the CFAA and CPAR). In 2005, the Government introduced a performance management system for all ministries. A medium-term expenditure framework has been established, and measures are underway to strengthen treasury management. Implementation regulations of the new Procurement Code have been issued, and a new Procurement Oversight Agency is established. Despite these efforts, Madagascar remains among

the HIPC countries that require substantial upgrading of their public expenditure management systems. In 2004, the country met only 4 out of 16 HIPC Expenditure Tracking (HIPC ET) benchmarks, compared to 7 in 2002. Madagascar is the only country that showed deterioration in three benchmarks (IDA-IMF HIPC Initiative and MDRI-Status of Implementation, August 21, 2006). The CAS indicator of meeting more than 10 HIPC ET benchmarks did not materialize. A PEFA assessment—which replaces HIPC ET indicators—was undertaken for Madagascar in 2006, and has shown some improvement. (The methodology for linking HIPC ET to PEFA is being developed for better comparison). Poor domestic revenue collection has also been a long-standing issue. Madagascar's revenue hovers at around 10 to 11 percent of GDP, compared with a Sub-Saharan Africa revenue to GDP average of 19.8 percent. This low revenue effort has been a major constraint for the provision of public services. Higher revenue to GDP was a CAS objective, but did not include a monitoring indicator. During the CAS period, the Bank did little to address tax reform issue (except improvement in customs).

- **Decentralization:** In 2004, the Government put in place a new structure with the aim of facilitating communal development. The Bank assisted with the preparation of the legal and regulatory framework. Twenty-two new regions were established, managed by competitively selected chiefs nominated by the President. The Bank is supporting this reform through training of regional chiefs and their staff, as well as through other interventions. It is too early to assess the impact of these efforts.

Objective 2: Achieving Broad Based Growth—Moderately Satisfactory

- viii. The achievement of high growth rates, as in previous CASs, was an important objective, particularly after the 2002 political crisis. The growth objective had a large agenda, including improving the investment climate and infrastructure, increasing agricultural productivity, and better management of country's natural resources.
- **Growth and Investment Climate:** During the CAS period, the economy grew at around 5 percent, and there are indications that the poverty rate has been reduced to 68.7 percent in 2005 (slightly below the pre-crisis level of 69.6 percent in 2001), both in line with CAS targets. This apparent improvement is largely attributed to rising rice producer prices and recovery measures after the 2002 crisis. The Bank has contributed to this outcome by providing advice on rice policy and support for recovery efforts. Improvements occurred in Madagascar's investment climate with Bank support, most of which is the result of efforts started before the CAS under review. There is now effective communication between the public and private sectors; a one-stop shop has reduced the time needed to establish a business by half (but the number of days needed to deal with licenses is still higher than the SSA average); and the time required to clear a container through customs has been reduced (below the SSA average). Notwithstanding these positive developments, investors' confidence in Madagascar remains low, as reflected in relatively low FDI inflows.
 - **Transport:** In Madagascar, poor road transport has been one of the main reasons preventing growth from becoming broad-based. The Bank has a long history of involvement in the sector both for institutional development and construction. The CAS included specific targets for better road access where considerable improvement have occurred, mainly thanks to the road program implemented by EU. The performance of Bank's Project implementation Unit was unsatisfactory. After independent audits revealed serious shortcomings, the unit was closed down. At the same time, the huge increase in funding for the sector strained the implementation capacities of both public and private sectors. These shortcomings have adversely affected the Bank's share of the road program. Only about half of the rural road rehabilitation work originally programmed under APL2 will be realized. The national road rehabilitation program financed by APL3 is seriously behind schedule. On the other hand, there has been considerable success in bringing private

sector management into railways and ports with Bank assistance.

- **Energy Sector:** The electricity sector remains a major obstacle to economic expansion, despite continuous IDA support. In the past, IDA and the other donors adopted the position that investment in electricity generation should be left to the private sector. The electricity company (JIRAMA) received support only for maintenance and improvements. As private investment failed to materialize, JIRAMA increasingly resorted to thermal generation to meet new demand. High diesel prices, low tariffs, and governance problems put JIRAMA in a very precarious financial situation. As the CASCR notes, there is now a financial recovery plan, and the Government seems to be committed to a longer term public private partnership solution.
- **Banking Sector:** Restructurings and privatizations supported by IDA earlier resulted in the establishment of financially sound banking institutions. On the other hand, the banks are cartelized, fees and spreads are high, and penetration—only 2 percent of the population have bank accounts—is exceptionally low, even by Sub-Saharan Africa standards. Credit in rural areas is practically non-existent. To remedy this, IDA has supported a micro-credit program during this CAS period with very good results.
- **Agriculture:** Over the years, the agricultural sector trailed growth in the rest of the economy and failed to raise rural incomes. Rice yields, the main food staple for the Malagasy people, have remained relatively low (yields hovering around 2+ tons per hectare while the world average productivity is around 4 tons per hectare). In the FY04 CAS, rice yield was chosen as a monitoring indicator. There are indications that domestic rice production is on the rise, encouraged by favorable producer prices. As mentioned above, the Bank dialogue was quite useful in this regard, helping change a policy that had favored urban consumers, somewhat at the expense of local rice producers. However, there is still a large agenda for the development of the rural sector, such as research, extension, irrigation, and so on, that the Bank's work has not been very effective in addressing over the years. The small rural grant program, implemented during the CAS period, is seen by many donors as undermining their micro-credit program.
- **Environment:** The NEAP undertaken in 1988 set the basis for a 15-year environmental program. During the FY04 CAS period, the third phase of this 15-year environmental program started to be implemented. The Government, with support from donors, designated 4.5 percent of the national territory as protected areas. Deforestation appears to have decreased in protected areas, but continues in other areas, although at a slower pace than before. The legislation for the protection of the country's natural resources was enacted, but it is still to be implemented. Important environmental institutions were established but their effectiveness remains an issue, given their overlapping responsibilities and weak enforcement capacities. Community-based approaches for natural resource management are being implemented, but progress is constrained by weak capacity of the communes, poor governance, a complicated contracting process and unclear property rights.

