Board Meeting of Tuesday, February 18, 1997
Statement by Godfrey Gaoseb

Madagascar: Country Assistance Strategy

We find the proposed Country Assistance Strategy on Madagascar and discussion of the country’s economic performance over the last ten years to be candid. Among other things, the document indicates the positive results attained by the government’s attempts at reforms in the mid-1980s as well as the lost momentum in 1991. We are, however, pleased to note the substantial improvement in commitment amongst policy-makers and the emerging nationwide consensus on the need for reform in the past several months. This is indicative of the broader base involvement of civil society in the reform process and we urge Madagascar’s development partners, particularly the Bank, to intensify their dialogue with the authorities and civil society to nourish this encouraging orientation.

The economic and social conditions in Madagascar deteriorated over the years with declining trends in education, nutrition and life expectancy indicators. The high incidence of poverty, particularly amongst the rural communities makes this situation all the more difficult. However, it is a little comforting to note that improved economic management has been changing the situation since 1995 with growth rates rising to 2 percent after recording an average yearly fall of 4 percent between 1990 and 1993. This clearly is not enough to achieve significant results in the area of poverty reduction. It is, therefore, not surprising that the government has set the ambitious economic growth targets of 9.5% from the year 2005 onwards.

We find the proposal of the Bank’s Country Assistance Strategy (CAS), FY97-99 for Madagascar broadly in line with the government’s policy objectives and we, therefore, have no difficulty in supporting it. Having made these general remarks, I would like to add a few brief comments on the CAS.

First: Box 2 of the CAS provides a vivid description of the scale and depth of poverty in Madagascar. We are pleased to note that poverty alleviation is the center piece of the government’s development agenda and that both the Bank’s lending and non-lending assistance will be geared towards that end. In this regard, we are particularly pleased to note the emphasis on human capital formation, rural development and ESW as well as a wide range of other activities related to poverty alleviation.

Second: On the social sectors, the very low indicators, particularly the dismal position of education and health statistics in Madagascar, underlines the need for concerted effort from both the government and their development partners to raise the level of participation by the poor in these sectors. In particular, given the poor condition of education and health services in
the rural areas, the Bank should pay particular attention to helping the government to restructure its social expenditures as this is more likely to affect the 85 percent of the poor who live in rural areas.

Third: In its rural development strategy, the document is clear about the government's aim to increase rural incomes by raising agricultural productivity through a number of instruments outlined out in paragraph 25. This objective is clearly consistent with the CAS plan for Agriculture and Rural Development in Box 5. However, considering Madagascar's agricultural export trade vulnerability, I would have liked the issue of diversification in agriculture to be given emphasis in both the government's development agenda and the Bank's CAS. Furthermore, we fully endorse the Bank's plan to bring together central and local government units, rural citizens, the private sector and other donors to jointly define a rural development strategy that would rely on the empowerment of the local communities.

Fourth: In view of the expected deterioration in the trade deficit during 1996-2000, diversification of the export base is an area that warrants more attention by the Bank. In this connection, we are delighted to note the emphasis put by the proposed CAS on the Export Processing Zone.

Fifth: We welcome the leading position given to the private sector in both the government's agenda and the CAS' medium-terms strategy to produce a robust growth in employment. In this regard, efforts must be made to improve functional literacy and the technical skills of women and other disadvantaged groups in the community if they are to fully benefit from these medium-term employment opportunities. The development of local capacity for both agricultural and industrial production would enhance the expansion of the export processing zone and stimulate foreign investment.

Sixth: We also welcome consideration for ESW on private sector provision of health services (paragraph 45). However, we believe that there is a strong need to stress the relationship between the efficient provision of social services by the private sector and the issues of equitable distribution in the midst of a predominantly poor society.

Seventh: Improvement in portfolio performance cited in paragraph 36 is worth noting. We would like to commend the Resident Mission for its efforts in project implementation and supervision and suggest that the efforts of this office be disseminated to other offices.

Eighth: A point of concern relates to the view expressed in paragraph 8 that the deterioration in the economic situation coincided with the transition to democracy. Such judgments, we believe, may give rise to misinterpretation, particularly in situations like the Madagascar's where the on-going democratic process needs to be encouraged and fostered. We would, therefore, caution staff from making statements that may be misconstrued by some that the Bank is making political judgments and hence spur more political factionalism.

Ninth: We have no difficulty in endorsing the lending levels in paragraph 51 and 52 of the CAS, bearing in mind the need for more financial resources to be directed at human resource development and poverty alleviation. We are also comfortable with the trigger mechanism set for the high case scenario.

Tenth: With a debt burden projected to exceed the upper threshold limit set by the HIP Initiative until the year 2001, and the anticipation that Naples debt relief will not be adequate to liberate sufficient budgetary resources for essential services, we concur with the view that exceptional donor support will be required to bring down debt service to sustainable levels and to meet other resource requirements for development and poverty reduction.

In closing, allow me, Mr. Chairman, to commend the staff for their continued effort to engage the government in a meaningful dialogue and to wish the authorities in Madagascar a successful implementation of their development agenda.