Objective 3: Ensuring Human and Material Security—Moderately Satisfactory

- ix. Outcomes under this objective were quite specific and aimed at improving the education, health, and nutrition status of the population.
- **Education:** In primary education, enrollments increased rapidly during the CAS period. This was mainly made possible by a package of measures implemented under the EFA initiative, and introduced after the 2002 crisis to lower the cost of education. This included the elimination of school fees and the provision of free textbooks and school supplies. Teacher recruitment was increased, and teacher training stepped up. Classroom construction and rehabilitation activities

were also expanded. However, even though the primary school completion rate appears to have reached 60 percent, the quality of education remains a major issue, and numerous inefficiencies continue to beset the education system. The student-teacher ratio of 60 (as compared to 44.7 for Sub-Saharan Africa) reflects a continuing shortage of teachers, which is exacerbated by their uneven geographic distribution to poorer areas. At the same time, a major policy issue, namely the question of language of instruction is not addressed.

- **Health:** Most health indicators have been improving, but some (such as maternal mortality, HIV prevalence among pregnant women) are proving more resistant. On the positive side, child and infant mortality rates were reduced appreciably, largely surpassing the CAS targets. Child vaccination rates also rose. There is also evidence of declining mortality from malaria. As a result of these improvements, life expectancy in Madagascar (55.7 years) is among the highest in Sub Saharan Africa. These results are largely due to a limited number of donor-supported programs. Further progress will depend on systemic improvements in health care provision and funding.
- **Nutrition:** IDA has been a consistent long-term supporter of targeted food security and nutrition activities. IDA-supported projects grew from small pilot actions to a successful nationwide program. There are greater declines in the rate of transitional malnutrition (weight for height) in project sites than elsewhere although the project targets the most problematic areas. Overall, the proportion of children with low height for age 3 (stunting) had been reduced to 45 percent in 2004, against a CAS target of 40 percent in 2006. The proportion of underweight children is about 41 percent (2004 Household Survey-DHS), compared to the CAS target of 35 percent. IDA's assistance for nutrition has been subsumed under PRSCs. There are indications that this transition has caused some disruption in the delivery of services.

Achievement of CAS Objectives			
Objectives	CASCR Rating*	IEG Rating	Explanation / Comments
Objective 1: Improving Governance	MU-MS	MU	Progress made with institutional measures aimed at addressing corruption, even though it is still a major concern. Some public financial management improvements has taken place, but Madagascar still in need of substantial improvement in public expenditure management.
Objective 2: Achieving Broad- Based Growth:	U-S	MS	Higher growth rates achieved, but poverty did not decline appreciably.
Objective 3: Ensuring Human and Material Security	S	MS	Primary school enrollments increased but quality of education is in doubt. Some progress in health indicators. But severe regional disparities persist in social sectors.

*The Region does not provide an overall rating for the objectives but only provides ratings for the various components in each objective. Sometimes the Region uses ratings that are not standard (e.g., good). See paragraph xvi of the CASCR Review.

Comments on Bank Performance:

- x. The Bank's strategy and interventions were relevant and anchored in an ambitious reform agenda to make growth more pro-poor. With the FY04 CAS, the Bank made a genuine effort to reorganize and redefine its assistance to align it with the PRSP. In the process it became a trusted advisor to the Government. The dialogue with the Bank helped Madagascar to deepen its private sector-

oriented reforms. Good quality AAA—some of which was undertaken before this CAS period (such as the Rural Sector Review)—helped guide Bank’s assistance. As mentioned above, however, Bank’s strategy was too optimistic regarding Madagascar’s implementation capacity and the speed of transition to programmatic lending. This somewhat reduced the effectiveness of Bank’s assistance during the CAS period.

- xi. Stationing staff in the field has been an important contributor to strengthened supervision and donor coordination. Donor coordination has been generally strong and effective, with a few areas, such as the agricultural sector, where improvements are still needed. The relationship with the IMF has been mutually supportive, with the exception of a major disagreement in 2003 when the Bank advocated suspension of import duties on capital goods against the advice of the IMF. Overall, the shift to PRSC lending has put the burden of donor coordination more squarely on the government, for which the capacity has been rather weak.
- xii. When emergencies arose as in the political crisis of 2002 and cyclones in 2004, IDA was a responsive partner willing to reorganize all or parts of the project portfolio to accelerate or add critical activities. For example, in the health sector IDA showed great flexibility by restructuring its assistance for a more poverty-targeted approach: temporary waiver of user fees, recapitalization of the Central Drug Procurement Agency to ensure essential drug distribution, urgent rehabilitation works, distribution of subsidized mosquito nets and anti-malarial drugs, and scaling up HIV/AIDS prevention activities.

4. Overall IEG Assessment

Outcome:	Moderately Satisfactory
Bank Performance:	Satisfactory
<p>xiii. The overall outcome assessment is based on equal weighting of the three main CAS objectives, in which reduction of poverty figures predominantly. The overall outcome was positively influenced by the performance of a reform-minded Government that showed responsiveness to Bank’s policy advice, as it has not been the case for the last few decades. This has been mitigated, however, by the capacity limitations in the middle and lower echelons of Malagasy administration.</p> <p>xiv. Due to its geographic location, Madagascar is frequently hit by natural disasters. Most of the cyclones cause minimal damage, but during this CAS period, cyclones caused severe damage in 2002 and again in 2004. This has diverted some of IDA resources to be used for new investment to reconstruction activities.</p>	

5. Assessment of CAS Completion Report

- xv. The CASCR is clearly written and covers CAS objectives, as formulated in the PRSP and CAS policy matrix. Its assessments, particularly those described in the actual outcome column of Table 1: PRSP and CAS Policy Matrix, are more positive than those of this Review and the CAE, as well as the statements made in the text of the CASCR itself and in the Annex 4 entitled CAS FY04–06 Performance Report Card. The CASCR could have benefited from a more candid discussion of governance issues, particularly in the mining sector, land ownership/tenure issues in the tourism sector, as well as a clarification of apparent contradictory statements about customs. It would have been also useful to have a discussion of the changes in the IDA program. Also, it is difficult to reconcile the statement in the CASCR that IDA resources declined during the CAS period with the fact that IDA commitments during the same period were higher than those envisaged in the High

Case. This could have benefited from a clarification.

xvi. It is not easy to assess progress toward development objectives in the CASCR. The data used for the base and the end of period years do not seem to be always comparable. For example, nutrition indicator for the base year is taken from DHS, while data from SEECALINE project are used for the end year. (Usually, nutrition indicators are better in regions where SEECALINE operates). Some data reported by ministries may be subject to bias, as explained below. Also progress (such as FDI ratio and poverty rate) should not have been measured on the basis of performance in 2002 when almost all economic activities were disrupted, and social indicators deteriorated. In Annex 4 the CASCR rates the achievement of CAS sub-objectives, but the rating system used seems to be somewhat different than that of IEG. Also, there is no overall rating for the three CAS objectives, therefore making the comparison of IEG's rating with that of the Region's difficult.

xvii. As the CASCR summarizes, there have been favorable developments in social sectors. Statistical issues aside, the CASCR needs to recognize, however, that most of these improvements were achieved by specific donor-supported programs, and that systemic changes required for their sustainability, are far from being realized. Also, there are many statements in the CASCR that need to be substantiated by relevant data, such as the narrowing of disparities between girls and boys in drop out rates. Also, the progress made in HIV/AIDS program needs to be further explained. The information provided is on process, lacking results focus. Data and analysis are needed to show a causal link between increased rate of "awareness" about HIV/AIDS and "safe behavior." The CASCR is silent on the critical issue of "vulnerable groups," for which some analysis of targeting is needed.

xviii. Overall, while the CASCR notes the areas of weaknesses mentioned in this review and the CAE, it does not undertake a candid analysis of all these weaknesses, thereby missing an opportunity to better inform the upcoming CAS.

6. Findings and Lessons

- IEG concurs with all of the lessons learnt, some of which were also included in the CAE, particularly those related to the difficulty of transferring investment projects to the budget, the importance of Bank's presence in the field, and the lack of information for monitoring and evaluation.
- An additional finding of the CAE is that when the increase in aid flows exceeds the country's absorptive capacity and runs ahead of the institutional reforms necessary for their sustainability, this can have limited effectiveness. This has been demonstrated by the experience in the transport sector as well as the PRSCs, during the CAS period.
- The CASCR describes how the Bank underestimated Madagascar's mobilization of internal resources and capacity constraints in the transfer of governance and social programs to the budget. Yet, it goes on recommending the scaling up of successful programs through the budget. The implementation of this strategy needs to be contingent on specific achievements in domestic resource mobilization as well as improvements in public expenditure management systems, if past mistakes are to be avoided.
- Going forward, emphasis on statistical information is needed to be able to assess progress in achieving development objectives. The last population census in Madagascar took place in 1993. As a result, for example, the current school age population remains uncertain, thus the

achievement in primary school enrollment rates referred to in the CASCR. During the last two years, each ministry has been operating with a system of quantitative performance targets. While this is a commendable initiative, it produces also an incentive to inflate results, for example, rice yields, primary school completion rates, and so on. It seems that the lack of reliable statistical information has resulted in a monitoring infrastructure whose reporting may be more positive than the reality on the ground.

- Annex Table 1: Planned and Actual Lending 2003–2005**
- Annex Table 2: Analytical and Advisory Work: Actual vs. Planned, FY04–06**
- Annex Table 3: IEG Project Ratings for Madagascar, FY04–06**
- Annex Table 4: Portfolio Status Indicators by Fiscal Year, FY00–06**
- Annex Table 5: IBRD / IDA Net Disbursements and Charges**
- Annex Table 6: Total Net Disbursements of Official Development Assistance and Official Aid**
- Annex Table 7: Economic and Social Indicators, 2000–2005**
- Annex Table 8: Madagascar—Millennium Development Goals**
- Annex Table 9: Madagascar—Governance Indicators**
- Annex Table 10: QAG Project Ratings for Madagascar**

Annex Table 1: Planned and Actual Lending 2003–2005 (Base and High Case Scenario, in US\$ million)

	Proposed FY	Approved FY	Proposed Amount		Approved Amount
			Base case	High case	
Governance and Institutional Development TA	2004	2004	30.0	30.0	30.0
Transportation Infrastructure Investment (APL 3)	2004	2004	150.0	150.0	150.0
Third Environment Program	2004	2004	40.0	40.0	40.0
PRSC	2005	2005	70	125	125.0
Integrated Growth Poles	2005	2006	85	125	129.8
PRSC II	2006	2006	70	115	80.0
Watershed Management	2006	Slipped FY07	60	65	
<i>Additional projects</i>					
Second Multisectoral HIV/AIDS		2006			30.0
<i>Supplemental projects</i>					
Nutrition II - Supplemental		2004			10.0
Health Sector Support II - Supplemental		2005			18.0
MG-Community Dev Fund - Supplemental		2005			50.0
Total FY04–06			505.0	650.0	662.8

Source: Madagascar FY04 CAS and WB Business Warehouse as of September 13, 2006.

Annex Table 2: Analytical and Advisory Work: Actual vs. Planned, FY04–06

Proposed FY	Products envisaged	Status of delivery as of September, 2006
2004	Integrated Framework	Delivered
	Health Sector Study	Delivered FY05
	<i>Additional:</i> <i>EPZ Supply Chain Management</i>	Delivered
2005	PER	Delivered
	Development Policy Review	Delivered
	Land and Property Rights Review	Delivered FY06
	<i>Additional:</i> <i>Investment Climate Assessment</i> <i>Irrigation and Land Mgmt. Review</i>	Delivered Delivered
2006	Risk Mgmt. & Social Protection Strategy	Delivered
	Transport Sector Review	Dropped
	Environment Policy Dialogue TA	Delivered FY05
	<i>Additional:</i> <i>FSAP</i>	Delivered
	<i>Land Titling</i>	Delivered

Source: Madagascar FY04 CAS and WB Business Warehouse as of September 13, 2006.

Annex Table 3: IEG Project Ratings for Madagascar, FY04-06

Project Name	Approval FY	Exit FY	IEG Outcome	IEG Sustainability	IEG ID Impact
MG-Emergency Economic Recovery Credit (FY03)	2003	2004	SATISFACTORY	LIKELY	MODEST
MG-Education Sector Development (FY98)	1998	2005	UNSATISFACTORY	UNLIKELY	NEGLIGIBLE
Rural Water Supply and Sanitation Pilot	1998	2005	HIGHLY SATISFACTORY	LIKELY	SUBSTANTIAL
MG-Urban Infrastructure Project	1997	2005	SATISFACTORY	LIKELY	SUBSTANTIAL
MG-PRSC 1 DPL (FY05/)	2005	2005	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
MG-Transport Sector Reform & Rehabilitation (FY00)	2000	2006	SATISFACTORY	LIKELY	SUBSTANTIAL
MG-Energy Sector Development Project (FY96)	1996	2006	UNSATISFACTORY	UNLIKELY	MODEST

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome		Inst Dev Impact		Sustainability	
			% Sat (\$)	% Sat (No)	% Subst (\$)	% Subst (No)	% Likely (\$)	% Likely (No)
Madagascar	393.8	7	74.2	71.4	61	57.1	74.2	71.4
Africa	6,975.7	166	78.6	70.6	57	48.8	74.4	68.8
Bankwide average	43,917.0	711	87.6	80.0	65	56.3	89.1	81.5

Source: WB Business Warehouse tables 4a.5 and 4a.6, as of January 24, 2006.

Annex Table 4: Portfolio Status Indicators by Fiscal Year (FY00 –06)

Country	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Madagascar							
# Projects	18	17	18	15	17	14	13
# Projects at risk	2	1	14	0	1	4	1
% At risk	11.1	5.9	77.8	0.0	5.9	28.6	7.7
Net commit. amount (US\$ million)	590.9	772.2	782.9	717.2	897.2	847.9	872.9
Commit. at risk (US\$ million)	100.0	65.0	683.0	0.0	16.4	341.0	89.1
% Commit. at Risk	16.9	8.4	87.2	0.0	1.8	40.2	10.2
Burkina Faso							
# Projects	7	9	9	12	13	11	14
# Projects at risk	1	1	0	2	1	2	2
% At risk	14.3	11.1	0.0	16.7	7.7	18.2	14.3
Net commit. amount (US\$ million)	186.4	323.1	344.2	469.3	513.3	457.0	598.6
Commit. at risk (US\$ million)	5.2	41.3	0.0	43.6	41.3	42.6	94.4
% Commit. at risk	2.8	12.8	0.0	9.3	8.0	9.3	15.8
Senegal							
# Projects	20	21	21	18	14	15	15
# Projects at risk	0	4	6	2	3	1	1
% At risk	0.0	19.0	28.6	11.1	21.4	6.7	6.7
Net commit. amount (US\$ million)	718.2	948.4	850.6	777.0	686.8	632.2	631.4
Commit. at risk (US\$ million)	0.0	181.4	274.1	160.0	210.0	45.0	20.0
% Commit. at risk	0.0	19.1	32.2	20.6	30.6	7.1	3.2
Tanzania							
# Projects	21	18	22	24	23	21	26
# Projects at risk	1	1	2	2	0	4	4
% At risk	4.8	5.6	9.1	8.3	0.0	19.0	15.4
Net commit. amount (US\$ million)	1,206.7	907.0	1,233.0	1,418.7	1,444.5	1,333.0	1,894.5
Commit. at risk (US\$ million)	31.1	41.2	71.1	17.0	0.0	133.4	425.6
% Commit. at risk	2.6	4.5	5.8	1.2	0.0	10.0	22.5
Uganda							
# Projects	24	24	23	21	19	20	21
# Projects at risk	2	1	2	1	6	7	1
% At risk	8.3	4.2	8.7	4.8	31.6	35.0	4.8
Net commit. amount (US\$ million)	1,110.8	1,209.6	864.5	961.2	886.9	1,030.5	1,113.9
Commit. at risk (US\$ million)	40.6	158.0	95.0	20.0	260.6	336.1	91.0
% Commit. at risk	3.7	13.1	11.0	2.1	29.4	32.6	8.2
Africa							
# Projects	367	359	355	343	334	334	351
# Projects at risk	51	53	93	65	76	97	77
% At risk	13.9	14.8	26.2	19.0	22.8	29.0	21.9
Net commit. amount (US\$ million)	13,525.9	14,408.9	15,182.1	15,793.2	16,387.7	16,364.8	18,310.4
Commit. at risk (US\$ million)	1,618.7	2,429.8	4,088.2	2,937.3	3,174.5	4,300.9	3,241.0
% Commit. at risk	12.0	16.9	26.9	18.6	19.4	26.3	17.7
World Bank							
# Projects	1,505	1,457	1,428	1,395	1,346	1,332	1,345
# Projects at risk	231	184	272	218	228	224	188
% At risk	15.3	12.6	19.0	15.6	16.9	16.8	14.0
Net commit. amount (US\$ million)	116,163.6	106,640.7	102,601.3	94,772.5	92,554.3	93,211.7	92,888.8
Commit. at risk (US\$ million)	18,862.9	12,539.2	17,385.4	14,141.5	14,742.1	12,552.7	10,849.8
% Commit. at risk	16.2	11.8	16.9	14.9	15.9	13.5	11.7

Source: WB Business Warehouse Table 3a.4 as of September 11, 2006.

Annex Table 5: IBRD/IDA Net Disbursements and Charges (US\$ million)

Year	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2000	0.0	0.6	-0.6	0.0	0.0	-0.6
2001	110.2	19.0	91.2	5.1	0.0	86.1
2002	101.3	19.4	81.8	9.7	0.0	72.1
2003	216.5	22.2	194.3	12.6	0.0	181.7
2004	166.4	25.4	141.1	14.4	1.2	125.5
2005	324.3	28.3	296.0	16.3	2.1	277.6
2006	212.9	30.6	182.3	16.7	1.3	164.3
Total (FY00-06)	1,131.6	145.4	986.2	74.8	4.7	906.8

Source: World Bank Loan Kiosk, Net Disbursements and Charges Report as of September 11, 2006.

Annex Table 6: Total Net Disbursements of Official Development Assistance and Official Aid
Amount (US\$ Million)

	Calendar Years				
	2000	2001	2002	2003	2004
Countries					
Australia	0.01	-	-	-	-
Austria	2	10.06	1.57	1.53	1.56
Belgium	2.99	0.36	0.67	1.29	1.68
Canada	0.24	0.15	1.22	1.75	17.62
Czech Republic	-	-	-	-	0.02
Denmark	0.16	0.09	0.01	-	0.1
Finland	0.04	0.14	0.1	0.19	0.09
France	46.47	41.69	46.33	128.14	484.51
Germany	14.23	9.96	8.62	16.4	7.57
Greece	-	-	0.02	0.02	-
Ireland	0.09	-	-	-	0.12
Italy	0.59	0.86	0.09	0.08	43.31
Japan	26.31	25.46	7.6	9.7	27.95
Korea	0.03	0.02	0.15	0.08	0.08
Luxembourg	0.21	-	0.08	0.16	0.15
Netherlands	1.26	1.5	0.44	0.63	0.85
New Zealand	-	-	-	-	0.05
Norway	4.51	4.22	5.7	6.16	8.51
Portugal	0.01	-	0.05	-	-
Spain	1.06	7.73	4.86	5.26	7.95
Sweden	0.22	-	0.13	0.19	0.21
Switzerland	4.51	4.12	6.01	5.17	14.24
United Kingdom	2.12	2.5	0.71	5.06	27.47
United States	31.63	37.16	41.67	43.18	40.68
Arab Countries	-1.16	-1.42	-1.24	-0.97	-0.97
Other Bilateral Donors	0.09	0.11	0.02	-	0.01
Agencies					
AfDF	19.35	17.5	4.95	8.15	47.3
EC	19.63	54.74	48.1	86.99	128.82
GEF	1.49	2.14	2.31	2.06	0.3
IDA	76.85	92.73	158.55	187.55	308.41
IFAD	4.18	5.84	2.34	2.36	2.79
SAF+ESAF+PRGF(IMF)	45.03	34.7	11.19	8.32	43.69
UNDP	5.89	5.86	5.52	4.85	3.75
UNTA	2.47	1.75	1.55	2.27	1.89
UNICEF	5.7	3.57	5.05	4.74	5
WFP	2.7	4.47	4.19	4.67	2.38
Other UN	0.52	0.3	3.15	1.83	0.15
UNFPA	1.4	1.77	1.74	2.13	1.99
Arab Agencies	-0.63	3.84	-0.87	-1.44	5.42
DAC Countries					
DAC Countries	138.66	146	125.88	224.91	684.62
Multilateral	184.58	229.21	247.77	314.48	551.89
G7	121.59	117.78	106.24	204.31	649.11
DAC EU Members	71.45	74.89	63.68	158.95	575.57
Non-DAC Bilateral Donors	-1.04	-1.29	-1.07	-0.89	-0.86
ALL Donors	322.2	373.92	372.58	538.5	1235.65

Source: OECD DAC Online database, table 2a. Destination of Official Development Assistance and Official Aid - Disbursements, as of September 11, 2006.

Annex Table 7: Economic and Social Indicators, 2000-2005

	Madagascar					Average 2000-2005					SSA Low income	
	2000	2001	2002	2003	2004	2005	Madagascar	Burkina Faso	Senegal	Tanzania		Uganda
Growth and Inflation												
GDP growth (annual %)	4.8	6.0	-12.7	9.8	5.3	4.6	3.0	4.5	4.6	6.6	5.4	4.1
GDP per capita growth (annual %)	1.7	3.0	-15.1	6.8	2.4	1.8	0.1	1.3	2.1	4.5	2.0	1.8
GNI per capita, PPP (current international \$)	810	860	740	800	840	880	822	1,108	1,558	615	1,352	1,769
GNI per capita, Atlas method (current US\$)	240	250	220	280	290	290	262	297	518	297	248	549
Inflation, consumer prices (annual %)	12.0	6.9	15.9	-1.2	13.8	18.5	11.0	2.5	1.4	4.0	4.0	..
Composition of GDP (%)												
Agriculture, value added (% of GDP)	29.1	28.6	31.7	29.2	28.8	28.1	29.3	31.7	18.2	45.0	33.8	17.9
Industry, value added (% of GDP)	14.5	14.7	14.4	15.3	16.0	15.9	15.1	18.3	19.9	16.5	20.9	30.8
Services, etc., value added (% of GDP)	56.4	56.7	53.9	55.5	55.2	56.0	55.6	50.0	61.8	38.5	45.3	51.4
External Accounts												
Exports of goods and services (% of GDP)	30.7	29.1	16.0	23.1	32.6	25.6	26.2	8.8	29.5	16.8	12.7	32.4
Imports of goods and services (% of GDP)	38.0	32.3	22.6	32.1	49.2	40.3	35.8	23.0	41.0	25.6	26.0	32.2
Current account balance (% of GDP)	-6.7	-3.1	-6.1	-5.6	..	..	-5.4	26.4	34.1	28.5	27.7	..
External debt (% of GNI)	123.2	92.9	104.2	91.8	80.7	..	98.6	47.8	72.5	71.0	68.9	60.4
Total debt service (% of GNI)	3.1	1.5	1.5	1.3	1.9	..	1.9	1.4	4.6	1.3	1.3	3.7
Total reserves in months of imports	..	..	..	..	..	..	..	..	..	..	..	..
Gross domestic savings (% of GDP)	7.7	15.3	7.7	8.9	7.8	7.7	9.2	5.0	8.7	9.5	7.6	18.8
Gross fixed capital formation (% of GDP)	15.0	18.5	14.3	17.9	24.3	22.4	18.7	19.6	19.1	18.1	20.2	17.9
Fiscal Accounts (% of GDP) ^{1/}												
Government revenues, excl. all grants	11.7	10.1	8.0	10.3	12.1	14.4	11.1	12.4	18.8	11.6	11.9	23.7
Total expenditure, and net lending	18.1	18.4	15.7	19.5	21.4	21.7	19.1	22.5	22.2	19.3	24.6	27.1
Overall surplus/deficit, incl. all grants	-2.8	-4.3	-5.5	-4.1	-3.5	-3.3	-3.9	-4.4	-1.6	-2.6	-5.2	-2.0
Overall surplus/deficit, excl. all grants	-6.4	-8.2	-7.7	-9.2	-9.3	-7.2	-8.0	-10.0	-3.4	-7.8	-12.7	-3.4
Social Indicators												
Health												
Life expectancy at birth, total (years)	54.8	..	55.3	55.5	55.6	..	55.3	47.5	55.7	46.3	47.2	46.1
Immunization, DPT (% of children ages 12-23 months)	57.0	58.0	60.0	61.0	61.0	..	59.4	73.2	64.8	88.6	71.8	56.6
Improved sanitation facilities (% of population with access)	..	..	..	..	32.0	..	32.0	13.0	57.0	47.0	43.0	37.0
Improved water source (% of population with access)	..	..	..	..	46.0	..	46.0	61.0	76.0	62.0	60.0	56.2
Mortality rate, infant (per 1,000 live births)	84.0	..	..	..	76.0	..	80.0	98.4	78.8	83.2	82.6	102.0
Education												
School enrollment, preprimary (% gross)	3.3	3.3	6.6	10.0	10.0	..	6.6	1.3	3.6	26.4	3.5	15.1
School enrollment, primary (% gross)	99.7	100.9	102.0	117.0	133.5	..	110.6	47.6	69.2	87.9	127.9	88.9
School enrollment, secondary (% gross)	..	..	..	..	..	..	..	11.4	16.7	..	17.3	30.6
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	70.7	..	70.7	21.8	39.3	69.4	66.8	61.5
Population												
Population growth (annual %)	2.9	2.9	2.8	2.8	2.7	2.7	2.8	3.1	2.4	2.0	3.3	2.3
Population, total (million)	16.2	16.7	17.1	17.6	18.1	18.6	17.4	12.2	11.0	36.6	26.5	702.3
Urban population (% of total)	26.0	26.2	26.3	26.5	26.6	26.8	26.4	17.4	41.1	23.3	12.4	34.0

^{1/}WB Africa Regional database
Source: WB World Development Indicators (September 2006 update) for all indicators except those noted.

Annex Table 8: Madagascar - Millennium Development Goals

	1990	1995	1998	2001	2004
Goal 1: Eradicate extreme poverty and hunger					
Income share held by lowest 20%	..	..	..	5	..
Malnutrition prevalence, weight for age (% of children under 5)	..	34	40	33	42
Poverty gap at \$1 a day (PPP) (%)	..	..	18	28	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	49	61	..
Poverty headcount ratio at national poverty line (% of population)	..	..	71	..	..
Prevalence of undernourishment (% of population)	..	..	40	..	38
Goal 2: Achieve universal primary education					
Literacy rate, youth total (% of people ages 15-24)	72	..	..	..	70
Persistence to grade 5, total (% of cohort)	21	..	51	34	57
Primary completion rate, total (% of relevant age group)	34.9	28.1	32.5	35.4	45.3
School enrollment, primary (% net)	64	..	63	66	89
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliament (%)	7	..	4	8	4
Ratio of girls to boys in primary and secondary education (%)	97.5	..	96.7	..	..
Ratio of young literate females to males (% ages 15-24)	85.6	..	..	..	93.9
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	24	..	..	..	..
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	47	55	46	57	59
Mortality rate, infant (per 1,000 live births)	103	95	..	84	76
Mortality rate, under-5 (per 1,000)	168	156	..	137	123
Goal 5: Improve maternal health					
Births attended by skilled health staff (% of total)	..	..	47.3	46.2	51.3
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	550	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children orphaned by HIV/AIDS	..	..	..	..	13000
Contraceptive prevalence (% of women ages 15-49)	..	..	19	17	27
Incidence of tuberculosis (per 100,000 people)	192	..	..	..	217.9
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	0
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..	1
Tuberculosis cases detected under DOTS (%)	..	50.9	68.4	70.5	73.7
Goal 7: Ensure environmental sustainability					
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	0.1	..
Forest area (% of land area)	24	..	..	22	22
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..	..
Improved sanitation facilities (% of population with access)	14	..	..	..	32
Improved water source (% of population with access)	40	..	..	..	46
Nationally protected areas (% of total land area)	..	..	..	..	4.3
Goal 8: Develop a global partnership for development					
Aid per capita (current US\$)	33.1	21.6	31.5	22.4	68.2
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	44	7	21	3	4
Fixed line and mobile phone subscribers (per 1,000 people)	2.6	2.8	3.9	12.4	19.5
Internet users (per 1,000 people)	0	0	0.6	2.1	5
Personal computers (per 1,000 people)	..	..	1.6	2.4	5
Total debt service (% of exports of goods, services and income)	45	8	15	5	6
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	6	5.9	..	5.1
GNI per capita, Atlas method (current US\$)	230	230	240	250	290
GNI, Atlas method (current US\$) (billions)	2.8	3.2	3.7	4.2	5.2
Gross capital formation (% of GDP)	17	10.9	14.8	18.5	24.3
Life expectancy at birth, total (years)	51	53.2	54	55.3	55.6
Literacy rate, adult total (% of people ages 15 and above)	58	..	..	..	70.7
Population, total (millions)	12	13.9	15.3	16.7	18.1
Trade (% of GDP)	44.6	55.8	50.8	61.4	81.8

Note: Figures in italics refer to periods other than those specified.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 targets: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 targets: Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015.

Goal 4 targets: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 targets: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015 and begun to reverse the spread of HIV/AIDS. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.

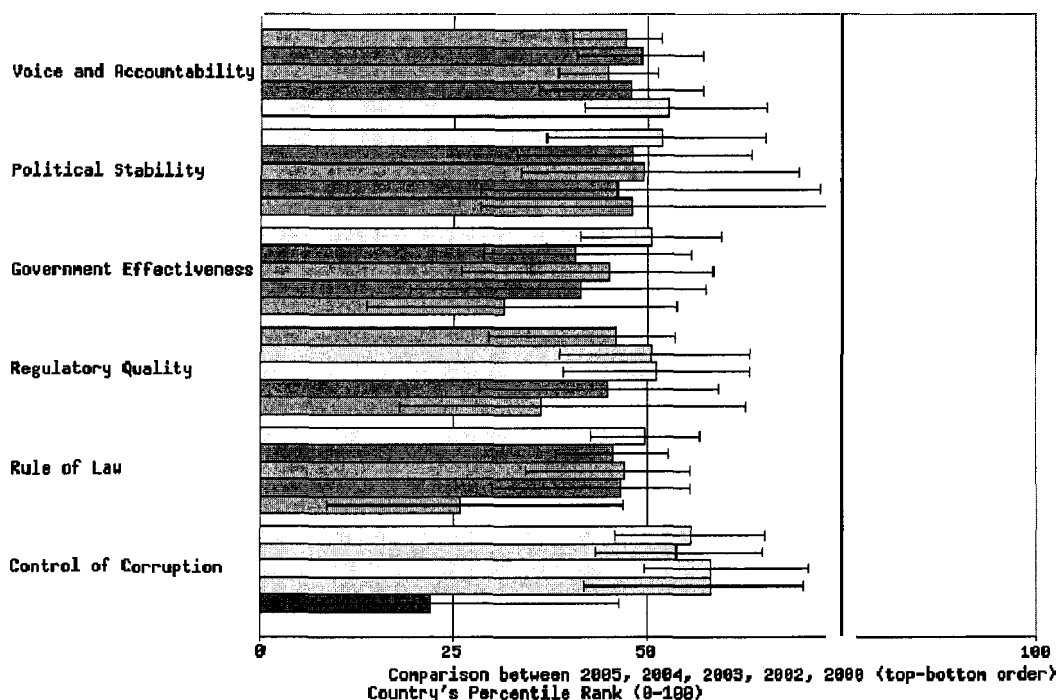
Goal 8 targets: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system. Address the special needs of the least developed countries. Address the special needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: World Development Indicators database, September 2006

Annex Table 9: Madagascar—Governance Indicator (Percentile Rank (0-100) *)

	2000	2002	2003	2004	2005
<u>Voice and Accountability</u>					
Madagascar	52.7	47.8	44.9	49.3	47.3
SSA regional average	31.4	29.5	32.2	32.7	32.8
<u>Political Stability</u>					
Madagascar	48.1	46.2	49.5	48.1	51.9
SSA regional average	27.3	31.5	31.5	33.3	33.9
<u>Government Effectiveness</u>					
Madagascar	31.6	41.6	45.0	40.7	50.7
SSA regional average	30.2	28.1	28.4	28.1	27.0
<u>Regulatory Quality</u>					
Madagascar	36.5	44.8	51.2	50.7	46.0
SSA regional average	31.6	29.8	29.6	28.7	28.1
<u>Rule of Law</u>					
Madagascar	26.0	46.6	47.1	45.7	49.8
SSA regional average	29.8	29.4	28.5	27.7	28.0
<u>Control of Corruption</u>					
Madagascar	22.1	58.3	58.3	53.9	55.7
SSA regional average	32.8	32.2	30.5	29.9	29.0

* 1/ Percentile rank indicates the percentage of countries worldwide that rate below the selected country (subject to margin of error)



Annex Table 10: QAG Project Ratings for Madagascar, FY04–06

Project Name	Approval FY	Exit FY	Status	Quality at Entry	Quality of Supervision
MG-Transp Sec Reform & Rehab (FY00)	2000	2006	Closed	Satisfactory	
Rural Water Supply and Sanitation Pilot	1998	2005	Closed	Marginal	
MG-Multisector STI/HIV/AIDS Prevention	2002	2008	Active	Satisfactory	
MG-Energy Sector Development II	1996	2006	Inactive		Marginal
MG-Urban Infrastructure Project	1997	2005	Closed		Satisfactory
MG-Microfinance	1999	2007	Active		Satisfactory
MG-Rural Development Support Project	2001	2007	Active		Satisfactory
MG-Community Development Fund	2001	2008	Active		Satisfactory